

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6293-07  
Bill No.: SCS for SB 1028  
Subject: Corporations; Energy; Public Service Commission; Utilities  
Type: Original  
Date: April 6, 2016

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Bill Summary: This proposal establishes the 21<sup>st</sup> Century Grid Modernization and Security Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Unknown greater than \$86,595)	(Unknown greater than \$85,266)	(Unknown greater than \$86,075)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Unknown greater than \$86,595)</b>	<b>(Unknown greater than \$85,266)</b>	<b>(Unknown greater than \$86,075)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Public Service Commission Fund	(Unknown greater than \$770,845)	(Unknown greater than \$725,452)	(Unknown greater than \$732,286)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown greater than \$770,845)</b>	<b>(Unknown greater than \$725,452)</b>	<b>(Unknown greater than \$732,286)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
General Revenue	1	1	1
Public Service Commission Fund	9	9	9
<b>Total Estimated Net Effect on FTE</b>	<b>10</b>	<b>10</b>	<b>10</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

In response to a previous version of this proposal, officials from the **Attorney General's Office** assumed that any potential costs arising from the proposal can be absorbed with existing resources.

Officials from the **Department of Natural Resources** assume the current proposal would not fiscally impact their agency.

**Oversight** assumes this proposal may increase utility costs to all state departments and local governments. However, this is a possibility which would be an indirect effect of the proposal.

Officials from the **Department of Economic Development - Division of Energy (DE)** assumes there would be a fiscal impact to DE due to the numerous provisions in this proposal that are related to Public Service Commission regulatory issues and DE's involvement in such cases. DE staff will actively participate in cases before the Public Service Commission where the provisions of this proposal are considered and implemented. DE assumes it would need 1 FTE Planner III (\$55,413/annually) to complete new duties including initially participating in rule-makings and other proceedings required for the transition to the new regulatory structure, renewable energy standards and net metering. On an ongoing basis, this FTE will monitor and evaluate the impact of the proposed grid modernization, energy efficiency and renewable energy provisions and perform specialized professional work in planning and policy development.

Officials from the **Department of Economic Development - Public Service Commission (PSC)** assume the fiscal impact to PSC is unknown at this time. There is conflicting language within the proposal as to the role and authority of the Commission. Because the language is not clear and the effect of the language cannot be known at this time, the Commission cannot predict what resources it will need for auditing, engineering analysis, economic analysis, customer service reviews, or any of the other functions the Commission currently performs.

It is not clear how many of the 4 investor-owned electrical utilities will opt in to performance based rates versus opting to remain under traditional regulation. The proposal allows electrical utilities to opt out of performance-based rates and revert back to traditional regulation at any time. It is not clear if/when electrical utilities will revert back to traditional regulation. Depending on the extent to which the proposal affects the Commission's role and authority, the resources the Commission needs in exercising its authority under the proposed system compared to traditional regulation could vary widely. Either way, if utilities may transfer from one system

of regulation to the other at any time, the Commission would likely need to maintain the maximum necessary resources at all times.

ASSUMPTION (continued)

Officials from the **Department of Economic Development - Office of the Public Counsel (OPC)** estimate that 2 additional FTE for attorneys, 3 additional FTE for auditors, 2 FTE for analysts, 1 FTE for office support personnel and 1 FTE for an engineer would be needed to address the requirements of this proposal. In addition to the two attorneys already mentioned, additional attorneys will be needed to address the yearly rate increase and prudence review requests. Analysts and engineers will be needed for the prudence reviews of these annual requests and an additional support personnel will be required to manage the increased number of regulatory filings required by the legislation.

Senior Counsel (2) - \$58,423 each/annually  
Public Utility Accountant I-III (3) - \$50,040 each/annually  
Regulatory Economist I - \$47,892 annually  
Public Utility Engineer - \$69,612 annually  
Senior Office Support Assistant - \$29,412 annually  
Research Analyst I-IV - \$54,288 annually

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DE</u>			
Salaries	(\$55,413)	(\$55,967)	(\$56,526)
Fringe Benefits	(\$21,026)	(\$25,382)	(\$25,535)
Equipment and Expenses	(\$10,156)	(\$3,917)	(\$4,014)
<u>Total Costs - DE</u>	<u>(\$86,595)</u>	<u>(\$85,266)</u>	<u>(\$86,075)</u>
FTE Change - DE	1 FTE	1 FTE	1 FTE
<u>Costs - Statewide</u>			
Possible increase in utility costs	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown greater than \$86,595)</u></b>	<b><u>(Unknown greater than \$85,266)</u></b>	<b><u>(Unknown greater than \$86,075)</u></b>
<b>PUBLIC SERVICE COMMISSION FUND</b>			
<u>Costs - PSC</u>	(Unknown)	(Unknown)	(Unknown)
Additional staff requirements			
<u>Costs - OPC</u>			
Salaries	(\$468,170)	(\$472,852)	(\$477,580)
Fringe Benefits	(\$218,732)	(\$220,011)	(\$221,303)
Equipment and Expense	(\$83,943)	(\$32,589)	(\$33,403)
<u>Total Costs - OPC</u>	<u>(\$770,845)</u>	<u>(\$725,452)</u>	<u>(\$732,286)</u>
FTE Change - OPC	9 FTE	9 FTE	9 FTE
<b>ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION FUND</b>	<b><u>(Unknown greater than \$770,845)</u></b>	<b><u>(Unknown greater than 725,452)</u></b>	<b><u>(Unknown greater than \$732,286)</u></b>
Estimated Net FTE Change on the Public Service Commission Fund	9 FTE	9 FTE	9 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2017	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses may see an increase in utility costs.

FISCAL DESCRIPTION

This proposal establishes the 21<sup>st</sup> Century Grid Modernization and Security Act, requiring additional responsibilities of the Department of Economic Development.

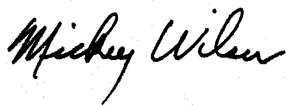
This proposal contains an emergency clause.

This proposal contains a nonseverability clause for certain sections.

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 the Public Counsel  
Division of Energy  
Department of Natural Resources  
Attorney General's Office



Mickey Wilson, CPA  
Director

Ross Strobe  
Assistant Director

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