

State Corporation Commission 2009 Fiscal Impact Statement

1. Bill Number: SB1273

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

2. Patron: Vogel

3. Committee: Commerce and Labor

4. Title: **Electric utility regulation.**

5. Summary: Electric utility regulation. Revises the procedures for setting the rates of investor-owned electric utilities. The State Corporation Commission (SCC) shall determine rates, for each investor-owned incumbent utility, that are just, reasonable, and nondiscriminatory. Proceedings shall be governed by the provisions of Chapter 10 of Title 56 and shall provide fair rates of return on common equity applicable to the generation and distribution services of the utility. The SCC may use any methodology to determine rates of return it finds is consistent with the public interest. In subsequent biennial reviews, the SCC may order changes in the utility's rates to ensure that such rates continue to be just, reasonable and nondiscriminatory. Rates, terms and conditions for each service shall be reviewed separately on an unbundled basis, and such reviews shall be conducted in a single, combined proceeding. In the initial rate proceeding, the SCC is required to direct each incumbent electric utility to refund to retail customers the amount by which its actual stranded cost recoveries under capped rates exceeded the stranded costs actually incurred by the utility, which refunds shall be based on customer usage in 2008. Provisions applicable to rate caps shall not be applicable to incumbent electric utilities after the SCC's establishment of new rates. The measure repeals provisions that (i) established parameters in setting the rate of return on equity, (ii) authorize utilities to seek rate adjustment clauses for specific costs on a stand-alone basis, (iii) direct the SCC to approve an enhanced rate of return for certain generation facilities, and (iv) establish various other checks on the utility's rates.

6. Fiscal Impact Estimates: Not available; see Item #8.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: The legislation would modify the way in which electric utility rates are set. The exact implications of this new rate making methodology are not known.

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/21/2009 T. Faherty
cc: Secretary of Commerce and Trade