



HOUSE COMMITTEE ON APPROPRIATIONS

2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 2619

PRINTER'S NO: 4221

PRIME SPONSOR: Preston

As amended by A09240

FISCAL IMPACT SUMMARY	FY 2010/11	FY 2011/12
Expenditure Increase/(Decrease)		
General Fund—Restricted revenue account for public utility regulation	Minimal	Minimal
Local Government Funds	See analysis	See analysis
Revenue Increase/(Decrease)		
Local Government Funds	See analysis	See analysis

OVERVIEW:

House Bill 2619, as amended by A09240, amends Titles 53 (Municipalities, Generally) and 66 (Public Utilities), Pa.C.S., to allow municipalities, singularly or jointly, to purchase electricity on behalf of their citizens. "Municipality" is defined in the bill to be a county, city, borough, township or town, including any Home Rule Chartered municipality. Pennsylvania has 67 counties, 56 cities, 958 boroughs, 1,547 townships, and 1 town.

Under the provisions of this bill, a municipality, or two or more municipalities acting jointly, may apply to the Public Utility Commission for a license to purchase electricity for customers within its jurisdiction on either an opt-in or opt-out basis. The governing body of each municipality must enact an ordinance authorizing the municipality to apply for the license. Ninety days prior to enactment, the municipality must provide public notice of its intention to apply for a license, which shall include newspaper notifications on a monthly basis.

The bill further specifies (1) the process for soliciting proposals for an electricity provider, mandating that the municipality must accept the lowest responsible qualified bidder, and (2) the required contractual provisions, including a consumer education plan. No contract may have a term exceeding three years.

The bill charges the Public Utility Commission with the responsibility for promulgating regulations to effectuate the provisions of the bill. The PUC shall review and may issue licenses within thirty days of receipt of the application from a municipality.

The effective date is sixty days.

ANALYSIS:

According to the Public Utility Commission, the cost for promulgating regulations, reviewing applications, and issuing licenses to municipalities for aggregating electricity would be minimal. Pursuant to Chapter 28 of Title 66, Pa.C.S., the Commission already licenses market aggregators and has the internal resources capable of performing these tasks. State funding for the PUC comes from assessments on the utilities regulated by the PUC. Act 9A of 2010 appropriated \$56,003,000 in state funds to the Public Utility Commission (PUC) for its operations for FY 2010/11.

The other potential fiscal impact is on local governments themselves. The provisions of this bill are voluntary; thus no local government would incur costs, or realize savings, without its consent.

There will be start-up costs for a municipality to begin the process to become an electricity aggregator, especially with regard to public notification and developing the license application. Once, however, the application is approved, there is the potential for the municipality to have cost savings on its electricity expenditures, which is a significant local government expense. While the bill requires the municipality to perform various administrative functions relating to aggregation, such as establishing customer complaint processes, these services can be privatized to an outside source. In all likelihood, if the contract is structured properly, these administrative costs will be subsumed in the electricity rate paid by the consumers, thus negating any cost to the municipality.

Furthermore, under the provisions of this bill, the municipality might be able to structure the contract in a way that it can benefit from a portion of the revenue for the cost of electricity paid by the consumers. The ability of the municipality to do this, however, would be limited. Because the bill does not mandate consumers to participate—either by not opting in with the opt-in program or opting out with the opt-out program—this provides a check on prices. If a municipality attempts to enter into a contract with electricity prices for consumers above the default price available from the local electric distribution company, then consumers would not likely participate in the aggregation service. Only in the case where the municipality receives a significant discount on electricity prices, therefore, might it be able to capture some of the revenue beyond its cost of administering the program.

To summarize the impact on local governments, it is unlikely that a municipality would utilize the provisions of this bill to become an aggregator of electricity unless there is a financial benefit to the municipality.

Sources consulted in preparation of this note include the Public Utility Commission, the Consumer Advocate, the Local Government Commission, and staff of the House Committee on Consumer Affairs.

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General Note and Disclaimer: *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*