

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0983-01
Bill No.: SB 160
Subject: Consumer Protection; Corporations; Energy; Public Service Commission; Sewers and Sewer Districts; Utilities; Water Resources and Water Districts
Type: Original
Date: February 6, 2015

Bill Summary: This proposal modifies provisions relating to the regulation of a corporation's rate of return on equity by the Public Service Commission.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$67,160)	(\$77,837)	(\$78,674)
Total Estimated Net Effect on General Revenue	(\$67,160)	(\$77,837)	(\$78,674)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	1	1	1
Total Estimated Net Effect on FTE	1	1	1

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state that this proposal requires every person and corporation under the Public Service Commission (PSC) supervision to file with the PSC a quarterly report which includes its actual earned return on equity for the preceding twelve-month period and the preceding quarter, and such supporting information as required by the PSC.

Division of Energy (DE) would require additional resources to monitor quarterly filings and to evaluate the adequacy of the return on equity in promoting sufficient investment in energy infrastructure, promoting development of and participation in cost-effective energy efficiency programs and ensuring compliance with Missouri renewable energy standards.

In addition, DED states that this proposal requires that in determining the authorized rate of return on equity for any gas corporation, electrical corporation, water corporation, or sewer corporation in a general rate proceeding, the commission's determination of the appropriate return on equity shall take into consideration the impact of changing economic conditions and the proposed rate of return on customers. The commission shall hear evidence concerning these factors and shall make specific findings of fact concerning its consideration of these factors and their impact on the corporation's rate of return on equity.

DE would require additional resources to identify and present any energy related concerns regarding the Commission's consideration of economic or consumer impacts in determining the return on equity.

The need for one FTE by DE (Public Utility Financial Analyst at \$48,153 annually) and associated overhead costs would be ongoing.

In response to a similar proposal from last year, SB 944, officials from the DE assumed no fiscal impact. However, due to a change in their management team this year, their current staffing level does not have the excess capacity to absorb these additional duties.

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Costs - DED - DE</u>			
Salaries	(\$40,127)	(\$48,634)	(\$49,121)
Fringe Benefits	(\$20,868)	(\$25,292)	(\$25,545)
Equipment and Expenses	<u>(\$6,165)</u>	<u>(\$3,911)</u>	<u>(\$4,008)</u>
<u>Total Costs - DED - DE</u>	<u>(\$67,160)</u>	<u>(\$77,837)</u>	<u>(\$78,674)</u>
FTE Change - DED - DE	1 FTE	1 FTE	1 FTE
 ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	 <u>(\$67,160)</u>	 <u>(\$77,837)</u>	 <u>(\$78,674)</u>
 Estimated Net FTE Change on the General Revenue Fund	 1 FTE	 1 FTE	 1 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses under the regulation of the PSC will be required to report quarterly to the PSC.

FISCAL DESCRIPTION

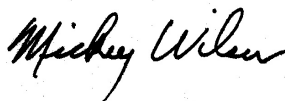
This proposal requires that every person or corporation regulated by the Public Service Commission file with the Commission a quarterly report that includes its actual earned rate of return on equity for the previous year and quarter. The report shall be made available to the public unless the person or corporation requests proprietary or highly confidential information remain confidential, and good cause is shown for such request. The actual earned return on equity shall remain public information even if such request is granted.

This proposal requires that the Public Service Commission take into consideration the impact of changing economic conditions and the proposed rate of return on customers when determining the authorized rate of return on equity for any corporation regulated by the Commission during their general rate proceeding. The Commission shall hear evidence and make findings of fact concerning these factors their impact on the corporation's rate of return on equity.

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
Attorney General's Office



Mickey Wilson, CPA
Director
February 6, 2015

Ross Strobe
Assistant Director
February 6, 2015