Department of Planning and Budget
2016 Fiscal Impact Statement

1. **Bill Number:** SB395

   House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Alexander

3. **Committee:** Commerce and Labor

4. **Title:** Investor-owned electric utilities; energy efficiency performance incentive.

5. **Summary:** Authorizes investor-owned electric utilities to recover, as part of the cost recovery permitted for energy efficiency programs, a performance incentive. The amount of the performance incentive for a program varies based on the levelized cost of saved energy achieved by the utility. If the levelized cost of saved energy for the program is six cents per kilowatt hour or less, the performance incentive is an additional one percent of the actual costs for the utility to design, implement, and operate the program, excluding the margin that is recovered on operating expenses. The amount of the performance incentive increases as the levelized cost of saved energy for the program decreases, with the maximum incentive being an additional four percent of the actual costs for the program if the utility achieves a levelized cost of saved energy at or below three cents per kilowatt hour. The levelized cost of saved energy is calculated through a formula in which the product obtained by multiplying total program costs by a capital recovery factor is divided by the annual kilowatt hours saved in year three of the program. This performance incentive replaces a provision that authorized the State Corporation Commission (SCC) to allow an electric utility to recover revenue reductions related to energy efficiency programs to the extent that the SCC determines such revenue has not been recovered through margins from incremental off-system sales that are directly attributable to energy efficiency programs. The measure directs the Department of Mines, Minerals, and Energy, in collaboration with the State Corporation Commission and utilizing a stakeholder process, to develop a standardized, independent protocol determined to measure, verify, and validate energy savings.

6. **Budget Amendment Necessary**: No.

7. **No Fiscal Impact**

8. **Fiscal Implications:** None.

9. **Specific Agency or Political Subdivisions Affected:** State Corporation Commission and Department of Mines, Minerals, and Energy.

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** This bill is a companion to HB1053 (Kilgore).