

**\*\*REVISED\*\* State Corporation Commission  
2008 Fiscal Impact Statement**

**1. Bill Number:** HB543

House of Origin    ☐ Introduced    ☒ Substitute    ☐ Engrossed  
Second House    ☒ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Nixon

**3. Committee:** Commerce and Labor

**4. Title:** Natural gas utilities; alternative ratemaking plan.

**5. Summary:** Natural gas utilities; alternative ratemaking plan. Authorizes any natural gas utility to file a conservation and ratemaking efficiency plan that includes (i) a normalization component that removes the effect of weather from the determination of conservation and energy efficiency results and (ii) a mechanism that decouples the recovery of a utility's allowed distribution revenue from the level of consumption of natural gas by its customers. Such plans may include one or more residential, small commercial, or small general service classes, but shall not apply to large commercial or large industrial customer classes. The State Corporation Commission (SCC) is required to allow a utility that implements a plan to recover, through its regulated rates, its costs, together with a return thereon, associated with cost-effective conservation and energy efficiency programs. Such costs may be deferred by a utility and are not to be considered a regulatory asset prohibited pursuant to a performance based regulatory plan adopted by the Commission. The Commission is required to create a reasonable opportunity for utilities to earn up to 15 % of the net economic benefits if target levels of the plan are met. Such earnings are in addition to and independent from the earnings level established in rate cases or performance based regulatory plans. The SCC is prohibited from reducing a utility's profit as a result of the implementation of a natural gas conservation and ratemaking efficiency plan.

**6. Fiscal Impact Estimates:** Not available. See Item 8.

**7. Budget Amendment Necessary:** No

**8. Fiscal Implications:** The fiscal impact is not available at this time. This legislation would raise rates for customers as average usage declines as a result of conservation or as a result of the trend in lower usage of new customers. Rates could be raised regardless of earnings levels.

**9. Specific Agency or Political Subdivisions Affected:** State Corporation Commission

**10. Technical Amendment Necessary:**

**11. Other Comments:** Senate Bill 543 alters the regulatory environment in place when the State Corporation Commission adopted performance-based plans during 2006 and 2007 (and scheduled to be in place approximately through 2010) by allowing a decoupling mechanism

to be put in place. This legislative proposal (i) shifts additional risks to ratepayers, (ii) provides for deferral of costs even if a stipulation agreed to by the gas utility in a performance based regulatory plan specifically denied such deferrals; and (iii) prohibits the State Corporation Commission from considering the reduced risk when determining an appropriate return on equity.

**Date:** 2/5/2008 sl/cw

**cc:** Secretary of Commerce and Trade