STATE OF CALIFORNIA

ECONOMIC AND FISCAL IMPACT STATEMENT

(REGULATIONS AND ORDERS)

STD. 399 (Rev. 2-98)

See SAM Sections 6600 - 6680 for Instructions and Code Citations

DEPARTMENT NAME	CONTACT PERSON	TELEPHONE NUMBER
California Energy Commission	Gary Collord	916 651-9006
DESCRIPTIVE TITLE FROM *NOTICE REGISTER* OR FORM 400		NOTICE FILE NUMBER
Regulations Establishing a Process for Designating Transmission Corridor Zones		Z

ECONOMIC IMPACT STATEMENT

A. ESTIMATED PRIVATE SECTOR COST IMPACTS *(Include calculations and assumptions in the rulemaking record.)*

1. Check the appropriate box(es) below to indicate whether this regulation:

- ☐ a. Impacts businesses and/or employees
- ☐ b. Impacts small businesses
- ☐ c. Impacts jobs or occupations
- ☐ d. Impacts California competiveness
- ☐ e. Imposes reporting requirements
- ☐ f. Imposes prescriptive instead of performance standards
- ☐ g. Impacts individuals
- ☑ h. None of the above *(Explain below. Complete the Fiscal Impact Statement as appropriate.)*

h. (cont.) Regulations create voluntary process for persons (utilities) to request designation of a corridor.

(If any box in Items 1 a through g is checked, complete this Economic Impact Statement.)

2. Enter the total number of businesses impacted: 0 Describe the types of businesses *(Include nonprofits)*: Investor-owned utilities & unknown number of private transmission operators may choose to invoke the regulations if adopted.

Enter the number or percentage of total businesses impacted that are small businesses: 0

3. Enter the number of businesses that will be created: 0 eliminated: 0

Explain: No effect on small businesses.

4. Indicate the geographic extent of impacts: ☐ Statewide ☐ Local or regional *(list areas)*:

The designation of transmission corridors may occur at a local or regional level depending on what an applicant proposes.

5. Enter the number of jobs created: 0 or eliminated: 0 Describe the types of jobs or occupations impacted:

6. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here?

☐ Yes ☑ No If yes, explain briefly:

B. ESTIMATED COSTS *(Include calculations and assumptions in the rulemaking record.)*

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? $ Unknown

a. Initial costs for a small business: $ 0 Annual ongoing costs: $ Years:

b. Initial costs for a typical business: $ .9-5.7 m Annual ongoing costs: $ 135-850 K Years: 15

c. Initial costs for an individual: $ 0 Annual ongoing costs: $ Years:

d. Describe other economic costs that may occur: Above applicant preparation and processing costs include reimbursement to the Energy Commission and local governments for their corridor review and processing costs.

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2. If multiple industries are impacted, enter the share of total costs for each industry: NA

3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. *(Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.)*: $ None

4. Will this regulation directly impact housing costs? ☐ Yes ☑ No If yes, enter the annual dollar cost per housing unit: $_____ and the number of units: _____

5. Are there comparable Federal regulations? ☐ Yes ☐ No Explain the need for State regulation given the existence or absence of Federal regulations: State regulation needed to specify process for designating transmission corridors on non-federal lands.

Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: $_____

C. ESTIMATED BENEFITS *(Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)*

1. Briefly summarize the benefits that may result from this regulation and who will benefit: Accelerated transmission permit process for utilities. Better opportunites for public/stakeholder participation. Support policy/environmental goals to access renewable power generation. Lower transmission system congestion costs and improved system reliability benefit the state's ratepayers.

2. Are the benefits the result of: ☐ specific statutory requirements, or ☐ goals developed by the agency based on broad statutory authority?
Explain: State's transmission system needs and goals are in the Commission's 2007 Strategic Transmission Investment Plan.

3. What are the total statewide benefits from this regulation over its lifetime? $ 2.6 bil.

D. ALTERNATIVES TO THE REGULATION *(Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)*

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: Using the statutory provisions of SB 1059 and CEQA provisions was considered in lieu of the proposed regulations. Regulations better define designation process, roles and responsibilities of parties, and provide process certainty.

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation:	Benefit: $ 86 million	Cost: $ .9 -3. / mil.
Alternative 1:	Benefit: $ 86 million	Cost: $ .9- 3. / mil
Alternative 2:	Benefit: $_____	Cost: $_____

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: Estimated cost range is per applicant and includes reimbursement of Commission and local government processing costs. Estimated benefits reflect one-third of the current transmision congestion costs to the state's utilities and ratepayers.

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? ☐ Yes ☑ No
Explain: NA

E. MAJOR REGULATIONS *(Include calculations and assumptions in the rulemaking record.)*
Cal/EPA boards, offices and departments are subject to the following additional requirements per Health and Safety Code section 57005.

