

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1883-01
Bill No.: SB 390
Subject: Energy; Public Service Commission; Utilities
Type: Original
Date: March 7, 2007

Bill Summary: Creates the Electrical Corporation Responsibility Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Public Service Commission	(\$147,179)*	(\$168,798)*	(\$173,140)*
Total Estimated Net Effect on Other State Funds	(\$147,179)*	(\$168,798)*	(\$173,140)*

* **Unknown penalties and distributions to county treasurers net to zero.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Public Service Commission	2	2	2
Total Estimated Net Effect on FTE	2	2	2

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 2008	FY 2009	FY 2010
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Economic Development - Public Service Commission (PSC)** state the provisions of this proposal that promulgate vegetation management standards for electric corporations would require inspections/audits to determine compliance. A determination of failure to comply with vegetation management standards requires that the commission shall seek penalties. Such penalties will likely be litigated.

The provisions that permit credits for certain outages during a monthly billing period or a calendar year will result in disputes over which customers qualify for credits. Under current law, such disputes may be brought before the PSC for resolution.

The provisions regarding a determination that an electric corporation is a substandard service provider requires that the authorized rate of return be reduced immediately and that revenue forgone will not be considered by the commission in the next general rate proceeding. This will require rate adjustments and audits tracking these adjustments.

The PSC assumes meeting the requirements of this proposal will require hiring 1.0 FTE Utility Engineering Specialist III and 1.0 FTE Utility Engineering Specialist II. In addition, equipment, expenses will be needed. The PSC assumes office rental space will be required for 1.0 FTE. The PSC estimates the total costs of this proposal at \$151,687 for FY 08; \$174,370 for FY 09; and \$178,880 for FY 10.

Oversight assumes the PSC would not need rental space for one additional FTE.

Oversight notes that the proposal does not specify where penalties collected are to be deposited. **Oversight** assumes any penalties collected would be distributed to county treasurers for distribution to schools. **Oversight** assumes unknown penalties may be collected and distributed to county treasurers.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
PUBLIC SERVICE COMMISSION FUND			
<u>Income - PSC</u>			
Penalties and fines	Unknown*	Unknown*	Unknown*
<u>Costs - PSC</u>			
Personal services costs (2.0 FTE)	(\$80,893)	(\$99,498)	(\$101,986)
Fringe benefits	(\$36,612)	(\$45,033)	(\$46,159)
Equipment and expense	(\$29,674)	(\$24,267)	(\$24,995)
Total <u>Cost - PSC</u>	<u>(\$147,179)</u>	<u>(\$168,798)</u>	<u>(\$173,140)</u>
FTE Change - PSC	2.0 FTE	2.0 FTE	2.0 FTE
<u>Transfer-Out - PSC</u>			
Transfer to county treasurers	<u>(Unknown)*</u>	<u>(Unknown)*</u>	<u>(Unknown)*</u>
ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION FUND	<u>(\$147,179)</u>	<u>(\$168,798)</u>	<u>(\$173,140)</u>
Estimated Net FTE Change for Public Service Commission Fund	2.0 FTE	2.0 FTE	2.0 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2008 (10 Mo.)	 FY 2009	 FY 2010
LOCAL GOVERNMENTS - SCHOOLS			
<u>Income - County Treasurers</u>			
Fines and penalties	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - SCHOOLS	<u>Unknown</u>	<u>Unknown</u>	<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 requires electric companies to provide a specified credit to the account of any customer who loses electricity for more than four hours in a monthly billing cycle. Lost revenue due to these credits may not be used to determine general rates for electric service.

Electric companies shall annually report their System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) for the preceding year. The Public Service Commission (PSC) shall post the reported SAIDI and SAIFI for each company on its website in rank order by performance.

Residential customers whose power outages exceed 500% of the electric company's SAIDI or SAIFI are entitled to a credit as specified in the proposal.

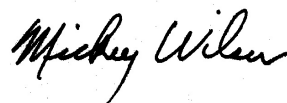
The PSC shall establish generally applicable vegetation management standards for electric companies and shall assess penalties for non-compliance.

The amount of any penalties assessed on either a substandard service provider or for non-compliance with vegetation management standards shall not be included when determining a general rate for electric service.

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 Secretary of State



L.R. No. 1883-01
Bill No. SB 390
Page 6 of 6
March 7, 2007

Mickey Wilson, CPA
Director
March 7, 2007