PREPARED BY: DATE PREPARED: PHONE: Scott Danigole February 16, 2017 471-0055

LB 660

Revision: 01

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to reflect additional information.

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates) FY 2017-18 FY 2018-19 **EXPENDITURES REVENUE EXPENDITURES REVENUE GENERAL FUNDS** 2,697,658 - 5,497,6582,697,658 - 5,497,658**CASH FUNDS** FEDERAL FUNDS OTHER FUNDS **TOTAL FUNDS** 2.697.658 - 5.497.6582,697,658 - 5,497,658

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 660 is the Nebraska Retail Electricity Choice Act.

Section 3 requires the Public Service Commission to establish criteria for retail electric competition in Nebraska. This is to be accomplished by holding a series of public hearings across the state to gather and review such information as necessary. The Commission shall file a report with the Governor and the Legislature on or before December 15, 2017 regarding the process of enabling retail electric choice to benefit the Nebraska residents, including but not limited to, recommendations for any additional legislation necessary to carry out the purposes of the Act.

Under section 4, beginning July 1, 2018, private electric suppliers shall be authorized to engage in the sale of electricity at retail for the benefit of Nebraska retail customers.

The Public Service Commission states that it would contract for professional and expert services in order to meet the deadline found in section 3 of the Act. The PSC also estimates the need for 4.0 FTE to administer the provisions of the Act. In order to provide an estimate of anticipated costs, the PSC looked to its Natural Gas Regulation program. That program has a current year appropriation of approximately \$1.5 million. There are two natural gas providers that the PSC regulates. Power suppliers far outnumber natural gas providers, so the PSC expanded the Natural Gas appropriation to address a larger field of providers. Even with this as a framework, the PSC is unable to accurately determine what costs will be encountered since the field being regulated is different and has a broader base of providers. The PSC estimate for operations is in a range between \$2,202,000 and \$5,002,000 each year. There is no basis to disagree with this estimate.

The Omaha Public Power District estimates that the provisions of LB 660 will materially impact OPPD's revenues, expenses and credit rating. However, without further detail, OPPD is unable to determine the extent of this impact.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
LB: 660	LB: 660 AM: AGENCY/POLT. SUB: Omaha Public Power District						
REVIEWED BY: Joe Wilcox DATE: 1/31/2017 PHONE: (402) 471-417							
COMMENTS: No basis to dispute the Omaha Public Power District (OPPD) estimate of Indeterminate Fiscal Impact to OPPD from LB 660.							

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 660 AM: AGENCY/POLT. SUB: Nebraska Power Review Board (74)						
REVIEWED BY: Joe Wilcox DATE: 1/25/2017 PHONE: (402) 471-4						
COMMENTS: No basis to dispute the Nebraska Power Review Board estimate of No Fiscal Impact to the Agency from LB660.						

LB ⁽¹⁾ 660			FISCAL NOTE			
State Agency OR Political Subdivision Name:	Nebraska Power Review Board					
Prepared by: (3)Tim Texel	Date Prepared: (4)	January 24, 2017 Phon	ne: (5) 402-471-2301			
ESTIMATE PROV	VIDED BY STATE AGEN	CY OR POLITICAL SUBDI	VISION			
I	FY 2017-1 8	FY	FY 2018-19			
EXPENDITUR		<u>EXPENDITURES</u>	REVENUE			
GENERAL FUNDS	_	_				
CASH FUNDS		_				
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS						
Explanation of Estimate:						
In its current form, no anticipated fisca	al impact.					
<u>BREAKD</u> Personal Services:	OWN BY MAJOR OBJECT	TS OF EXPENDITURE				
POSITION TITLE	NUMBER OF POSITION 17-18 18-19	S 2017-18 EXPENDITURES	2018-19 EXPENDITURES			
Benefits		<u> </u>				
Operating						
Travel						
Capital outlay						
Aid						
Capital improvements						
TOTAL						

Capital outlay......

Aid.....

Capital improvements.....

TOTAL.....