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1. Will the estimated costs of this regulation to **California** business enterprises exceed $10 **million** ? ☐ Yes No *(If No, skip the rest of this section)*

2. Briefly describe each equally as effective alternative, or **combination** of alternatives, for which a cost-effectiveness analysis was **performed:**

   Alternative 1: _____

   Alternative 2: _____

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

   Regulation: $ _____ Cost-effectiveness ratio: _____

   Alternative 1: $ _____ Cost-effectiveness ratio: _____

   Alternative 2: $ _____ Cost-effectiveness ratio: _____

FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT *(Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years)*

☐ 1. Additional expenditures of approximately $_____ in the current State Fiscal Year which are reimbursable by the State pursuant to **Section** 6 of Article **XIII** B of the California Constitution and Sections **17500 et** seq. of the Government Code. Funding for this reimbursement:

☐ a. **Is** provided in (Item _____ Budget Act of _____) or (Chapter _____, **Statutes** of _____

☐ b. will be requested in the _____ (FISCAL YEAR) **Governor's** Budget for appropriation in Budget Act of _____

☑ 2. Additional expenditures of approximately $ 0 in the current State Fiscal Year which are not reimbursable by the State pursuant to **Section** 6 of Article **XIII** B of the California Constitution and Sections **17500 et seq.** of the Government Code because this regulation:

☐ a. Implements the Federal mandate contained in _____

☐ b. implements the court mandate set forth by the _____

court in the case of _____ **VS.** _____

☐ c. implements a mandate of the people of this State expressed in their approval of Proposition No. _____ at the _____ (DATE) election;

☐ d. is issued only in response to a specific request from the _____

_____ which **is/are** the **only** local **entity(s)** affected;

☐ e. **will** be **fully financed** from the **local agency fees for actual and added costs of reviewing an application** (FEES, REVENUE, ETC.) authorized by Section

25334(e) of the **Public Resources** Code;

☐ f. provides for savings to each affected unit of local government which **will**, at a minimum, offset any additional costs to each such unit.

☐ 3. Savings of approximately $_____ annually.

☐ 4. No additional costs or savings because this regulation makes only technical, non-substantive or clarifying changes to current law and regulations.

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☐ 5. No fiscal impact exists **because** this regulation does not affect any local entity or program.

☐ 6. Other.

B. FISCAL EFFECT ON STATE GOVERNMENT *(Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)*

☐ 1. Additional expenditures of approximately $_____ in the current State Fiscal Year. It is anticipated that State agencies will:

☐ a. be able to absorb these additional costs within their existing budgets and resources.

☐ b. request an increase in the currently authorized budget level for the _____ fiscal year.

☐ 2. Savings of approximately $_____ in the current State Fiscal Year.

☐ 3. No fiscal impact exists because this regulation does not affect any State agency or program.

☒ 4. Other.

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS *(Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)*

☐ 1. Additional expenditures of approximately $_____ in the current State Fiscal Year.

☐ 2. Savings of approximately $_____ in the current State Fiscal Year.

☒ 3. No fiscal impact ~~exists~~ because this regulation does not affect any federally funded State agency or program.

☐ 4. Other

SIGNATURE	B. B. blevins	TITLE Exec. Director	
AGENCY SECRETARY		Patrick Kemp	DATE
APPROVAL/CONCURRENCE	PROGRAM BUDGET MANAGER	Assistant Secretary Administration and Finance	9/10/97 DATE
DEPARTMENT OF FINANCE APPROVAL/CONCURRENCE			

1. *The signature attests that the agency has completed the STD. 399 according to the instructions in SAM sections **6600-6680**, and understands the impacts of the proposed **rulemaking**. State boards, offices, or **departments** not under an Agency Secretary must have the form **signed** by the highest ranking **official** in the **organization**.*

2. *Finance approval and signature is required when SAM sections 6600-6670 require completion of the Fiscal Impact Statement in the STD. 399.*

Supporting Material for the Economic/Fiscal Impact Statement for the Adoption of Regulations Establishing a Process to Designate Transmission Corridor Zones

This document contains an analysis of the potential economic and fiscal impacts resulting from implementation of the proposed regulations to establish an Energy Commission (Commission) process for designating electric transmission corridor zones.

Background

The proposed regulations would make specific the process for implementing the California Energy Commission's new authority to designate transmission corridor zones for future high-voltage electric transmission lines within the state. The Commission's new authority stems from Senate Bill 1059, which was enacted in September 2006. (Stats. 2006, Ch. 638) Specifically, SB 1059 added Chapter 4.3, or sections 25330 to 25341, to the Warren-Alquist Act, which is the Energy Commission's enabling statute in the Public Resources Code. Section 25331 of the Public Resources Code specifically authorizes the Energy Commission to designate transmission corridor zones on its own motion or by application of a person who plans to build a high-voltage electric transmission line in the state within the next 10 to 20 years. The Commission must update designated corridors at least once every 10 years.

