



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

<b>Bill #</b>	SB0074
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<b>Title:</b>	Require renewable energy projects and USB projects be green certified
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<b>Primary Sponsor:</b>	Priest, Jason
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<b>Status:</b>	As Introduced
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$305,064	\$168,514	\$171,042	\$173,607
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$305,064	\$168,514	\$171,042	\$173,607
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** SB 74 would require the Public Service Commission (PSC) to develop and adopt rules to establish methods for: certifying the carbon reduction activities of utilities' universal system benefits (USB) programs; certifying the carbon neutrality of electric utilities' and competitive electricity suppliers' eligible renewable resources and gas and electric utilities' USB programs and eligible renewable resources; and establishing by rule(s) a carbon life cycle for each eligible renewable resource constructed prior to the effective date of the law. In addition, the PSC must certify that large customers' electric USB expenditures are carbon neutral. PSC implementation of SB 74 would require significant rulemaking and initial and ongoing certifications of carbon reduction activities and of the carbon neutrality of USB programs and eligible renewable resources.

### FISCAL ANALYSIS

#### Assumptions:

1. The PSC would undertake a significant rulemaking proceeding in FY 2014 to develop and adopt the necessary rules to implement SB 74. Because the PSC has no existing staff expertise regarding methods for certifying carbon reduction activities and carbon neutrality and for establishing carbon life cycles, it would

- be necessary to hire a consultant to assist the PSC in developing the rules required by SB 74. The PSC estimates the cost of the consultant services to be \$120,000 (600 hours @ \$200/hour).
2. There are currently 26 electric utilities (two regulated utilities and 24 rural electric cooperatives) that have electric USB programs. The requirements in SB 74 (at Section 6, amending 69-8-103 and 69-8-402, MCA) for PSC certifications of the carbon reduction activities associated with these 26 utilities' electric USB programs and to certify that the programs are carbon neutral will require three separate PSC contested case proceedings in FY 2014 or FY 2015. PSC proceedings will be held annually to review these utilities' USB-related carbon reduction activities to achieve carbon neutrality.
  3. There are currently three regulated natural gas utilities that operate natural gas USB programs. For purposes of this fiscal note, the PSC estimates that the requirements in SB 74 for PSC certifications of the carbon reduction activities associated with these utilities' natural gas USB programs and to certify that the programs are carbon neutral will require three separate PSC contested case proceedings in FY 2014 or FY 2015. PSC proceedings will be held annually to review these utilities' USB-related carbon reduction activities to achieve carbon neutrality.
  4. It is unknown how many requests for certifications of eligible renewable resources the PSC will receive from utilities and competitive electricity suppliers in the next four years. For purposes of this fiscal note and based on recent experience, the PSC estimates that it will receive two requests each year and that the PSC's consideration of each request will include a review required by SB 74 of the carbon neutrality of the project.
  5. There are currently 11 PSC-certified eligible renewable resources that have been constructed. SB 74 (at Section 6, amending 69-3-2006, MCA) requires the PSC to adopt rules to establish a carbon life cycle for these existing eligible renewable resources. For purposes of this fiscal note, the PSC assumes the consultant that is hired to assist with development of SB74 rules will undertake this task as part of the rulemaking project.
  6. According to Northwestern Energy, 56 large customers on its system have internal electric USB expenditures. It is unknown how many large customers of other utilities have internal USB expenditures. For purposes of this fiscal note, the PSC estimates that it will be requested to certify the carbon neutrality of 60 large customers' electric USB expenditures as required by SB 74 (at Section 6, amending 69-8-402, MCA) on an initial basis. The PSC assumes that the large customer certifications will be consolidated into one contested case proceeding in FY 2015. A PSC proceeding will be held annually thereafter to review the large customers' USB-related carbon reduction activities to achieve carbon neutrality.
  7. The PSC estimates the rulemaking project, the contested case proceedings to initially implement the law, and the ongoing implementation and compliance monitoring will require the addition of 1.00 FTE policy analyst (\$71,684 salary and benefits each year) and 1.00 FTE attorney (\$92,955 salary and benefits each year), \$5,750 for office packages and computers in FY 2014, and \$550 for phones and office supplies that will be ongoing.
  8. Specialized training will cost approximately \$2,100 for each FTE and travel to training facility \$2,300 for each FTE for a total of \$8,800 in FY 2014.
  9. Rulemaking costs are estimated at \$2,000 (40 total pages at \$50 per page) in FY 2014.
  10. The PSC estimates that 7 single day hearings will be held in FY 2014 and in each year thereafter. Court reporter fees are \$1,925 (7 appearances at \$275 per day) and legal notice fees are \$1,400 (2 notices at \$100 each for each of 7 hearings) in each fiscal year.
  11. There is a 1.5% inflation factor applied to personal services and operating expenses in FY 2016 and FY 2017.
  12. The PSC is funded primarily by a fee that is levied on regulated companies.
  13. The fee rate that is charged to fund the PSC is determined by the amount appropriated by the legislature. It is estimated that to fund a \$100,000 increase there would be an estimated 10 cent per year rate increase to the customer.
  14. If the projected costs are appropriated this should result in a revenue offset.

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	2.00	2.00	2.00	2.00
<b><u>Expenditures:</u></b>				
Personal Services	\$164,639	\$164,639	\$167,109	\$169,615
Operating Expenses	\$134,675	\$3,875	\$3,933	\$3,992
Equipment	\$5,750	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u><u>\$305,064</u></u>	<u><u>\$168,514</u></u>	<u><u>\$171,042</u></u>	<u><u>\$173,607</u></u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$305,064	\$168,514	\$171,042	\$173,607
<b>TOTAL Funding of Exp.</b>	<u><u>\$305,064</u></u>	<u><u>\$168,514</u></u>	<u><u>\$171,042</u></u>	<u><u>\$173,607</u></u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$305,064	\$168,514	\$171,042	\$173,607
<b>TOTAL Revenues</b>	<u><u>\$305,064</u></u>	<u><u>\$168,514</u></u>	<u><u>\$171,042</u></u>	<u><u>\$173,607</u></u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

**Technical Notes:**

1. All of the provisions of SB 74 would take effective upon passage and approval, yet most of the bill's USB-related requirements are dependent on the PSC having in place the rules it is required to adopt to establish systems for certifying carbon neutrality and carbon reduction activities. Utilities and large customers with USB programs will not be able to comply with SB 74 until the PSC has adopted rules to implement SB 74.
2. Section 6 of SB 74, amending 69-3-2006, MCA, requires the PSC to adopt rules to establish carbon life cycles for existing eligible renewable resources. This task would require PSC consideration of project-specific data and evidence for each existing eligible renewable resource and would more appropriately be accomplished in a contested case proceeding rather than in rulemaking.
3. If the Public Service Commission (PSC) does not certify low-income weatherization as a carbon neutral activity, Department of Public Health and Human Services (DPHHS) would not receive \$1.9 million donated Universal Systems Benefit (USB) funds from NorthWestern Energy which would lead to 280 homes not being weatherized. In addition, DPHHS would also not receive approximately \$221,932 in additional federal Low Income Energy Assistance Program (LIEAP) funding because the donated USB funds could not be reported as non-federal funds leveraged.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*