

Fiscal Estimate Narratives

DOA 06/14/2001

LRB Number 01-0984/2	Introduction Number AB-438	Estimate Type Original
Subject Utility public benefits fees		

Assumptions Used in Arriving at Fiscal Estimate

AB 438 creates an exemption from the requirement of paying a monthly public benefits fee. Under the bill, a utility may not charge a monthly public benefits fee to a customer who notifies the utility that he or she resides in elderly or low-income rental housing tht is provided with federal, stte or local government assistance. The bill also requires DOA to promulgate rules that specify the housing that is eligible for the exemption.

If all eligible customers notify their utility provider and no longer pay the maximum public benefits fee, DOA will lose \$1,381,272 SEG in revenue for the Statewide Wisconsin Focus on Energy program.

See Attachment for a detailed description of the possible fiscal impact of AB 438.

Long-Range Fiscal Implications

Unknown.

Assembly Bill (AB) 438 modifies requirements in s.16.957 Stats. for collection of Public Benefits fees by Wisconsin electric providers (nonmunicipal electric utilities, municipal electric utilities and retail electric cooperatives) from their electric customers. AB 438 forbids an electric provider from charging a public benefits fee to any residential customer or member that notifies the electric provider that they reside in “elderly or low-income rental housing that is provided with federal, state, or local government assistance.”

AB 438 also requires the Department of Administration (DOA) to promulgate rules that specify the eligible housing and establish compliance procedures for electric providers. Electric providers may choose to provide rebates of paid public benefits fees to eligible customers or remove the charge from an eligible customer’s bill. In each fiscal year, each electric provider must total the amount of rebates of public benefits fees and add that amount to the following fiscal year’s amount of public benefits fee collections.

Customer Impacts

An inventory of federally assisted housing maintained by the Wisconsin Housing and Economic Development Authority (WHEDA) identifies three categories of assisted housing units:

<u>Category</u>	<u>No. of Units</u>
Elderly housing	42,272
Low-income families	30,824
Low-income disabled	<u>3,466</u>
TOTAL UNITS	76,562

Assuming each unit is separately metered, a potential of 76,562 customers could notify their electric provider of their eligibility under AB 438. Although the exact number of eligible customers that would notify their electric provider is not known, the total potential of eligible customers is about 3.35 percent of the state’s total residential electric customers (Table 1). It is also likely safe to assume that the distribution of eligible customers by electric provider would mimic the overall distribution of residential customers by electric provider. In other words, about 82 percent of the eligible customers may be customers of one of the 12 nonmunicipal utilities.

Table 1. Profile of Wisconsin Electric Providers and Residential Customers

<u>Electric Provider Categories</u>		<u>Res. Customers</u>	<u>Percent of Total</u>
Nonmunicipal Electric Utilities	12	1,883,082	82.31%
Municipal Electric Utilities	81	202,090	8.83%
Retail Electric Cooperatives	22	202,688	8.86%
	115	2,287,860	100.00%

Fiscal Impacts

There are no reliable methods to calculate the dollar amount of public benefits fees that will be affected by AB 438. Any estimates will be subject to three unknown variables that create a large error factor. The first unknown variable is the number of eligible customers that will notify their electric provider. Second, the total dollar impact is affected by one’s assumptions on the distribution of

eligible customers. This estimate uses the statewide distribution as a proxy (Table 1).

Third, the monthly fee paid by the majority of eligible customers varies from month to month along with electric use. Even a simple average fee paid is difficult to estimate. This is because the monthly fee for nonmunicipal electric customers for FY02 is the lesser of \$1.54 or three percent of the monthly electric charges. However, between 50 to 70 percent of customers do not pay the full \$1.54 fee in any month and ultimately pay a monthly fee that ranges from \$.50 to \$1.53. There are no data available to estimate the monthly electric use of customers affected by AB 438, and therefore no good method to estimate the average fees paid by this group.