Statement of the Mandate

For any proposed regulation, an agency must determine whether the regulation imposes a mandate on local agencies or school districts and, if so, whether the mandate requires state reimbursement. Additionally, an agency must prepare an estimate of the cost or savings to any state agency, the cost to any local agency or school district that is required to be reimbursed, other nondiscretionary costs or savings imposed on the local agencies, and the cost or savings in federal funding to the state. Costs or savings means additional costs or savings, both direct and indirect, that a public agency necessarily incurs in reasonable compliance with a regulation (SAM 6601). Under state regulations, such impacts must be analyzed for the current fiscal year and for at least the next two fiscal years.

The first step in this analysis is to determine whether the regulation will require local entities to undertake a new program or to provide an increased level of service in an existing program.

Fiscal Impact On Local Government

The regulations require the Commission to consult with city and county government entities having a jurisdictional interest in a proposed corridor zone, and request information about their land use plans and activities and other relevant matters. Senate Bill 1059 also requires city and county governments to consider existing designated transmission corridor zones when making determinations on local land use actions within or adjacent to corridor zones (and to notify the Commission of proposed development projects within corridor zones), that may affect the future viability of developing or expanding transmission infrastructure within the corridor zones. In response, the Commission may recommend revisions, redesigns or mitigation measures to proposed development projects, which cities and counties are required to consider prior to taking approval action on proposed land use changes.

Therefore, the proposed regulations (and legislation) could require local entities to provide an increased level of service in an existing program. These service costs, however, are not considered reimbursable state mandated costs because the regulations provide a process for reimbursement to cities and counties (from the Commission) for their actual and added costs to provide such information and to review and comment upon a proposed corridor zone application. Potential service costs related to considering the impacts of development projects on designated corridors (Section 25341) are not reimbursable because Section 4 of SB 1059 provides that local agencies or school districts have authority to levy charges, fees, or assessments to pay for any program or service costs mandated by this act. It's assumed that local governments would recoup these costs from an applicant of a proposed development project as part of the development permit fee in accordance with Government Code Section 65943(e).

To estimate the potential non-reimbursable local government costs for the current and next two fiscal years, the Commission developed a range of corridor zone applications that might be filed and a corresponding range of local government entities that potentially would be requested to review and comment on proposed corridor applications during this period. The Commission used local government fee data from its 2003 Siting Fee Study to develop a range of costs that might be reimbursed to local governments for reviewing corridor designation applications.

The Commission estimates that from one to three applications for corridor zone designations would be filed within the next three fiscal years. The Commission estimates that between three and 12 city and county governments would be requested to review and comment on proposed applications filed during this period. The anticipated reimbursement cost to a local government is expected to range between $5,000 and $50,000. Based on these estimates, total reimbursable costs could range between $15,000 (3 x $5,000) for one application with only three affected local governments at the low end, and $600,000 (12 x $50,000) for three applications at the high end. Due to the 12-month processing period for corridor zone applications, it's assumed local governments would incur no or minimal costs related to notifying the Commission of development actions within designated corridor zones during the current and following two fiscal years.

Fiscal Impact on State Government

SB 1059 requires the Commission to consult with and request comments from all affected state agencies having an interest in a proposed transmission corridor zone, relating to their existing program activities, including the Electricity Oversight Board and the Independent System Operator. Therefore, aside from the Energy Commission, no other state agency will necessarily incur any additional costs beyond their program responsibilities in the reasonable compliance, administration, implementation or enforcement of these regulations. The regulations provide that the Energy Commission will be reimbursed by applicants for all of its costs associated with the corridor designation process. The Commission, has received eight **new positions** (four starting during fiscal year 2007-08 and four more starting during fiscal year 2008-09) to meet the mandates of SB 1059. The estimated staffing cost for the current fiscal year is $536,000. The estimated staffing cost for the next two fiscal years is $1,019 million per year. No savings to the state will result from these proposed regulations.

Fiscal Impact on Federal Funding of State Programs

The proposed regulations do not result in any reductions in or savings of federal funds.

Economic Impacts to Businesses

The proposed regulations make specific a voluntary process that is established by statute for any person interested in constructing high-voltage electric transmission infrastructure and requesting the Energy Commission to designate a transmission corridor zone. The adoption of the proposed regulations would not automatically impose any requirements, restrictions, standards, or prohibitions on businesses or have any other economic effect on them. Nevertheless, in the interest of discussing costs and benefits that may accrue to the state's investor-owned utilities, which are considered private businesses, should they elect to request designation of transmission corridors, an economic impact analysis was conducted. The potential costs and benefits identified in the analysis are secondary effects in that they result from a business choosing to take advantage of the corridor-designation process.

