

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 1349 - SB 1375

March 23, 2009

SUMMARY OF BILL: Authorizes natural gas companies to adopt decoupling mechanisms or annual rate review plans, or both, together with natural gas conservation plans. Requires the Tennessee Regulatory Authority (TRA) to approve or deny proposed conservation plans, any amendments to previously approved conservation plans, and proposed decoupling mechanisms. Requires TRA to make findings and establish on-going procedures for rate adjustments regarding companies electing to file annual rate review plans, including approval of any rate increases. Requires TRA to issue initial order within 105 days of any annual rate review date. Establishes a funding mechanism for TRA to implement the provisions of this bill by requiring such gas companies to pay annual fees.

ESTIMATED FISCAL IMPACT:

On March 10, 2009, we issued a fiscal note for this bill indicating an *increase to state revenue exceeding \$100,000 per year for the Tennessee Regulatory Authority* and an *increase to state expenditures exceeding \$100,000 per year for the Tennessee Regulatory Authority*. Based on additional information received from the Office of the Attorney General, the fiscal impact for this bill is estimated as follows:

(CORRECTED)

Increase State Revenue -

Exceeds \$368,100/Tennessee Regulatory Authority

Increase State Expenditures -

Exceeds \$100,000/Tennessee Regulatory Authority

\$268,100/Office of Attorney General

Assumptions:

- “Decoupling mechanism” means a rate, tariff design or other mechanism filed as part of a natural gas conservation plan that decouples the recovery of a utility’s allowed distribution revenue from the level of consumption of natural gas by its customers.

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- “Annual rate review” means the requirement for a utility to file updated schedules and financial information for the purpose of updating rates that have been established in the utility’s last TRA-approved general rate case.
- The impact of this bill to TRA is dependent upon several unknown factors such as the number of gas utility companies electing to adopt decoupling mechanisms or annual rate review plans, or both, together with natural gas conservation plans, the number of customers of each electing gas company, the number of rate changes proposed and approved by TRA, as well as other factors.
- It is likely that the TRA will require additional resources as a result of this bill. The extent of additional resources required by TRA is unknown given the extent of unknown factors. However, the increase to recurring state expenditures for TRA to acquire such additional resources is reasonably estimated to exceed \$100,000 per year.
- According to the Office of Attorney General, additional resources will be required because the Office of Consumer Advocate would be placed on a significantly expedited schedule to gather information and make discovery in preparation for annual rate review cases.
- Two additional analyst positions and one paralegal position for the Office of Attorney General. The associated increase to recurring state expenditures is estimated to be \$268,100 per year (\$169,500 salaries, \$83,500 benefits, \$15,100 other).
- Section 8 of this bill requires any utility that has a decoupling mechanism or an annual rate review plan approved, or both, with a natural gas conservation plan, to submit \$2.00 per customer annually to TRA on or before April 1 of each year. The utility’s customer count shall be based upon the number of such utility’s customers at the end of the preceding calendar year.
- It is reasonable to expect that the natural gas companies who elect to operate under this bill will have a minimum of 184,050 customers statewide. Therefore, the increase to recurring state revenue is reasonably estimated to exceed \$368,100 per year (184,050 x \$2.00 = \$368,100).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and "W".

James W. White, Executive Director

/rnc