In addition, municipal utilities and retail electric cooperatives are required to charge an “average” of \$16 per meter per year. The fee may vary among rate classes. Some companies may be charging a flat \$16 per customer, and others may be charging fees to residential customers that are lower or higher than \$16. There are no data at this time to verify the various fees for each company, nor is there a count of how many eligible customers reside in each electric provider’s territory.

The maximum amount of public benefits fees that could be affected by AB 438 is \$1,381,272 (Table 2). This figure assumes all eligible customers notify their electric provider, all eligible customers are paying the maximum monthly public benefits fee, and the distribution of eligible customers is the same as the statewide distribution of residential customers. In Table 2, about 84 percent of the maximum fiscal impact occurs in the territories of the 12 nonmunicipal utilities.

AB 438 requires the electric providers to add the amount of rebated fees to the total amount of public benefits fees to be collected in the following fiscal year. Nonmunicipal electric utilities are required to collect an amount that varies from year to year, based on a formula. In state fiscal year 2002, the amount is \$28,088,945. About four percent of the nonmunicipal electric utilities’ FY02 fee collections would be delayed until FY03, assuming the maximum fee impact scenario in Table 2. The net result of this shift of fees is that more customers’ monthly fees would become “capped” at three percent of the bill. The monthly maximum fee would need to be increased by 2-3 cents per month for nonmunicipal electric utility customers.

Table 2. Maximum Fiscal Impact of AB 438 on FY02 Public Benefits Fee Collections

Electric Provider	Total Res. Customers	Eligible Customers (3.35% of Total)	Maximum Annual Fee	Maximum Fees Affected
Nonmunicipal Electric Utilities	1,883,082	63,016	\$18.48	\$1,164,536
Municipal Electric Utilities	202,090	6,763	16.00	108,208
Retail Electric Cooperatives	202,688	6,783	16.00	108,528
TOTALS	2,287,860	76,562		\$1,381,272

Fiscal Impacts to Non-eligible Customers

Electric providers may collect any reasonable and prudent expenses resulting from the collection and administration of public benefits fees from their customers. Electric providers would be eligible to collect the following costs from their customers.

To comply with AB 438, electric providers will need to conduct reprogramming of their customer billing systems and/or create billing system fields to track charged fees, rebated fees and eligibility data. The small municipal utilities that reported initial reprogramming costs for the public benefits fee averaged about \$1,500 per company. Large nonmunicipal utilities' reprogramming costs ranged from \$6,000 to \$166,000.

There are six large nonmunicipal electric utilities. Reprogramming costs for these six companies could exceed \$100,000. The 109 smaller companies, based on \$400 per company, could have reprogramming costs of \$43,600.

In addition to reprogramming costs, these companies will incur the costs of qualifying customers, processing applications, and printing and mailing rebate checks. Assuming an average cost of \$10 per application, the total potential cost for 76,562 customers is \$765,620.

Utilities' Year 1 costs could exceed \$900,000. Annual implementation costs could exceed \$750,000 in succeeding years. These costs would be passed on to residential electric customers not eligible for AB 438.

Fiscal Impacts to State & Local Governments

DOA would incur unspecified costs for promulgating rules for AB 438. Implementation costs would include identification and perhaps the contracting with a reliable resource to identify "eligible" housing units. Some eligible customers receive "rent vouchers" and live in housing not identified in the WHEDA inventory. In these cases, and with every customer, local social services and local housing authorities will be incurring costs to verify eligibility and provide the identification needed by the electric provider to process a rebate. Since local social services and local housing authorities are the most familiar with eligible customers, they will also likely incur costs to notify eligible customers of the potential benefits and the process for receiving them.

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 01-0984/2		Introduction Number AB-438	
Subject			
Utility public benefits fees			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			-1,381,272
TOTAL State Costs by Category		\$	-\$1,381,272
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			-1,381,272
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			-1,381,272
TOTAL State Revenues		\$	-\$1,381,272
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$-1,381,272	\$
NET CHANGE IN REVENUE		\$-1,381,272	\$
Agency/Prepared By		Authorized Signature	Date
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