

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6212-01  
Bill No.: HB 2204  
Subject: Utilities  
Type: Original  
Date: April 15, 2014

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Public Service Commission	(\$198,420)	(\$235,408)	(\$237,815)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$198,420)</b>	<b>(\$235,408)</b>	<b>(\$237,815)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<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>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Public Service Commission	3	3	3
<b>Total Estimated Net Effect on FTE</b>	<b>3</b>	<b>3</b>	<b>3</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>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Local Government</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Economic Development - Office of the Public Counsel (OPC)** state that this proposal allows regulated electric utilities to defer expenses associated with a large number of investments. Because of the deferral and the mandatory recovery, utilities making these investments are not subject to the same inherent discipline that traditional rate making imposes. The only check on gold-plating and unnecessary investments is the threat of after-the-fact prudence reviews in subsequent general rate proceedings. For this threat to be credible, the Public Council needs qualified personnel to review the utilities infrastructure investments and the challenge the prudence of those investments if they are not in the public interest. OPC is requesting 3 FTE for these responsibilities.

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

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

**Oversight** is unsure if this proposal will result in electrical corporations raising their rates before their scheduled general rate proceeding, causing the state government and local political subdivisions to pay higher rates for electricity before such changes are approved by the PSC. Oversight will reflect a potential additional cost to state and local governments from this possibility. Oversight assumes the regulatory asset or liability account will not be controlled by the State Treasurer.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Costs</u> - potential for higher utility rates by utility companies recovering prudently incurred transmission expenses	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>
<b>PUBLIC SERVICE COMMISSION FUND</b>			
<u>Costs</u> - OPC			
Personal Service	(\$126,634)	(\$153,481)	(\$155,015)
Fringe Benefits	(\$64,590)	(\$78,283)	(\$79,065)
Equipment and Expenses	<u>(\$7,196)</u>	<u>(\$3,644)</u>	<u>(\$3,735)</u>
<u>Total Costs</u> - OPC	<u>(\$198,420)</u>	<u>(\$235,408)</u>	<u>(\$237,815)</u>
FTE Change - OPC	3 FTE	3 FTE	3 FTE
<b>ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION FUND</b>	<b><u>(\$198,420)</u></b>	<b><u>(\$235,408)</u></b>	<b><u>(\$237,815)</u></b>
Estimated Net FTE Change on the Public Service Commission Fund	3 FTE	3 FTE	3 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Costs</u> - potential for higher utility rates by utility companies recovering prudently incurred transmission expenses	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

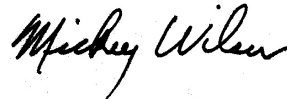
FISCAL DESCRIPTION

This bill allows electrical corporations to recover specified expenses.

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  
Division of Energy  
Public Service Commission  
Office of the Public Counsel  
Attorney General's Office



Mickey Wilson, CPA  
Director  
April 15, 2014

Ross Strobe  
Assistant Director  
April 15, 2014