

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1744-06
Bill No.: HCS for SS for SCS for SB 376
Subject: Energy: Public Service Commission; Utilities
Type: Original
Date: April 30, 2009

Bill Summary: This proposal modifies provisions relating to energy efficiency investments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$125,715)	(\$153,531)	(\$158,139)
Total Estimated Net Effect on General Revenue Fund	(\$125,715)	(\$153,531)	(\$158,139)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Public Service Commission Fund	(\$59,538)	(\$69,631)	(\$71,720)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$59,538)	(\$69,631)	(\$71,720)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	2 FTE	2 FTE	2 FTE
Public Service Commission Fund	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 FTE

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources**, **Department of Revenue**, and the **State Tax Commission** state this proposal will have no fiscal impact on their respective agencies.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

§8.305 - Energy efficient appliance purchases

This section states that any appliance purchased with state moneys must be an appliance that has earned the Energy Star rating. Appliances are exempted from this requirement when the cost of compliance is expected to exceed the projected energy cost savings gained.

Oversight assumes no fiscal impact resulting from this section.

§393.275 - Modifies provisions related to rates charged by natural gas corporations

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** state this section will have no fiscal impact on their respective divisions.

§393.1016, 393.1017, 393.01018 - Recovery of Infrastructure Replacement Costs

Officials from the **Department of Transportation** state there will be no fiscal impact to their agency a result of this proposed legislation.

Officials from the **Office of Administration - Division of Budget and Planning** state this proposed legislation should not result in additional costs or savings to their division.

ASSUMPTION (continued)

According to **Officials from the Department of Economic Development - Office of Public Counsel (OPC)**, the new procedures established by this proposed legislation would allow electric utilities to impose surcharges (in a process separate from and in addition to the current rate case process) for transmission and distribution projects. The proposal allows each electric utility to file for such surcharges twice a year.

Within 120 days after an electric utility requests a surcharge, the PSC will be required to conduct a case (in which OPC would participate) and determine whether to authorize the surcharge. In order to have the public interest adequately represented in these surcharge cases, OPC must be able to fully participate. OPC would need an engineer to evaluate utilities' construction plans and construction execution and an additional accountant to audit the books and records relating to construction and the surcharge requests.

§393.1124 - Missouri Energy Investment Act

§393.1124.7

Officials from the **Public Service Commission (PSC)** state this subsection includes a new requirement that customers seeking exemptions from participation in energy efficiency programs to demonstrate that they have comprehensive energy efficiency initiatives in place that are funded using financial criteria similar to the total resource cost test and demonstrate an achievement of savings.

The PSC will need to promulgate rules outlining these requirements and will have to review the customer's energy efficient initiatives to determine whether they meet the total resource cost test and demonstrate an achievement of savings. Any single customer may have a large number of energy efficiency measures implemented to allow it to opt-out so the review of a single customer may be a significant task. It is unknown how many customers will seek exemptions and require this additional analysis.

It is difficult to estimate the full impact of this section of the proposed legislation since it is unknown how many customers will seek exemption. PSC estimate one Regulatory Economist II will be needed. The Regulatory Economist II is responsible for economic work related to the analysis of energy efficiency programs. This person would serve as an expert witness in cases before the commission.

ASSUMPTION (continued)

The Economist II salary is \$43,344 (Range 28, Step G)

Other expenses:

Seminars & Training: \$1,000 per year

Office Supplies: \$318 per year

Telephone Expense: \$780 per year

Publications and Subscriptions: \$100 per year

Rental of Office Space: \$200 sq ft @ \$13.50/sq ft.

Personal Computer installation: \$175

PC (standard): \$1,092

Calculator: \$51

Travel: \$845

Oversight has, for fiscal note purposes only, changed the starting salary for the Regulatory Economist II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. **Oversight** also assumes this position can be located within existing office space.

§393.1124.14 (3)

Officials from the **Department of Corrections (DOC)** state that, currently, the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal (§393.1124.14 (3)). An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this proposed legislation, the DOC will incur a corresponding increase in operational cost through supervision provided by the Board of Probation and Parole (FY08 average of \$2.47 per offender, per day or an annual cost of \$902 per offender).