_B(1) 660, Retail Electricity Choice Act					FISCAL NOTI		
State Agency OR Political S	Subdivision Name: (2)	Oma	ha Public Po	wer District			
Prepared by: (3) Tame	la Monroe	Da	te Prepared: (4)	01-27-17	Phone: (5)	402-636-3067	
F	ESTIMATE PROVI	IDED BY	STATE AGEN	CY OR POLITI	CAL SUBDIVISION	ON	
	FY	Y 2017-18	9017-18		FY 9018	FY 2018-19	
	EXPENDITURE		REVENUE	EXPEN	DITURES	REVENUE	
GENERAL FUNDS	TBD				BD	TBD	
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	TBD	_			BD	TBD	
Explanation of Estimate:							
The introduction of retarevenues, expenses as The financial impacts of daily operation of the bignificant legal and acceptable of the potential information of the potential information, at these could be deployed for the 2018-2019 fiscing expenditures and retains.	would be twofold, business after implementative expension fulfilling its all financial impacts developed there systems and data as well as rate cored in a 12-month and year, when retensioned the respective of the cored in a two the cored in a two the cored in a two	the Ome to blementa enses as ut the desobligation of the would be exchanged a exchanged period.	aha Public Por develop and tion. For the 2 the details of tails of the retain under Section is legislation via e significant in ges for custom tools to prepare	wer District. prepare for ret 017-2018 fisca the retail choic ail choice prog on 3 of LB660, would create. nvestments rec ner, meter, usa are for the imp	ail choice and to all year, OPPD voce program are that would it is not possible quired in infrastrage, billing, servolementation. It	hose impacting the vould incur developed. be provided by the e to assign a firm ructure, customer ice requests and is very doubtful	
Personal Services:	<u>BREAKDO</u>	WN BY N	<u> 1AJOR OBJEC</u>	<u> </u>	<u>OITURE</u>		
POSITION TI		NUMBER <u>17-18</u>	OF POSITION 18-19		17-18 DITURES	2018-19 EXPENDITURES	
Benefits							
Operating							
Travel							

TBD

TBD

LB ⁽¹⁾ 660				FISCAL NOTE
State Agency OR Politic	cal Subdivision Name: (2)	Nebraska Public S	Service Commission	
Prepared by: (3) SU	zie Hinzman	Date Prepared: (4)	2/15/2017 Phone:	(5) 402-471-0240
	ESTIMATE PROVID	DED BY STATE AGENO	CY OR POLITICAL SUBDIVI	SION
	FY	2017-18	FY 20	018-19
	EXPENDITURES		EXPENDITURES	REVENUE
	2,697,658 -		2,693,534 -	
GENERAL FUNDS	5,497,658		5,493,534	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
	2,697,658 –		2,693,534 -	
TOTAL FUNDS	5,497,658	0	5,493,534	0

Explanation of Estimate:

LB 660 would adopt the Nebraska Retail Electricity Choice Act, removing a restriction on the sale or delivery of retail electricity by a private electric supplier.

LB 660 would initially require the Nebraska Public Service Commission (Commission) to engage in a review of retail electric rates and all services offered by the current service providers in order to establish a regulated competitive electric market that benefits Nebraska residents. Furthermore, the Commission would be required to hold a series of public hearings across the state, as well as hold discussions with other state regulatory agencies that implemented customer choice programs, to clearly establish the criteria for retail electric competition in Nebraska.

LB 660 would require the Commission to file a report with the Governor and the Legislature on or before December 15, 2017 regarding the process of enabling retail electric choice within Nebraska, including recommendations for any additional legislation necessary to carry out the Nebraska Retail Electricity Choice Act.

Although a number of regulatory elements that would be included in this report are unknown at this time, the Commission would be granted rate regulation authority over electric utilities. The provisions provide for a customer initiated review or an automatic review by the Commission of rate increases of certain percentages. The Commission in both cases would conduct an evidentiary hearing to review the proposed rate increase and make a determination of whether the rates are fair, reasonable, and nondiscriminatory. The Commission is directed to conduct a rate case style review to make its determination and consider items such as rate base, rate of return, cost of service, capital structure, and operating expenses of all electric utilities within Nebraska. LB 1068, a similar bill proposed during the last legislative session, was structured similarly to the State Natural Gas Regulation Act (SNGRA), granting regulatory authority to the Commission over natural gas utilities and creating the office of the Public Advocate to represent gas ratepayers in front of the Commission. The Commission's costs to carry out its obligations under SNGRA are directly assessed to the jurisdictional utilities and not funded through general funds.

In comparison, LB 660, does not provide the Commission a similar starting point relative to the adoption and promulgation of rules and regulations necessary to carry out the purposes of the Nebraska Retail Electricity Choice Act. With no Public Advocate role or assessment methodology mandated in LB 660, the transition and ongoing cost of an electric choice program would be general funded.

To meet the deadline for the report, the Commission would contract for professional and expert services. Note: The minimum cost estimates for consulting and contractual services expenses (operating costs below) are based on the current appropriation of our Natural Gas Department.

In addition, the Commission estimates the need for additional staff for the new department as follows:

	FY2018		FY2019	
Director		100,000		101,000
Attorney III		72,000		72,720
Accountant		48,439		48,923
Admin. Asst.		38,000		38,380

BREAKE	OOWN BY MAJ	OR OBJECTS O	F EXPENDITURE	
Personal Services:				
	NUMBER OF	POSITIONS	2017-18	2018-19
POSITION TITLE	<u>17-18</u>	<u>18-19</u>	EXPENDITURES	EXPENDITURES
See table above	4	4	258,439	261,023
Benefits			129,219	130,511
			2,202,000 -	2,202,000 -
Operating			5,002,000	5,002,000
Travel			100,000	100,000
Capital outlay			8,000	0
Aid				
Capital improvements				
			2,697,658 –	2,693,534 -
TOTAL			5,497,658	5,493,534