

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4133-02  
Bill No.: HB 1384  
Subject: Energy; Environmental Protection; Natural Resources Department; Public Service Commission.  
Type: Original  
Date: March 3, 2006

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
General Revenue	(\$61,281)	(\$69,080)	(\$35,417)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$61,281)</b>	<b>(\$69,080)</b>	<b>(\$35,417)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<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.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Natural Resources and the Public Service Commission's authority to promulgate rules, regulations, and forms. SOS estimates the departments could require approximately 80 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 120 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$4,100, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal 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 appropriation process

Officials from the **Department of Economic Development - Public Service Commission (PSC)** state they would coordinate rule development with DNR for establishment of minimal

ASSUMPTION (continued)

percentages of renewable energy for state utilities, renewable energy credits, trading of these credits, and customer disclosure requirements. PSC assumes this proposal will not fiscally impact their agency.

Officials from the **Department of Economic Development - Office of Public Counsel** assume the proposal would not fiscally impact their agency.

Officials from the **Department of Natural Resources (DNR)** state this proposal would require their agency, in consultation with the Public Service Commission, to promulgate rules to implement this proposal within one year. Under most circumstances, the rulemaking process cannot be completed within the prescribed one year timeframe because of statutory requirements.

DNR would request one (1) Planner II for two years to develop and design a portfolio requirement for all retail suppliers of electrical energy, establish a program for trading renewable energy credits; establish a certification process for power generated from renewable resources, determine the criteria of apprenticeship programs utilized during construction of renewable resource projects. This FTE would also conduct public meetings and help educate Missouri retail suppliers of electricity of this new program. After the initial two-year program start-up, DNR assumes it would continue to need .5 Planner II to administer the provisions of this proposal.

Ongoing duties would include: monitoring and verification of compliance with the renewable resource requirements based on actual generation from renewable sources as a percentage of annual retail sales for each retail electric supplier (this would also include use of apprenticeship programs for renewable construction projects in Missouri); administration of the certification process for renewable energy; and administration of the trading program for renewable energy credits.

DNR assumes that it would need to develop and maintain a state-specific renewable energy credit trading program because there is no regional trading program in place that Missouri could participate in. It is assumed this would require extensive coordination on policy and technical issues with stakeholders including applicable power pools, retail electric suppliers, environmental interests and regulatory agencies.

DNR states the proposal does not outline a funding source for this program. Therefore, for purposes of this fiscal note DNR assumes the funding would be from General Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>GENERAL REVENUE</b>			
<u>Costs - Department of Natural Resources</u>			
Personal Service (1 FTE)	(\$35,803)	(\$44,038)	(\$22,569)
Fringe Benefits	(\$15,775)	(\$19,403)	(\$9,944)
Expense and Equipment	<u>(\$9,703)</u>	<u>(\$5,639)</u>	<u>(\$2,904)</u>
<u>Total Costs - DNR</u>	(\$61,281)	(\$69,080)	(\$35,417)
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE</b>	<b><u>(\$61,281)</u></b>	<b><u>(\$69,080)</u></b>	<b><u>(\$35,417)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2007 (10 Mo.)	 FY 2008	 FY 2009
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small business retail suppliers of electrical energy may be fiscally impacted as a result of this proposal.

DESCRIPTION

This proposal requires the Missouri Public Service Commission to establish rules which mandate that all retail suppliers of electrical energy either generate renewable energy or purchase renewable energy credits which meet the following criteria:

- (1) At least 1% of retail sales after December 31, 2008;
- (2) At least 3% of retail sales after December 31, 2012;
- (3) At least 6% of retail sales after December 31, 2016; and
- (4) At least 10% of retail sales after December 31, 2020.

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DESCRIPTION (continued)

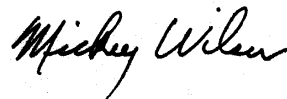
"Renewable energy resources" is defined to include energy generated from wind, solar power, certain fuel cells, and certain designated crops grown for energy production. "Renewable energy credits" is defined as certificates of proof that one kilowatt-hour of electricity has been generated from renewable energy sources. The Department of Natural Resources will establish a comprehensive plan for the buying and selling of renewable energy credits and the accounting practices used to verify the transactions. Renewable energy credits may be purchased on the open market from either in-state or out-of-state suppliers. The department may also award renewable energy credits for the purchase of either renewable energy resources located in Missouri or energy credits that are owned by the company acquired. If any company fails to meet its energy credit quota, it must forfeit to the department an amount equal to three times the average market cost of an energy credit for each credit that it is deficient.

Upon request, all suppliers of electrical energy are required to provide information regarding the percentage of energy supplied that is attributable to biomass power, coal-fired power, hydropower, natural gas-fired power, nuclear power, oil-fired power, solar power, wind power, and other sources. Information regarding the amount of pollution generated by these methods must also be provided in the form of a standardized chart. All of the information must be updated quarterly, made available on the supplier's Internet web site, and provided to the commission for inclusion on its web site.

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  
Department of Natural Resources  
Office of the Secretary of State



Mickey Wilson, CPA  
Director  
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