

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 3385-02
BILL NO. SB 819
SUBJECT: Consumer Protection; Public Service Commission
TYPE: Original
DATE: February 21, 2000

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| General Revenue | (\$443,313) | (\$469,702) | (\$276,818) |
| Public Service Commission Fund* | \$0 | \$0 | \$0 |
| Total Estimated Net Effect on <u>All</u> State Funds | (\$443,313) | (\$469,702) | (\$276,818) |

* Assumes costs of \$584,294, \$619,276 and \$430,065 in FY 01, FY 02 and FY 03 respectively, and an increase in the PCS assessment and appropriation, resulting in a net effect of \$0.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| None | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------------|------------------|------------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| Local Government | (Unknown) | (Unknown) | (Unknown) |

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 14 pages.

FISCAL ANALYSIS

ASSUMPTION

In a similar previous proposal, officials from the **Office of Administration - Division of Purchasing and Materials Management (COA)** assumed this proposal would not fiscally impact their agency. The COA assumed the proposal could have long-range implications, since it would provide the State of Missouri, as a retail electric consumer, the ability to purchase electric service in a competitive market. Depending on the availability of competitive markets for retail electric service, the Division of Purchasing could see an increased workload with bidding and establishing contracts for electric service for state facilities. Also, Chapter 34 RSMo, which defines purchasing requirements for the State, requires "supplies" in excess of \$3,000 to be purchased based on competitive bidding. However, the definition of "supplies" in Section 34.010 specifically excludes "utility services regulated under Chapter 393". The Division of Purchasing is unsure if utility services would still be "regulated" under Chapter 393 and therefore excluded from competitive bidding requirements as defined in Chapter 34.

Officials from the **Department of Revenue (DOR)** assume the proposed legislation would have no fiscal impact on their agency.

Officials from the **Department of Natural Resources (DNR)** assume any fiscal impact resulting from the cost of electricity to the DNR is unknown. The DNR assumes any increase in air emissions, wastewater emissions and additional ash generated for disposal will continue to require appropriate permits that must consider cumulative impacts. Increases in air emissions will require additional controls for water contaminants such as SO₂ (Sulfur Dioxide), NO_x (Nitrogen Oxide) and mercury. Use of alternate fuels, for example, landfill gases, tire-derived fuel or any other solid waste should continue to be competitively available. Siting new facilities and additional transmission lines and decommissioning of retiring facilities will require appropriate permits.

DNR assumes the following local fiscal impact could result:

1) Changes in property tax collections

In the process of removing the PSC controlled regulatory framework and replacing it with a market driven approach to the generation of electrical power, there are some major investments (such as obsolete power plants) that would be worth substantially less after de-regulation than they are currently. This has the potential to be the cause of massive reductions in property values, and thus lead to a reduction in property taxes collected.

ASSUMPTION (continued)

The department is unable to offer an informed estimate of the size and number of these local impacts.

2) Changes in purchasing practices

Until electric de-regulation is enacted, establishing the price of electric service provided to local units of government has been handled by the Public Service Commission. As a result, most communities have not developed expertise in the purchasing this commodity/service. When competition is in effect, communities will be faced with new choices. To address this change, communities will either forgo opportunities to get the best available package of price and service, or they will have to develop expertise in purchasing this commodity/service.

The department is unable to offer an informed estimate of the potential for savings or increase in costs.

In a similar previous proposal, the **Department of Economic Development, Office of Public Counsel (OPC)** stated that proposal would create many additional duties and would require 5 FTE, including an additional engineer, an additional economist, a consumer education/outreach specialist, a consumer services specialist, and one additional support staffer to handle the additional duties required by this bill. Note that although this type of legislation is sometimes called “deregulation,” Public Counsel believes that there will be many additional duties created, while very few if any of the current duties and responsibilities of the office will cease.

