

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0772-04
Bill No.: SB 310
Subject: Corporations; Energy; Public Service Commission; Utilities
Type: Original
Date: February 17, 2015

Bill Summary: This proposal allows electrical corporations to recover depreciation expense and return for qualifying electric plants placed in service.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Public Service Commission Fund	(\$230,131)	(\$273,717)	(\$276,510)
Total Estimated Net Effect on Other State Funds	(\$230,131)	(\$273,717)	(\$276,510)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Public Service Commission Fund	3	3	3
Total Estimated Net Effect on FTE	3	3	3

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials from the **Department of Economic Development - Office of the Public Counsel (OPC)** assume this proposal will allow regulated electric utilities to defer expenses associated with a large number of investments, from generating plants to distribution lines and customer meters. Because of the deferral and the mandatory recovery (Section 393.1400.1), utilities making these investments are not subject to the same scrutiny that traditional rate making imposes. There is no check on the prudence of investments until after-the-fact prudence reviews in subsequent general rate proceedings. For this threat to be credible, OPC needs qualified personnel to review the utilities infrastructure investments and to challenge the prudence of those investments if they are not in the public interest.

OPC state that this proposal will create significant additional responsibilities for the OPC staff requiring the addition of 3 FTEs with specific professional expertise to address the complex legal, engineering and financial issues that will be raised by this legislation. The 3 FTE will include a Public Utility Engineer I (\$71,096 annually), Public Utility Accountant I-III (\$46,326 annually) and a Senior Public Counsel I (\$58,423 annually). The costs to the Public Service Commission Fund are estimated to be \$230,131 in FY16, \$273,717 in FY17, and \$276,510 in FY18.

Officials from the **Department of Economic Development - Public Service Commission** and **Department of Economic Development - Division of Energy** each assume the current proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
PUBLIC SERVICE COMMISSION FUND			
<u>Costs - DED - OPC</u>			
Salaries	(\$146,538)	(\$177,603)	(\$179,379)
Fringe Benefits	(\$76,207)	(\$92,362)	(\$93,286)
Equipment & Expenses	<u>(\$7,386)</u>	<u>(\$3,752)</u>	<u>(\$3,845)</u>
<u>Total Costs - DED - OPC</u>	<u>(\$230,131)</u>	<u>(\$273,717)</u>	<u>(\$276,510)</u>
FTE Change - DED - OPC	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION FUND	<u>(\$230,131)</u>	<u>(\$273,717)</u>	<u>(\$276,510)</u>
Estimated Net FTE Change on the Public Service Commission Fund	3 FTE	3 FTE	3 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2016 (10 Mo.)	 FY 2017	 FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could result in an increase in utility costs to small businesses.

FISCAL DESCRIPTION

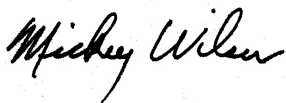
This proposal allows electrical corporations to recover depreciation expense and return for qualifying electric plants placed in service. The definitions of "qualifying electric plant", "relevant period", and the calculation of such expense and return is set forth in this proposal. The balance in the regulatory asset account shall be included in determining the electrical corporation's rate base during their next general rate proceeding. The amount may be amortized and recovered in rates over a period of 35 years. This proposal also allows electrical corporations to recover this same expense for the time period from the end of a relevant period to the effective date customer rates take into account this expense. The Public Service Commission shall retain the authority to review such costs for prudence during the electrical corporation's general rate proceeding. Nothing in this proposal shall limit the Public Service Commission's authority to authorize an electrical corporation to defer depreciation expense and return for recovery in an electrical corporation's general rate proceeding.

The recovery of such depreciation expense and return shall not impact the rates of customers who have a billing demand of 5 megawatts or more. The revenues that would have been produced from increasing the retail rates of such customers shall not be recovered from other customers. The impact on the electrical corporation's revenue requirement caused by the inclusion of the regulatory asset shall not exceed the maximum revenue requirement impact calculated as set forth in this proposal.

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
Office of the Public Counsel
Public Service Commission
Division of Energy



L.R. No. 0772-04
Bill No. SB 310
Page 6 of 6
February 17, 2015

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