FISCAL NOTE

Requested by Legislative Council

02/07/2005

Amendment to: SB 2387

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$0	$0	$0	$0
Expenditures	$0	$0	$110,000	$0	$70,000	$0
Appropriations	$0	$0	$110,000	$0	$70,000	$0

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	$0	$0	$0	$0

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill would do two things, both related to the jurisdiction of the PSC over electric cooperatives. First, it would require certain electric cooperative to obtain a certificate of public convenience and necessity (PCN) before extending their systems, much as investor owned utilities do now. We believe this would apply to 11 of 17 distribution cooperatives, although we do not have first hand knowledge of the number of members served by each cooperative. We do not expect this part of the bill to have a substantial financial impact because many of these PCN applications will be uncontested, and under current law we deal today with some contested PCN applications. The second impact of this law is to bring the 11 largest of the state's 17 electric distribution cooperatives under the jurisdiction of the Commission for ratemaking purposes. We believe it is this component of the engrossed bill that will have fiscal impact. The Commission would have the responsibility for ensuring that the rates of these 11 electric cooperatives are just, reasonable and nondiscriminatory.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

No revenues are expected to the general fund (tariff filings fees would not be sufficient to cause fiscal impact). It is possible that there will be revenues to the Valuation Fund if a regulated cooperative files a rate increase application. In that case, the Commission would pay out-of-pocket expenses (like the costs of publishing notice and hiring an administrative law judge) from the Valuation Fund and then the cooperative would pay these expenses back to the Valuation Fund. We do not expect such applications to be the bulk of the work from this bill. Rather, the bulk of the work will come in the form of the initial rate proceedings in which the Commission will have to have to determine just and reasonable rates for each of the 11 cooperatives. These initial proceedings will not be "rate increase applications" and so will not be eligible for the Valuation Fund use. We expect no other revenues.

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Expenditures will be incurred to regulate the rates of electric distribution cooperatives with 2500 or more members served. The bill would make these 11 electric cooperatives subject to traditional rate of return regulation, including rate setting, cost of service studies, rate design, tariff filing requirements, tariff suspension, analysis of terms and conditions of tariff provisions, disconnects, bill payments, deposits, reliability and resource planning, among others. The Commission would also be responsible for handling customer complaints and inquiries for these cooperatives. We previously estimated (when the bill called for regulation of all electric cooperatives) that we would require at least an additional 1/2 FTE in an analyst position, plus support staff. We estimated the cost of an analyst at $100,000 per biennium and support staff at $70,000. Consequently, for the original version of the bill, we estimated needing an additional $67,500 in staff costs (1/2 of $100,000 plus 16% of $70,000). We also estimated associated operating expenses, including training, of approximately $10,000 per biennium as well as an additional $10,000 per biennium for out of pocket expenses such as the cost of publishing notices, obtaining a transcript or hiring an administrative law judge for a hearing. Finally, we estimated that we would incurr some additional costs during the inplementation of this new law, when we have the rates of all the jurisdictional cooperatives to deal with at the same time. We estimated that we would most likely out source those needs. We estimated this cost at approximately $50,000. This totaled $137,500 for the 2005-2007 biennium, and $87,500 for the 2007-2009 biennium when all electric cooperatives were included in the bill. Under the engrossed bill, even though 35% of the cooperatives would not come under PSC jurisdiction, the other 65% are the largest cooperatives with the greatest customer bases and most complicated rate structures. The smaller cooperatives, which would remain outside PSC jurisidction, would require substantially fewer agency resources than the larger cooperatives. Consequently, we estimate expenditures under the engrossed bill at 80% of our original estimates, or $110,000 for the 2005-2007 biennium and $70,000 for the 2007-2009 biennium.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

An additional appropriation would be required for the additional FTE required above and the additional expenditures in salaries and operating expenses noted above.

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