

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	90,000		90,000	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	90,000		90,000	

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

LB 567 amends the Power Review Board's (PRB) approval criteria for generation facilities involving over \$100 million in investment or 20 megawatts capacity. Under the bill's provisions, the PRB would have to determine that the benefits outweigh the risks in order to approve the facility. The considerations to take into account include: health and environmental impact including the impact on water and air quality, projected health care costs, economic impact on the local area and the state, job creation, tax revenue, amount of water to be used and its impact on agricultural and domestic needs.

The PRB would need to hire consultants for any qualifying applications to evaluate the specialized issues listed in the bill. The PRB does not have such expertise in house and maintaining such expertise as employees is cost prohibitive.

The PRB estimates the cost of performing the duties outlined in the bill are \$30,000 per application. There is no basis to disagree with this estimate.

Typically, the PRB would not expect to receive more than one to two such applications per year. The table above estimates three applications per year. If sufficient authority is not provided and three or more applications are received in any given year, the PRB would be unable to hire the necessary consultants and the application would be stalled. In order to address instances of atypical demand, the \$90,000 figure is used in the table above.

It should be noted that the source of PRB cash funds is via an assessment on the power industry. At the end of each fiscal year, any unutilized funds are returned to the industry. Furthermore, the PRB assumes that assessing the industry for a special assessment is an option they could utilize if an application is received. In this manner, if the authority is provided to address the bill, the PRB is not required to assess that amount in their normal, annual assessment. The PRB can utilize a special assessment if the need arises. If the need does not arise, an assessment for applications will simply not be made.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 567	AM:	AGENCY/POLT. SUB: Nebraska Power & Review Board	
REVIEWED BY: Cindy Miserez	DATE: 2/8/2013	PHONE: 402-471-4174	
COMMENTS: I concur with the analysis and conclusions of the Nebraska Power Review Board regarding the fiscal impact of additional duties required by LB567. Special assessments could be avoided by utilizing available cash fund balance.			

LB⁽¹⁾ 567 FISCAL NOTEState Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Power Review BoardPrepared by: ⁽³⁾ Tim Texel Date Prepared: ⁽⁴⁾ Jan. 31, 2013 Phone: ⁽⁵⁾ 402-471-2301ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	\$90,000	-0-	\$90,000	-0-
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$90,000	-0-	\$90,000	-0-

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 567 would amend the Power Review Board's ("PRB") approval criteria for generation facilities involving over \$100 million in investment or 20 megawatts capacity. The new approval criteria for these facilities would have the PRB determine that the benefits outweigh the risks in order to approve the facility. Under the bill the PRB would consider the health and environmental impact of the proposed facility, including the impact on water and air quality, projected health care costs, economic impact to both the local area and the State, job creation, tax revenue, amount of water to be used and its impact on agricultural and domestic needs, a risk analysis of life-cycle costs, including fuel costs and regulatory compliance costs, and the economic impact of obtaining fuel from outside Nebraska.

The Board believes it would likely need to hire consultants for each qualifying application to evaluate the specialized issues listed in the bill. The Board's small staff of three full-time employees is specialized in administrative and legal issues, not the highly specialized technical areas that this new review would entail. Currently, experts from the applicant provide the Board with the necessary information regarding fuel costs, construction costs, etc. But those figures may be more objective than the proposed issues set out in LB 567. The Board may want to ensure that it has the opinion of a neutral expert to rely upon when making its determination of these new criteria.

Since the issues listed involve multiple disciplines, the Board believes it will require the services of multiple experts for each qualifying application. The Board would need an economist or similar expert to evaluate the economic factors, a medical expert for the health factors, and an expert that could review the water and air quality impacts – perhaps a biologist or engineer that deals with regulatory compliance issues. The Board has limited experience in hiring experts or consultants, but the Board is told that experts in these fields normally cost \$150 to \$250 per hour.

The Board has limited information upon which to base an estimate of the time it would take such experts to review an application. After discussing this with a consulting firm that provides expert review and testimony, the Board's best estimate is that it might take each expert twenty four work hours to review an application for a large generation facility and calculate the resulting figures based on the expert's knowledge and expertise. The expert may then need to either prepare a report for the PRB or testify at the evidentiary hearing, or both. Testimony would involve travel time and attending the hearing. Assuming such experts are available within one hour travel time from Lincoln, the Board estimates this could entail another ten hours. If any of the experts would need to travel to the proposed site to assist in their review, that could cause the Board to incur additional expenses. The Board added an additional \$1,500 to cover the possibility that an expert would need to travel to the proposed facility's location. If each expert costs \$250 per hour for thirty-four total hours, and three experts were needed, this would come to a total of approximately \$30,000 per application.

The PRB's staff examined the agency's records to determine the frequency of applications of generation facilities over \$100 million in investment or 20 megawatts capacity. The PRB's records show fifteen qualifying applications were filed in the past fifteen years. Although on average the Board receives one such application per year, in two years the Board received two applications, and in two other years the Board received three applications. Thus, the Board believes it would need budget authority to conduct three reviews of qualifying facilities during any given year. Since it is unusual to receive three qualifying applications during one year, the Board may assess Nebraska electric utilities based on the expectation that it will receive only one application. If additional applications are received, the Board could use a special assessment and collect the additional funds that are needed. Although unusual, the Board is not aware that such an assessment technique is prohibited, and that process would allow the Board to avoid asking ratepayers and utilities to pay for reviews that were not needed that year.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14</u>	<u>2014-15</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
	-0-	-0-		
Benefits.....				
Operating.....			\$90,000	\$90,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$90,000	\$90,000