Section 393.806.1 permits new entrants in the business of providing electricity to end users. Section 393.840.1 requires these players to be certified by the Commission. In order to protect the interests of consumers, Public Counsel believes that the fitness of every one of these new entrants must be carefully investigated and examined. Both the additional economist and the additional engineer will be necessary for Public Counsel to effectively participate in these cases. Because there will likely be different entities providing generation, transmission, and distribution services there will be an increased number of contractual arrangements, and a much larger and more diverse group of entities involved in delivering power to the end user. The reliable performance of each of these entities, some of which will be regulated by the state, some by the federal government, and some of which will be unregulated, will be critical to the continued reliability and adequacy of electric service. This Bill does not change the public interest concerns with regard to the provision of electric service. Therefore, the contractual paths as well as the actual physical paths of power flow must be analyzed and monitored. Both the additional economist and the additional engineer will be involved in this analysis and monitoring. The economist will be necessary to monitor transactions among regulated entities and their affiliates,

ASSUMPTION (continued)

and to ensure that these transactions take place at market value and do not provide an unfair competitive advantage. The engineer will also be required to determine whether proposed contractual arrangements could have the effect of overloading transmission or distribution lines.

The engineer will also be necessary to evaluate the necessity for, as well as the cost estimates for, any transmission and distribution system upgrades or additions. The need for capacity upgrades is expected since the transmission system was not built to handle the level of interchange transactions likely to accompany retail competition. This position will also be responsible for evaluating new metering and billing technology in particular, and any new technology in general. Consumers will, for the first time, be faced with making a choice of who provides their power. At the same time, they will be faced with the complexity of an unbundling of the charges that heretofore have been bundled into a single charge. Public Counsel expects a dramatic increase in customer confusion from both of these changes. As a result, Public Counsel will need to significantly increase its proactive consumer education efforts. Public Counsel believes that a full time employee with a background in consumer education and outreach will be necessary to handle these new duties, which will include educating consumers in how to compare offers from different providers, evaluating the reliability of different providers, and publishing educational materials.

Additionally, Public Counsel strongly believes it will be necessary to establish a toll-free number to handle the increased call volume expected from consumers who are seeking more information, are confused, have had problems or been victims of fraud or unfair practices. Public Counsel will need to hire a full time consumer services representative to handle the expected call volume. The single 800 toll-free consumer complaint line is figured at the State's contracted rate of \$0.0928 per minute for intrastate calls based on an 8 hour day for 52 weeks.

Because Public Counsel already has a low support staff/professional ratio of 1/6, the addition of these full time positions will require the addition of a support staff position. Given the high volume and the inherently technical nature of the material that the office deals with, this ratio is very low.

The Office of the Public Counsel would require a \$70,000 increase in its annual consulting budget, as well as a one-time increase of \$200,000 for **each** of the first two years this law is in effect.

Sections 393.806.2 will require an extensive cost allocation study for each investor owned utility. Public Counsel does not currently perform such cost allocation studies. Because this work is so specialized, and because the requisite expertise is needed for only one to two years, Public

ASSUMPTION (continued)

Counsel believes that the use of a consultant to prepare these studies will be cheaper in the long run than training several full time employees over and above those discussed above. Public Counsel anticipates that the cost of these **cost allocation studies** for each of the five investor owned utilities will be \$40,000. It is assumed that the utilities will be unbundled in one to two years, therefore, for purposes of this fiscal note it is assumed that the costs will be split evenly over two years.

Section 393.806.2 will require a complex contested case for each electric utility to determine net transition costs. These will be very complex proceedings requiring consultants with great deal of expertise in a narrow field, and with the ability to do a high level of specialized modeling. Because this work is so specialized, and because the requisite expertise is needed for only two years, Public Counsel believes that the use of a consultant to do this analysis and testify in these cases will be cheaper in the long run than training several full time employees over and above those discussed above. Public Counsel anticipates that its cost to participate in the **transition cost (stranded costs) studies** of the five investor owned utilities will also be \$40,000 for each utility.

Again, it is assumed that the utilities will be unbundled in one to two years, therefore, for purposes of this fiscal note it is assumed that the \$400,000 costs will be split evenly for the two studies between the first two years.

As noted above, there will also be a need for an annual increase in Public Counsel's consulting budget of \$70,000. This increase will allow Public Counsel to use consultants to become involved in monitoring and participating in the governance of regional transmission groups or independent system operators. It will also allow Public Counsel to formulate and present evidence in proceedings to true-up any transition cost estimates. It will also allow Public Counsel to monitor market transactions (including the activity of aggregators combining smaller loads of residential and commercial customers) to ensure that market power does not exist, as well as to ensure that effective competition is developing. Should problems be found in these areas, Public Counsel will be able to use consultants to determine appropriate remedial or mitigation measures.

Oversight assumes this proposal does not require OPC to establish a toll-free complaint line, and therefore, OPC would not have a need for the Consumer Services Specialist or other associated costs.

