

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|-------------------|---------|-------------------|---------|
| | FY 2014-15 | | FY 2015-16 | |
| | 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 965 changes provisions related to power districts and corporations.

The bill requires the Power Review Board (PRB) to approve criteria for construction of new generation and transmission facilities or modifications to such existing facilities with anticipated expenditure of fifty million dollars (\$50,000,000) or more.

To fulfill the bill's provisions, the PRB estimates the need to hire consultants for each qualifying application to gather information and evaluate specialized topics set out in the bill's listed costs and benefits. The cost for this is estimated to be \$90,000.

There is no basis to disagree with this estimate.

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES | | |
|--|------------------|--|
| LB: 965 | AM: | AGENCY/POLT. SUB: Nebraska Power Review Board |
| REVIEWED BY: Cindy Miserez | DATE: 01/29/2014 | PHONE: 402-471-4174 |
| COMMENTS: The fiscal impact analysis of the Nebraska Power Review Board appears to be reasonable for the new duties created in LB965. The source of the Nebraska Power Review Board's cash funds is a direct assessment based on existing appropriation to the public power districts to fund the Nebraska Power Review Board's budgeted expenditures. Potential direct billed expenses for a second application would be excluded from the annual assessment calculation. | | |

Please complete ALL (5) blanks in the first three lines.

2014

LB⁽¹⁾ 965

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Power Review Board

Prepared by: ⁽³⁾ Tim Texel

Date Prepared: ⁽⁴⁾ Jan. 28, 2014

Phone: ⁽⁵⁾ 402-471-2301

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | FY 2014-15 | | FY 2015-16 | |
|---------------|--------------|---------|--------------|---------|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | \$90,000 | -0- | \$90,000 | -0- |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$90,000 | -0- | \$90,000 | -0- |

Explanation of Estimate:

LB 965 would, among other changes, amend the Power Review Board's ("the Board") approval criteria for construction of new generation and transmission facilities, or modifications of such existing facilities, involving an expected expenditure of \$50 million dollars or more. The bill would require the Board to consider the local and statewide impacts of a project's potential costs and benefits. The cost factors include: the costs of generation; current and projected fuel costs; cost of regulatory compliance; short and long-term energy portfolio risks; environmental impacts, including the cost of climate change; health impacts, including the public costs related to energy production; water usage costs; and the fiscal impact of customer-owner dollars sent out of state. The benefit factors include: economic benefits to the state or community; efficient use of resources; portfolio diversification; and beneficial impacts to water or other environmental resources.

The Board believes it would likely need to hire consultants for each qualifying application in order to gather information on and evaluate the specialized topics set out in the list of costs and benefits in the bill. The Board's small staff of three full-time employees are knowledgeable in administrative and legal issues, but not the specialized technical areas set out in the bill. Currently, experts provided by an applicant provide the Board with the necessary information regarding issues such as fuel costs and cost of generation. The Board may want to ensure that it has the opinion of neutral experts to rely upon when considering the new factors.

Since the issues listed involve multiple disciplines, the Board believes it might require the services of multiple experts for each qualifying application. The Board would need experts such as an economist to evaluate the economic factors, a medical expert for the health factors, a climatologist for the impact on climate change, a biologist or engineer to deal with regulatory compliance issues, etc. The Board has limited experience hiring these types of 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 estimation of the time it would take such experts to review an application. Another unknown is whether the Board would hire an expert to independently evaluate the factors in his or her field, or if the Board would have its experts only review the information submitted by experts retained by an applicant and/or entities that are protesting or objecting to the approval of an application. Based on previous discussions 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 generation or transmission 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 Board or testify at the hearing, or both. Testimony

would involve travel time and attendance at 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 Board's staff examined the agency's records to determine the frequency of applications of generation and transmission facilities with an estimated cost of over \$50 million. The PRB's records show twenty qualifying applications were filed in the past fifteen years. Although on average the Board receives 1.33 applications per year, in four separate years the Board received two such applications, and in two other years the Board received three such applications. Thus, the Board believes it would need budget authority to conduct three reviews of new or modified generation or transmission facilities during any given year. Since it is unusual to receive three such applications during any one year, the Board may assess Nebraska's electric suppliers based on the expectation that it will not receive more than two such applications in that year. If an additional application is received, the board could use its special assessment process and collect the additional funds that would be needed. Although unusual, the Board believes that such an assessment process is legally permissible. Using the new assessment process would allow the Board to avoid asking Nebraska's ratepayers and utilities to fund reviews that may not be needed during that year.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2014-15 EXPENDITURES</u> | <u>2015-16 EXPENDITURES</u> |
|---------------------------|----------------------------|--------------|---------------------------------|---------------------------------|
| | <u>14-15</u> | <u>15-16</u> | | |
| | -0- | -0- | | |
| Benefits..... | | | | |
| Operating..... | | | \$90,000 | \$90,000 |
| Travel..... | | | | |
| Capital outlay..... | | | | |
| Aid..... | | | | |
| Capital improvements..... | | | | |
| TOTAL..... | | | \$90,000 | \$90,000 |