

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	222,256			
CASH FUNDS	2,000,303	2,000,303	2,221,116	2,221,116
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	2,222,559	2,000,303	2,221,116	2,221,116

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 1068 is the Electric Customer Protection Act.

Section 3 authorizes the Public Service Commission (PSC) to review electric utility rate increases consistent with the Electric Customer Protect Act in order to provide the public with additional protection against unreasonable and unjust charges.

Section 4 provides definitions for the Act.

Section 5 requires a proposed electric rate increase to be reviewed by the PSC upon receipt of a petition or petitions filed by two percent or more of the affected customers. The PSC shall hold a hearing on the rate increase no later than 120 days following the receipt of the notice from the electric utility. Within 60 days after the close of such hearing, the PSC shall enter an order approving or disapproving the proposed rate increase.

Section 6 requires an electric utility that proposes an increase by more than two percent in any consecutive twelve-month period to file an application with the PSC. The PSC shall conduct a review.

Section 10 allows the PSC to contract for professional services and expert assistance, including, but not limited to, the services of engineers, accountants, attorneys, and economists, to assist in carrying out the purposes of the Act.

Section 11 creates the office of customer advocate as a separate and independent division of the PSC. The customer advocate shall represent the interests of Nebraska residents and all classes of electric utility ratepayers, other than high-volume ratepayers, in matters involving electric utilities and shall act as trial staff before the commission. The customer advocate shall serve a term of four years. The customer advocate shall be an attorney and shall have experience in customer-related electric utility issues or in the operation, management, or regulation of electric utilities.

Section 12 provides duties and boundaries for the customer advocate.

Section 13 allows the customer advocate to hire or contract with attorneys, legal assistants, experts, consultants, secretaries, clerks, and such other staff necessary for the full and efficient discharge of the duties. Funding for the office of the customer advocate shall be approved by the commission and collected through the assessment process as provided for in sections 16 and 17 of the Act.

Section 16 requires the PSC to assess the electric utilities for the total amount of its expenditures during the fiscal year. This amount shall include the attributed amount of the salaries of commission members and employees and all other lawful expenditures of the commission, including all expenditures in connection with carrying out the provisions of the Act. The PSC shall also add such amount as in its judgement may be required to satisfy any deficiency in the prior quarterly period's assessment and to provide for anticipated increases in necessary expenditures for the current quarterly period.

Section 17 requires the PSC to assess the electric utility for any expenses reasonably attributable to the conduct of hearings, including both direct and indirect expenses incurred by the PSC or its staff.

Section 19 requires the PSC to remit all money received for assessments imposed under sections 16 and 17 for credit to the Public Service Commission Regulation Fund.

The PSC estimates the need to hire one Accountant III position to address the bill's provisions. Beyond that, the PSC would plan to contract with someone to fill the Customer Advocate position. The staff working under the Customer Advocate would also be working for that person and, therefore, paid for by the PSC with operational funds. In total, the PSC estimates \$2,222,559 in first year costs and \$2,221,116 in second year costs. This estimate is based on the PSC's work in the Natural Gas Department. There is no basis to disagree with these estimates.

Additionally, it should be noted that the PSC estimates include \$222,256 of General Funds in the first year. This is due to the need for funding prior to the first collection of assessed funds.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 1068	AM:	AGENCY/POLT. SUB: Nebraska Public Service Commission	
REVIEWED BY: Lee Will		DATE: 2/19/2016	PHONE: 471-4175
COMMENTS: No basis to disagree with the Nebraska Public Service Commission's assessment of fiscal impact based on the assumptions used. The Public Service Commission used the State Natural Gas Regulation Act for comparison purposes, which in 2015 had expenditures totaling \$625,000. The Commission anticipates there will be a higher cost incurred in regulating electric utilities as compared to natural gas regulation, but projected expenditures may be overstated.			

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2016

LB⁽¹⁾ 1068

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Public Service Commission

Prepared by: ⁽³⁾ Suzanne Hinzman

Date Prepared: ⁽⁴⁾ 2/18/2016

Phone: ⁽⁵⁾ 402-471-0240

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>222,256</u>	<u>0</u>	<u> </u>	<u> </u>
CASH FUNDS	<u>2,000,303</u>	<u>2,000,303</u>	<u>2,221,116</u>	<u>2,221,116</u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>2,222,559</u>	<u>2,000,303</u>	<u>2,221,116</u>	<u>2,221,116</u>

Explanation of Estimate:

LB 1068 grants the Nebraska Public Service Commission (Commission) rate regulation authority over electric utilities. The provisions provide for a customer initiated review or an automatic review by the Commission of rate increases of certain percentages. The Commission in both cases would conduct an evidentiary hearing to review the proposed rate increase and make a determination of whether the rates are fair, reasonable, and nondiscriminatory. The Commission is directed to conduct a rate case style review to make its determination and consider items such as rate base, rate of return, cost of service, capital structure, and operating expenses of the electric utilities.

LB 1068 further allows the Commission to contract for professional and expert services. It also creates a separate office of the Customer Advocate that is independent from the Commission. The Customer Advocate is tasked with representing the interests of Nebraska electric utility ratepayers in front of the Commission.

LB 1068 is structured similarly to the State Natural Gas Regulation Act (SNGRA) granting regulatory authority to the Commission over natural gas utilities and creating the office of the Public Advocate to represent gas ratepayers in front of the Commission. The Commission’s costs to carry out its obligations under SNGRA are directly assessed to the jurisdictional utilities and not funded through general funds.

Similarly, the Commission’s cost of regulating electric utilities would be directly assessed to the electric utilities under LB 1068 and would not require general funds after initial implementation. However, in order to implement this legislation, the program would require general fund “seed money” (appropriation) in the first quarter of the fiscal year, in order to hire an Accountant, to contract with the Customer Advocate and for other legal and operational expenses. We assume assessments billed and received subsequently would equal any costs of managing the program.

Note: Cost estimates for the Customer Advocate and other related legal expenses are based on the current appropriation of our Natural Gas Department.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Accountant III	1	1	46,790	47,959
Benefits.....			26,194	26,382
Operating.....			2,133,969	2,133,169
Travel.....			13,606	13,606
Capital outlay.....			2,000	
Aid.....				
Capital improvements.....				
TOTAL.....			2,222,559	2,221,116