OPC states that their agency already has a low support staff/professional ratio of 1/6, and the addition of 5 full-time positions would require the addition of a Clerk Typist. **Oversight**

ASSUMPTION (continued)

assumes this proposal would require a Public Utility Engineer, a Public Utility Economist, and a Consumer Education/Outreach Specialist, and would not require additional support staff for these employees. Additional support staff, as well as the establishment of a toll-free complaint line, may be requested through the normal budgetary process. Oversight further assumes the additional FTE could be located using existing space and has not included rental costs in the fiscal impact specifications below.

The **Department of Economic Development, Public Service Commission (PSC)** assumes that implementation of this legislation will require a total of 8 FTE, including one Regulatory Economist III, one Utility Regulatory Engineer I, two Consumer Services Specialist Is, one Legal Counsel, two Regulatory Law Judges, a Clerk Steno III, and related expense and equipment. Also, it would be necessary to contract with three outside consultants at an estimated cost of \$200,000 in both fiscal years FY 01 and FY 02, and \$300,000 in FY 03, depending on the effective date of the bill. One consultant would be responsible for the development of stranded cost methods and the application of those methods to the various utilities, including a detailed review of the utility filings over the three-year implementation period. Stranded costs issues addressed by this consultant will include recommendations on methods for measuring stranded cost, with the possibility of estimating future market prices for electricity. After developing specific recommendations on measuring stranded costs, the consultant will be required to apply those measures to each of the utilities. The second consultant would be responsible for the development of market power analyses and the design of a market power monitoring system. This will include suggesting market power criteria and indices, and recommending methods for mitigation of potential market power abuse. In addition, this consultant may recommend rules and regulations for electric industry participants, recommend criteria and guidelines needed to verify and monitor that retail electric companies are functionally disaggregated, recommend criteria and guidelines needed to verify competitive electricity providers are operationally and financially separate. Finally, as a part of the market power determinations, this consultant will review transmission capacity in Missouri and plans for addressing transmission needs and provide assistance in oversight of the creation and monitoring of a statewide pool and coordinate with the relevant independent system operators (ISOs) or their functional equivalent. A third consultant will be needed in the year just prior to implementation to address specific issues related to load profiling and classification of consumer loads for purposes of scheduling electricity from alternative retail providers. These recommendations will include details on scheduling procedures to be used to coordinate between retail generation service providers and the distribution companies and settlement procedures when schedules and actual use are not in balance. Based on information in responses to previous similar legislation, **Oversight** has adjusted consultant fees to \$200,000 each year for FY 01 and FY 02.

ASSUMPTION (continued)

The additional FTE would need to perform the following functions: Regulatory Economist III will implement electric company rate unbundling; develop competitive electricity provider access rates and conditions of service; participate in the development of a market power data collection and monitoring system; be responsible for ongoing market power monitoring; develop terms and conditions for distribution utility access rates; develop with the assistance of the Utility Regulatory Engineer I the specific terms and conditions of rules and regulations that establish the business relationship of electric industry participants; participate in the development of criteria and guidelines to quantify competitive transition costs; participate in rate cases relating to the setting of competitive transition costs; and engage in oversight of the creation and monitoring of a statewide pool and ISOs or their functional equivalents.

Utility Regulatory Engineer I will develop criteria for the assessment of the technical ability of competitive electricity providers that seek to be licensed by the Commission; assess whether such license applicants meet financial, operational and other established criteria; render opinions as to the adequacy of their technical ability to provide electric service in Missouri; establish criteria for the assessment of whether affiliate competitive electricity providers are functionally separate from distribution utilities; perform compliance reviews that determine whether distribution utilities are maintaining functions separate from affiliate competitive electricity providers; investigate inquiries and complaints regarding whether distribution utilities are maintaining functions separate from affiliate competitive electricity providers; report the results of these inquiries and investigations; develop the specific terms and conditions for distribution utilities' access rates related to operations and services; assist in the development of specific terms and conditions in rules that establish and monitor the business relationships for electric industry participants; perform reviews to ensure electric industry participants' compliance with the provisions of other Commission rules; review and evaluate reported transmission capacity in Missouri and plans for addressing transmission needs; and participate in market power monitoring.

