COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1744-04
Bill No.: SCS for SB 376
Subject: Energy; Public Service Commission; Utilities
Type: Original
Date: April 3, 2009

Bill Summary: Directs the Public Service Commission to allow electric and gas companies to recover costs associated with energy efficiency programs

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	**Unknown**	**Unknown**	**Unknown**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** state this proposal will have no fiscal impact on their respective divisions.

Officials from the **Department of Natural Resources** anticipate this proposed legislation will not have a direct fiscal impact on their agency.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight assumes the provisions of this proposal are permissive and customers may elect not to participate in demand-side measures offered by an electrical corporation. **Oversight** also notes that the cost recovery provisions outlined in this proposal will not be permitted unless the program is beneficial to all customers in the customer class in which the programs are proposed, therefore, the proposal should provide a positive fiscal impact to local political subdivisions participating in the program. For fiscal note purposes only, **Oversight** will assume that the unknown energy efficiency benefits would exceed the unknown costs attributed to cost recovery provisions.

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL POLITICAL SUBDIVISIONS			
Savings - Energy costs due to energy efficiency programs	Unknown	Unknown	Unknown
Cost - Energy costs due to cost recovery allowed by utilities	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**Unknown**	**Unknown**	**Unknown**

FISCAL IMPACT - Small Business

Some small businesses that elect to participate in this program should see a net positive fiscal impact due to savings due to energy efficiency programs exceeding energy costs due to cost recovery provisions allowed by utilities.

FISCAL DESCRIPTION

This proposed legislation creates the Missouri Energy Efficiency Investment Act.

The Public Service Commission (PSC) must allow electric companies to implement and recover costs related to PSC-approved energy efficiency programs. Cost recovery shall only occur when the program has been approved by the PSC, the program results in energy savings, and the program is beneficial to all customers in the class for which the program is proposed. In determining recovery of costs, the PSC shall use a cost-effectiveness test as described. The proposal allows the electric companies to implement certain programs that are paid for through alternate measures even if the programs do not meet the cost-effectiveness test.

The PSC may develop cost recovery methods to encourage further investments in energy efficiency programs, which may include capitalization of investments, rate design modifications, accelerated depreciation, allowing the company to retain a portion of the net benefits for its shareholders, and a cost adjustment clause. The PSC shall fairly apportion the costs and benefits of energy efficiency programs to each customer class except that it may reduce or exempt costs to low-income classes.

Customers may elect not to participate in an electric company's energy efficiency program and

FISCAL DESCRIPTION (continued)

not be charged for the associated costs provided the customer meets certain criteria.

Electric companies must annually report on their energy efficiency activities under the proposal, with requirements as listed.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
- Public Service Commission
- Office of Public Counsel

Department of Natural Resources
Office of Secretary of State
- Administrative Rules Division

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