

## State Corporation Commission 2004 Fiscal Impact Statement

**1. Bill Number** SB651

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron** Norment

**3. Committee** Senate Floor

**4. Title** Electric Utility Restructuring Act; extension of rate caps and fuel factors; electrical generating facility certificates; municipal and state aggregation; minimum stay requirements; wires charges; net metering.

**5. Summary/Purpose:**

Electric Utility Restructuring Act; extension of rate caps and fuel factors; electrical generating facility certificates; municipal and state aggregation; minimum stay requirements; wires charges; net metering. Extends until December 31, 2010, the rate caps currently in place for incumbent electric utilities unless terminated sooner by the State Corporation Commission ("SCC") upon a finding of an effectively competitive market for generation services in the service territory of an incumbent utility. After January 1, 2004, an incumbent electric utility not, as of July 1, 1999, bound by a rate case settlement adopted by the SCC that extended in its application beyond January 1, 2002, may petition the SCC for approval of a one-time change in its rates. If capped rates are continued after July 1, 2007, such an incumbent electric utility may at any time after July 1, 2007, again petition the SCC for approval of a one-time change in its rates. If a majority of electric cooperatives elect to be exempt from certain provisions of the Electric Utility Restructuring Act, then all cooperatives will be exempt, and if such election is made, the cooperatives will revert back to cost-of-service regulation. The bill provides for an extension of the fuel costs recovery tariff provisions (fuel factors) in effect on January 1, 2004, for any electric utility that purchases fuel for the generation of electricity and that was, as of July 1, 1999, bound by a rate case settlement adopted by the SCC that extended in its application beyond January 1, 2002. The fuel factors shall remain in effect until the earlier of (i) July 1, 2007; (ii) the termination of capped rates; or (iii) the establishment of tariff provisions as directed by the SCC. The bill also extends by two years the expiration date of certain certificates granted by the SCC to construct and operate electrical generating facilities. Only those certificates for which applications were filed with the SCC prior to July 1, 2002, will receive an extension. The bill provides that a municipality or other political subdivision may aggregate the electric energy load of residential, commercial, and industrial retail customers within its boundaries on either an opt-in or opt-out basis, eliminates the requirement that customers must opt in to select such aggregation, and eliminates the requirement that such municipality or other political subdivision may not earn a profit from such aggregation. The bill also authorizes any large industrial or commercial customer that is returning to its incumbent electric utility or default provider after purchasing power from a competitive supplier to elect to accept market-based pricing as an alternative to being bound by the minimum stay period (currently 12 months unless otherwise authorized) prescribed by the SCC. Customers exempted from minimum

stay periods will not thereafter be entitled to purchase retail electric energy from their incumbent electric utilities at the capped rates unless such customers agree to satisfy any minimum stay period then applicable. This bill also authorizes industrial and commercial customers, as well as aggregated customers in all rate classes, to switch to a competitive service provider without paying a wires charge if they agree to pay market-based prices if they ever return to the incumbent electric utility. Customers who make this commitment and obtain power from suppliers without paying wires charges are not entitled to obtain power from their incumbent utility at its capped rates. Finally, the bill increases from 25 kilowatts to 500 kilowatts the amount of electric generating capacity a nonresidential customer-generator's facility can produce and still qualify to participate in the net metering program, which makes available a contract or tariff to eligible customer-generators on a first-come, first-served basis in each electric distribution company's service area until the rated generating capacity owned and operated by eligible customer-generators in the state reaches 0.1 percent of each electric distribution company's adjusted peak-load forecast for the previous year.

- 6. No fiscal impact on state agencies
- 7. **Budget amendment necessary:** No
- 8. **Fiscal implications:** None on state agencies
- 9. **Specific agency or political subdivisions affected:** State Corporation Commission
- 10. **Technical amendment necessary:** None noted
- 11. **Other comments:** The Senate Commerce and Labor Committee reported the bill with a substitute 15-0 on January 26, 2004.

**Date:** 01/27/04   Tel

cc: Secretary of Commerce and Trade