Legal Counsel will handle legal issues related to implementation of electric unbundling and enforcement of new rules and regulations; handle legal issues related to initial cases to develop unbundled rates and subsequent cases related to the ongoing rate activity caused by distribution utilities' access rates and recovery of competitive transaction losses; handle legal issues related to competitive electricity provider licensing; handle legal issues related to electric company functional disaggregation/operational separation/financial separation; handle legal issues related to market power monitoring; handle legal issues related to rules for electric industry competitive electricity providers' business relationships; handle legal issues related to creation and monitoring of statewide pool; investigate pending legal actions respecting, and compliance with, legal requirements by applicants seeking to operate as competitive electricity providers; and

ASSUMPTION (continued)

provide legal analysis and support relating to creation and monitoring of ISOs or their functional equivalents.

Two Consumer Services Specialist Is will review and respond to inquiries and complaints in regard to competitive transition charges; receive and handle complaints of unauthorized switching of retail customers' generation service; receive and handle complaints regarding solicitation by or operations of unlicensed competitive electricity service providers and receive and handle complaints of improper billing practices and customer service, including possible improper disclosure of customer information.

Regulatory Law Judges will conduct hearings and draft decisions for Commission review and approval relating to the activities set out above.

Clerk Steno III will provide support to the two Regulatory Law Judges.

The PSC assumes the proposed legislation could affect total state revenues due to the collection of taxes on a different level of electric service revenues relating to the generation of electricity.

Oversight assumes the PSC would increase the assessment to utilities and that appropriation would be made, resulting in a net effect of \$0.

Officials from the **City Utilities of Springfield (SPG)** assume it is impossible to forecast the fiscal impacts on the community from such a proposal, given the high degree of uncertainty on how the market will ultimately develop and the degree of market power that different players will be able to exert in a restructured environment. The SPG noted the Restructuring and Competition Task Force (RCTF) at City Utilities has been studying the possible effects of retail customer choice on its customers, its utility and the city for over two years.

Officials from the **Office of the Secretary of State (SOS)** assume the proposed legislation would require the SOS to act as agent for service of process for competitive electricity providers licensed in the state. It could result in unknown costs, but would be expected to be insignificant. Based on the experience of the SOS office acting as service agent for other business entities, the time required to process such an event of service is approximately .75 to 1.0 hours. Each event of service requires the expenditure of approximately \$6 - \$8 in certified mail costs. It is uncertain how many such entities will be required to use the SOS in this capacity. If a sufficient number of entities are involved, or if those entities that are involved are the subject of frequent litigation, additional FTE (and associated E&E) might be required to handle the service of process. While this bill alone would not require the SOS to hire additional personnel, the SOS

ASSUMPTION (continued)

assumes the cumulative effect of this and other bills imposing additional duties on the Business Services Divisions of the SOS may, in the aggregate, necessitate additional staff.

The **SOS** officials also assume the proposed legislation would require the printing of additional pages in the *Missouri Register* and the *Code of State Regulations* and have estimated a publishing cost of \$2,530.50 for FY 01. Additionally, future costs are unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

While this bill alone would not require SOS to acquire additional staff, SOS assumes the cumulative effect of other bills that require rulemaking may, in the aggregate, necessitate additional staff.

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 appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from **Columbia Water and Light Department (COL)** stated it would be very difficult to provide an accurate fiscal impact for this proposal. The proposal would leave municipal utilities out of competition unless the municipality “opts in”. If Columbia were to remain “out”, there would be no fiscal impact. On the other hand, if Columbia is pressured by its customers to “opt in”, the fiscal impact would depend upon market prices. There is the potential for the City to lose several million dollars in utility revenues. The actual amount will depend upon the timing of “opting in” and the market prices at such time. The proposal would profoundly affect the manner in which electric energy is bought and sold and how the COL does business.

This proposal will profoundly affect the manner in which electric energy is bought and sold and how the Columbia Water and Light does business. Chances are good there would be a loss of customers and revenue, with costs exceeding a million dollars a year. These costs could have a substantial impact on the budgets and operations of both Columbia Water and Light and the local government.

Officials from the **Independence Power and Light (IND)** and the **City of St. Louis (STL)** did not respond to our fiscal impact request.

Oversight assumes this proposal would result in new requirements that all utilities would have to meet, resulting in unknown costs.