In summary, supervision by the DOC through probation would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

ASSUMPTION (continued)

§660.121, 660.122 - Energy assistance

Officials from the **Department of Social Services - Family Support Division** assume this portion of the proposal deals with eligible households receiving energy assistance and home energy suppliers. Their agency does not expect a fiscal impact resulting from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Cost - Office of Public Counsel - Personal Services</u> (§393.1016, 393.1017, 393.1018)			
Salaries (2 FTE)	(\$78,538)	(\$97,072)	(\$99,985)
Fringe Benefits	(\$38,193)	(\$47,206)	(\$48,623)
Equipment and Expense	<u>(\$8,984)</u>	<u>(\$9,253)</u>	<u>(\$9,531)</u>
Total	<u>(\$125,715)</u>	<u>(\$153,531)</u>	<u>(\$158,139)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$125,715)</u>	<u>(\$153,531)</u>	<u>(\$158,139)</u>
Estimated Net Effect on FTE for General Revenue	2 FTE	2 FTE	2 FTE
PUBLIC SERVICE COMMISSION FUND			
<u>Cost - Public Service Commission- Personal Services</u> (§393.1124)			
Salaries (1 FTE)	(\$36,483)	(\$45,092)	(\$46,445)
Fringe Benefits	(\$17,742)	(\$21,928)	(\$22,586)
Equipment and Expense	<u>(\$5,313)</u>	<u>(\$2,611)</u>	<u>(\$2,689)</u>
Total	<u>(\$59,538)</u>	<u>(\$69,631)</u>	<u>(\$71,720)</u>
ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION FUND	<u>(\$59,538)</u>	<u>(\$69,631)</u>	<u>(\$71,720)</u>

Estimated Net Effect on FTE for Public Service Commission Fund	1 FTE	1 FTE	1 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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LOCAL POLITICAL SUBDIVISIONS

<u>Cost - Cities - Increased rates due to surcharge (§393.1016, 393.1017, 393.1018)</u>	(Unknown - Could exceed <u>\$100,000</u>)	(Unknown - Could exceed <u>\$100,000</u>)	(Unknown - Could exceed <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS

	<u>(Unknown - Could exceed \$100,000)</u>	<u>(Unknown - Could exceed \$100,000)</u>	<u>(Unknown - Could exceed \$100,000)</u>
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FISCAL IMPACT - Small Business

This proposed legislation may affect electric rates for small businesses. Also, to the extent the customer requesting exemption as provided in §393.1124.7 is a small business, the proposed legislation could have an economic impact to that business since it will now be required to make a showing before the Commission.

FISCAL DESCRIPTION

§393.1016, 393.1017, 393.01018 - Recovery of Infrastructure Replacement Costs

This portion of the proposed legislation allows an electric corporation to file a petition and proposed rate schedules with the Missouri Public Service Commission to establish or change infrastructure system replacement surcharges (ISRS) rate schedules that will allow for the adjustment of the corporation's rates and charges for the recovery of costs for eligible infrastructure system replacements.

The proposal specifies the procedures for the application and hearing as well as the accounting methods and procedures to be used for the surcharges.

ASSUMPTION (continued)

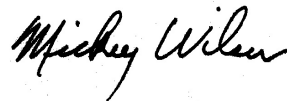
§393.1124 - Missouri Energy Investment Act

This section includes a new requirement that customers seeking exemptions from participation in energy efficiency programs to demonstrate that they have comprehensive energy efficiency initiatives in place that are funded using financial criteria similar to the total resource cost test and demonstrate an achievement of savings. The Public Service Commission will need to promulgate rules outlining these requirements and will have to review the customer's energy efficient initiatives to determine whether they meet the total resource cost test and demonstrate an achievement of savings.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
 Public Service Commission
 Office of Public Counsel
Department of Revenue
Missouri Tax Commission
Department of Transportation
Department of Natural Resources
Office of Secretary of State
 Administrative Rules Division
Office of Administration
 Division of Budget and Planning
Department of Social Services
 Family Support Division



Mickey Wilson, CPA
Director

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