

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: SB539

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

2. Patron: Puller

3. Committee: General Laws and Technology

4. Title: Procurement; forward energy pricing.

5. Summary: This bill authorizes a public body to use forward pricing mechanisms, as subject to available appropriation, for procuring energy to achieve budget risk reduction. Forward pricing mechanisms are contracts or financial instruments that obligate the public body to buy or sell a specified quantity of energy at a future date at a set price or provide the option to buy or sell the contract or financial instrument. Forward pricing mechanism transactions may be made only if (i) the quantity of energy affected by the mechanism does not exceed the estimated energy use for the public body for the same period, (ii) the period of the mechanism does not exceed 48 months, (iii) a separate account is established for operational energy for the public body, (iv) the public body develops and publicly discloses written policies and procedures, and (v) the public body establishes an oversight process. The bill defines “energy” as natural gas, heating oil, propane, diesel fuel, unleaded fuel, and any other energy source other than electricity.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary.

8. Fiscal Implications: This bill creates stipulations surrounding the use of forward pricing mechanisms for the procurement of energy by public bodies. At the state level, the Department of Mines, Minerals and Energy (DMME) serves as the agency responsible for providing technical assistance for the procurement of statewide contracts related to energy used for facilities’ purposes. Similarly, the Department of General Services serves as the state agency responsible for administering state contracts related to vehicle fuels. Neither agency foresees a fiscal impact to their agency resulting from this bill; according to DMME, the agency is already authorized to take these actions.

Additionally, the engrossed version of the bill includes language that makes the use of forward pricing mechanisms subject to available appropriation. As such, it is not anticipated that this bill will result in a fiscal impact to the state.

9. Specific Agency or Political Subdivisions Affected: Department of Mines, Minerals and Energy, Department of General Services, all state agencies, and local public bodies.

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is similar to HB211, as introduced.

Date: 2/3/2012