ASSUMPTION (continued)

Oversight assumes IF the requirements of this proposal would result in a change in utility rates, state government agencies, local governments and small businesses could be fiscally impacted.

| <u>FISCAL IMPACT - State Government</u> | FY 2001 | FY 2002 | FY 2003 |
|---|---------------------------|---------------------------|---------------------------|
| | (10 Mo.) | | |
| GENERAL REVENUE FUND | | | |
| <u>Costs - Department of Economic Development</u> | | | |
| <u>Office of the Public Counsel (OPC)</u> | | | |
| Personal Service (3 FTE) | (\$121,487) | (\$149,429) | (\$153,165) |
| Fringe Benefits | (37,357) | (\$45,949) | (\$47,098) |
| Expense and Equipment | (284,469) | (\$274,324) | (\$76,555) |
| Total <u>Costs</u> - OPC | (\$443,313) | (\$469,702) | (\$276,818) |
| ESTIMATED NET EFFECT | | | |
| ON GENERAL REVENUE FUND | <u>(\$443,313)</u> | <u>(\$469,702)</u> | <u>(\$276,818)</u> |

PUBLIC SERVICE COMMISSION FUND

| | | | |
|--|-------------------|-------------------|-------------------|
| <u>Costs - Public Service Commission (PSC)</u> | | | |
| Personal Service (8 FTE) | (\$222,374) | (\$273,522) | (\$280,360) |
| Fringe Benefits | (68,380) | (84,108) | (86,211) |
| Expense and Equipment | (293,540) | (261,646) | (63,494) |
| Total <u>Costs</u> - PSC | (\$584,294) | (\$619,276) | (\$430,065) |
| <u>Revenue-PSC</u> | | | |
| Assessment to utilities | \$584,294 | \$619,276 | \$430,065 |
| ESTIMATED NET EFFECT | | | |
| ON PUBLIC SERVICE | | | |
| COMMISSION FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Local Government FY 2001 FY 2002 FY 2003
(10 Mo.)

LOCAL GOVERNMENT

Costs for municipals to meet additional requirements (Unknown) (Unknown) (Unknown)

Loss of tax revenue \$0 to \$0 to \$0 to
(Unknown) (Unknown) (Unknown)

ESTIMATED NET EFFECT ON LOCAL GOVERNMENT **(Unknown) (Unknown) (Unknown)**

FISCAL IMPACT - Small Business

This proposal would fiscally impact small businesses as it would allow each to choose their own suppliers of electric generation services. In addition, small businesses who supply electric generation services would be fiscally impacted.

DESCRIPTION

RETAIL ELECTRIC SERVICE CUSTOMER CHOICE - Beginning on July 1, 2004, retail consumers of electric service receiving service from municipal electric utilities that have elected to participate in competitive sales, from an electric cooperative or from an electrical corporation may choose their supplier by taking electric power and energy either directly from a competitive electric provider (CEP), or from the incumbent electric service provider on a regulated basis.

Retail customers receiving service at a structure on July 1, 2004, and the initial customer for any new structure to which power and energy are first supplied after July 1, 2004, will have the choice to receive electric power and energy on a competitive basis or on a regulated basis. Once a customer has elected for a structure on a competitive basis, the customer may not buy power and energy for that structure on a regulated basis, unless the commission determines that it would be in the public interest to do so. Local distribution service for an existing structure that the retail customer has elected to purchase services for on a competitive basis will be provided by the current local distribution utility (LDU). The CEP will deliver the contracted amounts of power and energy to the LDU. The LDU will be paid a fee by retail customers having electric power on a competitive basis for each customer's share of the local distribution utility's costs in maintaining backup, peaking and emergency power for consumers.

DESCRIPTION (continued)

LICENSURE OF COMPETITIVE ELECTRICITY PROVIDERS - All CEPs shall obtain and hold a license from the Public Service Commission in order to do business in the state. The act contains licensing requirements which include: proof of financial and operational fitness; if necessary, filing a bond with the Commission; an agreement to disclose certain information. The act provides for the review and approval of license applications. A license shall be valid for five years and may be renewed. The Commission may suspend or revoke a license for failure to meet one or more requirements of a license.

MUNICIPAL OPT IN - Municipally-owned utilities may elect to participate in retail competition. Exclusive generation service rights shall no longer apply to those municipally owned utilities which elect to participate in retail competition. The Commission shall not have rate authority over municipal transmission and distribution service.

Municipalities may elect to participate by vote of the governing body or upon approval by voters of a proposal to participate. Municipal utilities shall provide open access in competitive annexed regions at same unbundled rates established for municipal customers who do not have choice. Municipal utilities competing in the city only shall provide open access at same unbundled rates established for customers who do not have choice. Retail choice shall continue in an area annexed by a municipality not participating in retail competition.

