

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1744-05  
Bill No.: Perfected SS for SCS for SB 376  
Subject: Energy; Public Service Commission; Utilities  
Type: Original  
Date: April 16, 2009

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

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**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.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

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. 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)

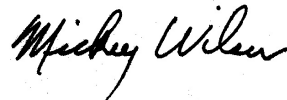
not be charged for the associated costs provided the customer meets certain criteria. Customers who elect not to participate will not be eligible to participate in the programs in the future, except as provided by rule by the PSC. Customers who participate in programs starting after August 1, 2009 must 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 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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Director  
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