

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6307-05
Bill No.: HCS for HB 2078
Subject: Tax and Revenue - Property; Corporations
Type: Original
Date: April 14, 2014

Bill Summary: This proposal allows electrical corporations to recover prudently incurred transmission expenses and government-mandated property taxes.

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ 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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

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

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

Officials from the **Department of Economic Development - Office of the Public Counsel (OPC)** assume the need for two additional FTE to implement this proposal. The OPC provided an expected cost of approximately \$123,230 to the Public Service Commission Fund.

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.

Oversight assumes the Department of Economic Development - Public Service Commission and Office of the Public Counsel could absorb any additional duties resulting from this proposal within current appropriation levels; therefore, Oversight will assume no additional costs to the OPC.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<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>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL POLITICAL SUBDIVISIONS			
<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>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal allows electrical corporations with less than one million customers to recover certain transmission expenses and government mandated property tax expenses in a general rate proceeding.

Requirements for calculating expenses based on deferred taxes and amortization over a three year time period are specified in the proposal. Amortized amounts included in the expenses must not exceed 2% of an electrical corporation's base revenue as calculated in its most recent general rate case.

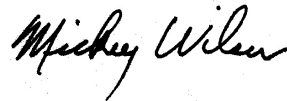
For electrical corporations with more than one million customers, the percentage limit shall be 0.25% and the amortization period shall be five years. Also, the recovery will be limited to property tax expenses. The Public Service Commission maintains authority to review the transmission costs and property tax expenses for all

This proposal expires August 27, 2018.

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

State Tax Commission
Department of Revenue
Department of Economic Development
Division of Energy
Public Service Commission
Office of the Public Counsel



Mickey Wilson, CPA
Director
April 14, 2014

Ross Strobe
Assistant Director
April 14, 2014