ACCESS TO TRANSMISSION AND DISTRIBUTION FACILITIES - All Missouri electric utilities shall provide access to their transmission and distribution facilities, ancillary services and other available services to any buyer or seller on a nondiscriminatory and comparable basis. The Commission shall ensure that no CEP has an unfair advantage in offering access to and pricing transmission and distribution services. The Commission shall establish, by rule, standards of conduct governing the relationships among the various business functions conducted by electric utilities. The LDU shall have an obligation to connect and provide delivery of electric service to all retail consumers within its current retail service territory on nondiscriminatory terms and conditions.

RELIABILITY - The Commission will adopt procedures and conditions relating to reliability of service. Each transmission utility that chooses not to join a Regional Transmission Organization (RTO) shall implement procedures and act to assure the provision of reliable service.

RATES FOR TRANSMISSION AND DISTRIBUTION - The Commission shall establish just and reasonable rates for unbundled local distribution services for electrical corporations. Rates for municipal utilities and electric cooperatives shall be set by their respective governing bodies.

DESCRIPTION (continued)

UNBUNDLED BILLS AND CONSUMER PROTECTION - Billing and metering of retail sales of electric power and energy, including special metering, is the responsibility of the local distribution utility that provides service to the structure. The local distribution utility may contract with other entities to provide these services. Billing statements must include billing for the electric power and energy delivered on behalf of a competitive electric provider. On or before July 1, 2004, all statements for electric service must list as separate components the charges for electric power and energy, local electric distribution service, taxes, and any other breakdown in costs the utility believes will aid in informing customers. If a retail customer fails to pay his bill in full when due, the LDU may terminate service. The CEP and retail customer are jointly and severally liable to the LDU for costs incurred as a result of the competitive electric provider's failure to deliver services and satisfy its contractual obligations.

TRANSITION OR "STRANDED" COSTS - Electric service providers competing in the retail sale of electric power and energy can recover competitive transition costs (CTCs) and have a duty to mitigate such costs. Electric service providers must file a resource plan with the Commission within six months after the effective date of the act to specify the resources that will be used to satisfy obligations to regulated customers. An electrical corporation may request commission approval to remove assets from its rate base for service to regulated basis retail customers, and may file a request for a plan to recover anticipated competitive transition costs. Municipal utilities and cooperatives also may designate assets as being removed from dedication to serve regulated basis retail customers and adopt a plan to recover anticipated transition costs, and this plan needs to be filed with the Commission, but is not subject to approval. The requirements for a recovery plan and for Commission approval are specified.

CTCs are not recoverable for reductions in usage occurring during the normal course of business, and any recovery of such costs will be through non-bypassable and appropriately structured charges. Unless the Commission determines otherwise, the charge will be fixed per kilowatt-hour charge on all sales to competitive basis retail customers. The charge will not apply to the exercise of any competitive alternative that existed prior to the effective date of this act. The Commission may review competitive transition costs for any electrical corporation under its jurisdiction. Transition cost recovery rates by municipal electric systems and electric cooperatives are set by the regulatory body for each utility and are subject to judicial review upon customer complaint. Transition cost recovery charges by retail customer class must be nondiscriminatory between retail customers of the same class and similar usage.

ELECTRIC COOPERATIVES - The act adds a definition of "local distribution utility service and removes "rural area" from cooperative laws in chapter 394, RSMo. The act adds providing local distribution utility service as a power of cooperatives and removes the limitation to rural

DESCRIPTION (continued)

areas. Cooperative members must agree to use electric power and energy or local distribution utility service, when made available by the cooperative. Cooperatives may be divided so as to distribute directors among members receiving different types of service. Cooperatives are exempted from foreign corporation laws. Territorial agreements regarding service areas may include generation service, distribution service or both. The "flip flop" protection for cooperatives is revised to refer only to distribution service.

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

This proposal could affect Total State Revenues.

SOURCES OF INFORMATION

Office of Administration-Division of Purchasing and Materials Management
Department of Revenue
Department of Natural Resources
Department of Economic Development
Office of Public Counsel
Public Service Commission
City Utilities of Springfield
Office of the Secretary of State
Columbia Water and Light

NOT RESPONDING:

Independence Power and Light, City of St. Louis



Jeanne Jarrett, CPA
Director
February 21, 2000