As described in the analysis below, the proposed regulations have the potential to create a significant net economic benefit to the state's utilities and ratepayers by improving California's electricity reliability, reducing current transmission system congestion costs, and improving access to lower-cost electricity.

Potential Economic Costs

The economic costs considered include the administrative and application preparation and processing costs to a utility or other applicant electing to file an application with the Commission for designation of a transmission corridor zone. Most of the information required to be contained in an application is already developed by utilities during their regular transmission planning and permitting activities. Therefore, these regulations

would not impose significant additional costs for them to gather or develop it. However, the added potential economic costs to a utility to prepare and represent an application during the corridor designation process could lead to an increase in a utility's revenue requirements, and thus the electricity costs for utility customers.

The statute requires applicants filing an application with the Energy Commission for designation of a transmission corridor zone, to reimburse the Commission for all costs associated with reviewing an application and potentially designating a corridor zone. Applicants will also be required to reimburse affected cities and counties for their costs to review and comment on proposed transmission corridor zone applications as requested by the Commission. The cost analysis also assumes that a corridor applicant would file a request for at least one update to a Commission designated corridor prior to proposing a specific transmission line project within the corridor for permitting.

Therefore, the cost analysis performed includes estimated costs for (1) the utility's preparation and filing of an application; (2) reimbursement to the Energy Commission for its costs in reviewing an application; and (3) reimbursement to local governments for their costs of reviewing an application.

Such factors as the length, topography, and land use or development activities in the vicinity of a proposed corridor could greatly affect the costs associated with preparation and review of an application for corridor designation. The applicant preparation costs described below for a proposed corridor were derived from environmental document and application preparation costs associated with a variety of recent electric transmission infrastructure permits filed with the California Public Utilities Commission. A number of transmission project sizes, ranging from 15 to 800 miles in length are included in the surveyed costs. Based upon these projects, the estimated cost to a utility or applicant to prepare and file an application with the Commission for corridor designation would range between $200,000 and $5 million.

The Commission used data from the Commission's 2003 Siting Fee Study (for permitting power generating facilities) to estimate reimbursable Commission and local government administrative costs for reviewing applications. The Commission's Siting permit process involves a 12-month CEQA equivalent review process similar in scope to the proposed Commission review procedures and requirements for designating transmission corridors. The estimated cost to an applicant to reimburse the Commission and local governments for their application review costs is estimated to be $700,000. Combined with the estimated application preparation costs, the total cost range for corridor designation is between $900,000 and $5.7 million.

The Commission also assumes that a typical applicant would file at least one additional corridor update application within 10 years of the initial application prior to developing transmission infrastructure within a corridor. The cost of preparing a corridor update application is assumed to be about one-half of the initial application cost. Therefore, the total cost of the initial application and update would be between $1.3 million and $8.5 million. Prorating the initial and update application costs over a 10 year period, creates an annual applicant cost range of $135,000 to $850,000.

Potential Economic Benefits

The economic benefits considered in this analysis include: (1) accelerated transmission permitting; (2) improved transmission access to renewable energy resources in support of state policy and environmental goals; and (3) reduced transmission system congestion costs, improved electricity reliability, and improved access to lower cost electricity.

Most of these potential economic benefits, which would accrue to the state's utilities and their ratepayers, are difficult to quantify. Reliable cost information is available, however, for the state's annual transmission congestion costs, which could be relieved by applicants taking advantage of the proposed regulations and subsequently obtaining permits more expeditiously to build transmission infrastructure to meet the state's needs. According to data from the California Independent System Operator (ISO), the cost of transmission congestion borne by California's ratepayers totaled $260 million during 2006. In addition to the proposed regulations, other administrative efforts and transmission system improvements are being implemented by the ISO and should serve to reduce the state's future transmission congestion costs.

For purposes of this analysis, it is assumed that annual savings from implementing the proposed regulations, due to reduced transmission congestion, increased reliability, and access to lower cost power, would be $86 million. Prorating these cost savings over the next 30 years (the estimated life of the proposed regulations), amounts to a lifetime benefit of approximately $2.6 billion.

Conclusion

Effective implementation of the proposed regulations for applicants who seek transmission corridor designations could create a significant net economic benefit to the state's utilities and ratepayers over the long-term. Reducing a portion of the state's transmission congestion costs alone significantly outweighs the potential administrative costs to the state's utilities and their ratepayers associated with application processing costs for corridor designations.