

State Corporation Commission 2009 Fiscal Impact Statement

1. **Bill Number:** HB2152

House of Origin Introduced ___ Substitute ___ Engrossed
Second House ___ In Committee ___ Substitute ___ Enrolled

2. **Patron:** Rust

3. **Committee:** Commerce and Labor

4. **Title:** **Stand-by service charges for renewable distributed electrical generation.**

5. **Summary:** Stand-by service charges for renewable distributed electrical generation. Directs the State Corporation Commission to promulgate regulations that require the rates charged by an electric utility for stand-by service to customers that operate a cogeneration facility that generates renewable power to vary according to the facility's renewable source of energy. A utility's capacity charges for stand-by service may cover the costs of equipment required to provide service when the generation facility is not generating sufficient power to meet the customer's needs. A utility may not use stand-by service rates to charge such a customer for capacity or generation costs that are not based on the customer's actual electricity consumption. The measure also exempts a renewable cogeneration facility with a capacity up to five megawatts or less from stand-by service charges.

6. **Fiscal Impact Estimates:** No impact

7. **Budget Amendment Necessary:** None

8. **Fiscal Implications:** None

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

10. **Technical Amendment Necessary:** Possibly, see Item #11.

11. **Other Comments:** The legislation contains confusing language on lines 16-22. The intent of the phrase "vary according to the facility's renewable source of energy, based on differences in the respective reliability of sources of renewable energy" is unclear. Additionally, the legislation notes that standby customers shall not be required "to pay, through stand-by service rates, costs for capacity or generation, including fuel costs that are not based on customer's actual electricity consumption." Traditionally, demand or capacity costs have represented a significant component of standby rates and have been viewed as necessary to reflect the actual costs associated with the provision of standby services. Finally, the legislation provides that smaller facilities with capacities not exceeding five megawatts not be required to pay a stand-by service charge. This language either requires that standby services be provided free or alternatively creates confusion with respect to how standby service will be provided to smaller customers.

Date: 1/20/09 T. Faherty

cc: Secretary of Commerce and Trade