

FISCAL NOTE

Requested by Legislative Council
01/25/2005

Bill/Resolution No.: 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	\$137,500	\$0	\$87,500	\$0
Appropriations	\$0	\$0	\$137,500	\$0	\$87,500	\$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 each electric cooperative to obtain a certificate of public convenience and necessity (PCN) before extending its system, much as investor owned utilities do now. This would include distribution and intrastate transmission systems. 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 electric cooperatives under the jurisdiction of the Commission for ratemaking purposes. We believe it is this component of the bill that will have fiscal impact. The Commission would have the responsibility for ensuring that the rates of the 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 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 the Commission will have to have to determine just and reasonable rates for each cooperative. 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 cooperatives. The bill would make 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 cooperative customer complaints and inquiries. We estimate that we would require at least an additional 1/2 FTE in an analyst position, plus support staff. We estimate the cost of an analyst at \$100,000 per biennium and support staff at \$70,000. Consequently, we estimate needing an additional \$67,500 in staff costs (1/2 of \$100,000 plus 1/4 of \$70,000). We also estimate 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 expect some additional costs during the implementation of this new law, when we have the rates of all the cooperatives to deal with at the same time. We would most likely out source these needs. We estimate this cost at approximately \$50,000. This totals \$137,500 for the 2005-2007 biennium, and \$87,500 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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Agency: PSC
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