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FISCAL IMPACT REPORT

SPONSOR: Sanchez, M. DATE TYPED: 02/26/03 HB _____

SHORT TITLE: Amend Public Utility Act SB 776

ANALYST: Valenzuela

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	NFI				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Responses Received From

Office of the Attorney General
 Public Regulation Commission
 Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Bill

Senate Bill 776 proposes several revisions of the Public Utility Act as follows:

Section 1. Clarifies the definition of “securities” by replacing the word “other” with “similar”. The PRC reports the definition currently includes traditional financial instruments such as stocks and bonds, but goes further to include “or other evidences of indebtedness”, which can be interpreted to include any financial obligation, including contracts to purchase equipment such as transformers or turbines, health club memberships, or accounts receivable.

Section 2. Replaces the words “shall be void” with “are voidable.” According to the PRC, if a public utility fails to receive Commission approval prior to the issuance of a security with a maturity greater than 18 months, the security is void by law. The legal and administrative complications resulting from an automatically voided security are expensive, time consuming, and do not further the public interest. Giving the Commission the op-

tion of voiding a security in such a situation would further the public interest. Without prior approval, securities should be voidable.

Section 3. Changes the time period for averaging revenues from small water utilities from three to five years. This change allows small utilities to use a longer term for averaging its annual revenues, which gives small utilities a better opportunity to continue to qualify for expedited rate increase hearing procedures.

Sections 4 and 6. Creates a single annual due date to receive utility/carrier inspection fees and inspection/supervision fees.

Section 5. Requires the PRC, when considering generation plant or transmission lines, to consider the impact of system reliability in its approval. The PRC reports that the Public Utility Act currently requires any company seeking to build more than 300 MW of generation, and associated transmission of 230 kV or above, to obtain approval of the location from the Commission. The standards are limited to environmental and quality of life concerns. System reliability impacts of the location of a large generation unit or transmission line are within the Commission's expertise but are not included in the standards for evaluating location applications. This bill would add system reliability approval as part of the Commission's authority. (The 2001 legislature approved such a change in SB 672, but the governor vetoed the bill.)

Section 6. Aside from the creation of a single payment due date for fees mentioned previously, the bill requires the Attorney General to bring suit against those utilities that have missed the payment due date and allows a penalty (2 percent of fee) and interest (15 percent annual) on the unpaid amount.

Section 7. Adds a new section to allow the Commission to ask a court to appoint a receiver to operate a public utility if the Commission finds the utility is unable or unwilling to provide service its customers, when the utility has been abandoned by its owners or operators, or the utility is unresponsive to the rules and orders of the Commission.

Significant Issues

In reference to Section 3 of the bill, Senate Bill 597 has been introduced that would also allow for streamlined rate cases for water utilities because of the length of time these cases take to move through the PRC docket. Several regulated utilities have testified to the LFC and other legislative committees about the length of time that it takes the PRC to act on and complete docketed cases. Water utilities in particular have been concerned about having to go through a full-blown rate case when requesting only a nominal increase in rates such as an inflationary increase. Further, these utilities have requested increases where ratepayers have no objections but have not been able to receive an expedited decision. An added concern is that the water utilities incur technical and legal costs in each rate case, which ultimately get passed on to the consumer.

The LFC has recommended several performance measures with targets to focus attention on this issue of timeliness. These measures are shown below:

- Percent reduction in average number of days to complete a water utility rate case: 25%
- Average number of days to complete a water utility rate case: 194.4 days

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- Percent reduction in the number of water utility rate cases on the PRC docket: 25%
- Percent reduction in the number of docketed cases before the PRC: 25%

Improving the number of cases going through the PRC could actually make available more resources for larger more complex cases.

FISCAL IMPLICATIONS

Senate Bill 776 does not contain an appropriation. Its enactment would streamline revenue collection for PRC utility and financial staff.

ADMINISTRATIVE IMPLICATIONS

Synchronizing the due date for the fees collected would improve the revenue collection process for the PRC. The addition of penalties and interest could add revenue.

MFV/njw