COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

# FISCAL NOTE

L.R. No.: 1744-05
Bill No.: Truly Agreed To and Finally Passed SS for SCS for SB 376
Subject: Energy: Public Service Commission; Utilities
Type: Original
Date: June 4, 2009

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Bill Summary: This proposal modifies provisions relating to energy efficiency investments.

## FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| | $0 | $0 | $0 |
| | | | |
| **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 |
| Public Service Commission Fund | ($59,538) | ($69,631) | ($71,720) |
| | | | |
| **Total Estimated Net Effect on Other State Funds** | **($59,538)** | **($69,631)** | **($71,720)** |

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 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 |
| Public Service Commission Fund | 1 FTE | 1 FTE | 1 FTE |
| **Total Estimated Net Effect on FTE** | **1 FTE** | **1 FTE** | **1 FTE** |

☐ 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** | **$0** | **$0** | **$0** |

## FISCAL ANALYSIS

ASSUMPTION

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

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.

*§8.305 - Energy efficient appliance purchases*

This section states that any appliance purchased with state moneys must be an appliance that has earned the Energy Star rating. Appliances are exempted from this requirement when the cost of compliance is expected to exceed the projected energy cost savings gained.

**Oversight** assumes no fiscal impact resulting from this section.

*§393.1124 - Missouri Energy Investment Act*

§393.1124.7

Officials from the **Public Service Commission (PSC)** state this subsection includes a new requirement that customers seeking exemptions from participation in energy efficiency programs to demonstrate that they have comprehensive energy efficiency initiatives in place that are funded using financial criteria similar to the total resource cost test and demonstrate an achievement of savings.

The PSC will need to promulgate rules outlining these requirements and will have to review the customer's energy efficient initiatives to determine whether they meet the total resource cost test

ASSUMPTION (continued)

and demonstrate an achievement of savings. Any single customer may have a large number of energy efficiency measures implemented to allow it to opt-out so the review of a single customer may be a significant task. It is unknown how many customers will seek exemptions and require this additional analysis.

It is difficult to estimate the full impact of this section of the proposed legislation since it is unknown how many customers will seek exemption. PSC estimate one Regulatory Economist II will be needed. The Regulatory Economist II is responsible for economic work related to the analysis of energy efficiency programs. This person would serve as an expert witness in cases before the commission.

The Economist II salary is $43,344 (Range 28, Step G)

Other expenses:
Seminars & Training: $1,000 per year
Office Supplies: $318 per year
Telephone Expense: $780 per year
Publications and Subscriptions: $100 per year
Rental of Office Space: $200 sq ft @ $13.50/sq ft.
Personal Computer installation: $175
PC (standard): $1,092
Calculator: $51
Travel: $845

**Oversight** has, for fiscal note purposes only, changed the starting salary for the Regulatory Economist II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. **Oversight** also assumes this position can be located within existing office space.

§393.1124.14 (3)

Officials from the **Department of Corrections (DOC)** state that, currently, the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal (§393.1124.14 (3). An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

ASSUMPTION (continued)

If additional persons are sentenced to the custody of the DOC due to the provisions of this proposed legislation, the DOC will incur a corresponding increase in operational cost through supervision provided by the Board of Probation and Parole (FY08 average of $2.47 per offender, per day or an annual cost of $902 per offender).

In summary, supervision by the DOC through probation would result in some additional costs, but it is assumed the impact would be $0 or a minimal amount that could be absorbed within existing resources.

| FISCAL IMPACT - State Government | FY 2010 (10 Mo.) | FY 2011 | FY 2012 |
|---|---|---|---|
| **PUBLIC SERVICE COMMISSION FUND** | | | |
| Cost - Public Service Commission-Personal Services (§393.1124) | | | |
| Salaries (1 FTE) | ($36,483) | ($45,092) | ($46,445) |
| Fringe Benefits | ($17,742) | ($21,928) | ($22,586) |
| Equipment and Expense | ($5,313) | ($2,611) | ($2,689) |
| Total | ($59,538) | ($69,631) | ($71,720) |
| **ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION FUND** | **($59,538)** | **($69,631)** | **($71,720)** |
| Estimated Net Effect on FTE for Public Service Commission Fund | 1 FTE | 1 FTE | 1 FTE |

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

## FISCAL IMPACT - Small Business

To the extent the customer requesting exemption as provided in §393.1124.7 is a small business, the proposed legislation could have an economic impact to that business since it will now be required to make a showing before the Commission.

## FISCAL DESCRIPTION

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 act 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, and allowing the company to retain a portion of the net benefits for its shareholders. 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 not be charged for the associated costs provided the customer meets certain criteria. Customers who elect not to participate will not be eligible to participate in the programs in the future, except as provided by rule by the PSC. Customers who participate in programs starting after August 1, 2009 must participate in the funding recovery for a certain period of time as established by rule by the PSC.

Electric companies must annually report on their energy efficiency activities under the act, with requirements as listed. Electric companies must list out separately on its customers' bills the cost associated with its energy efficiency programs.

The act prohibits any customer from participating in a company's energy efficiency program that offers a monetary reward for participating if the customer has received a tax credit through the low-income housing or historic preservation tax credit programs. The PSC shall develop rules to prescribe documentation to be provided to the electric company by the customer to prove that he or she did not receive either such tax credit. It shall be a Class A misdemeanor for providing false documentation.

FISCAL DESCRIPTION (continued)

The PSC must develop rules that provide for public disclosure of all the recipients of monetary rewards through energy efficiency programs offered by electric companies under the act.

The act requires any appliance purchased by the state until August 28, 2011 to be an Energy Star rated appliance, unless it is cost-prohibitive.

The act removes the requirement that commissioners of the PSC must live within 45 miles of Jefferson City.

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
Department of Corrections

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