

## 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:** Passed Both Houses

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

**5. Summary:** Natural gas utilities; alternative ratemaking plan. Sets out the Natural Gas Conservation and Ratemaking Efficiency Act which authorizes any natural gas utility to file a conservation and ratemaking efficiency plan. The plan may include one or more residential, small commercial, or small general service classes, but shall not apply to large commercial or large industrial classes of customers. A conservation and ratemaking efficiency plan includes (i) a normalization component that removes the effect of weather from the determination of conservation and energy efficiency results and (ii) a decoupling mechanism; (iii) one or more cost-effective conservation and energy efficiency programs; (iv) provisions to address the needs of lower-income or low-usage residential customers; and (v) provisions to ensure that the rates and services to non-participating classes of customers are not adversely impacted. Sets out time frames for certain actions by the State Corporation Commission (SCC) upon filing of an application by a natural gas utility. The SCC is required to allow a utility that implements a plan to recover on a timely basis, through its regulated rates, its costs associated with cost-effective conservation and energy efficiency programs. 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. The SCC is to report to the Governor and certain members of the General Assembly annually beginning December 1, 2009 through December 1, 2013, regarding the implementation of the Natural Gas Conservation and Ratemaking Efficiency Act.

**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:** House 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 shifts additional risks to ratepayers and prohibits the State Corporation Commission from considering the reduced risk when determining an appropriate return on equity.

**Date:** 3/5/2008 sl/cw

**cc:** Secretary of Commerce and Trade