

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0694-01  
Bill No.: SB 184  
Subject: Corporations; Public Service Commission; Sewers and Sewer Districts; Water Resources and Water Districts  
Type: Original  
Date: January 10, 2017

---

Bill Summary: This proposal allows water and sewer corporations to request a revenue stabilization mechanism (RSM) rate schedule authorizing periodic rate adjustments outside of a general rate proceeding.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Public Service Commission Fund	(\$141,512)	(\$168,227)	(\$169,836)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$141,512)</b>	<b>(\$168,227)</b>	<b>(\$169,836)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Public Service Commission Fund	2 FTE	2 FTE	2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development - Office of the Public Counsel (OPC)** assume this proposal would result in the need for two additional FTE, a Public Utility Accountant I-III (\$50,112/annually) and a Senior Public Counsel (\$58,423/annually). This proposal would create yearly filing requirements for regulated gas, sewer and water corporations to account for revenues authorized in the utility's last general rate case and actual revenues received. If actual revenues received are less than those authorized by the Commission in the utility's last general rate case, the utility is authorized to file new tariffs to recover that amount of under-collected revenue, or alternatively, to refund amounts collected in excess of authorized revenues. This is a new annual filing requirement similar to the filing requirements of the Infrastructure System Replacement Surcharge. This new filing would result in additional review and potential contested hearings before the Commission requiring additional legal work and additional review and evaluation from auditors.

Officials from the **Department of Natural Resources**, the **Missouri Department of Conservation**, the **Department of Economic Development - Public Service Commission** and the **Department of Economic Development - Division of Energy** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>PUBLIC SERVICE COMMISSION FUND</b>			
<u>Cost - DED-OPC</u>			
Personal Service	(\$90,446)	(\$109,620)	(\$110,717)
Fringe Benefits	(\$41,530)	(\$50,132)	(\$50,432)
Equipment and Expense	(\$9,536)	(\$8,475)	(\$8,687)
<u>Total Cost - DED-OPC</u>	<u>(\$141,512)</u>	<u>(\$168,227)</u>	<u>(\$169,836)</u>
FTE Change - DED-OPC	2 FTE	2 FTE	2 FTE
<b>ESTIMATED NET EFFECT ON THE PUBLIC SERVICE COMMISSION FUND</b>	<b><u>(\$141,512)</u></b>	<b><u>(\$168,227)</u></b>	<b><u>(\$169,836)</u></b>
Estimated Net FTE Change on the Public Service Commission Fund	2 FTE	2 FTE	2 FTE

FISCAL IMPACT - Local Government

FY 2018  
(10 Mo.)

FY 2019

FY 2020

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses receiving public utility service from a Public Service Commission regulated utility may be fiscally impacted by this proposal.

FISCAL DESCRIPTION

This act allows any water or sewer corporation to request, in a general rate proceeding, a revenue stabilization mechanism (RSM) rate schedule authorizing periodic rate adjustments outside of a general rate proceeding to ensure that the corporation's actual revenues do not vary from its authorized revenues. If requested, the Public Service Commission shall approve such RSM rate schedule.

Under this act, RSM rate schedules shall account for revenue variations within each customer class. Water or sewer systems acquired by a water or sewer corporation utilizing an RSM shall be excluded from RSM rate schedules until the corporation's next general rate proceeding.

This act requires that water and sewer corporations file a RSM rate schedule or revised RSM rate schedule within 30 days of the last day of each annual period, as defined in this act, in order to credit or surcharge each customer class for the difference in the corporation's actual revenues and its authorized revenues. The annual total of any RSM adjustments surcharged to residential customers shall not exceed 10% of the corporation's revenue as approved in the corporation's most recently completed general rate proceeding. Any revenue not recovered due to this limitation shall be deferred for recovery in a subsequent recovery period. Any RSM rate schedule, or revised RSM rate schedule shall become effective within 30 days. Further, the Public Service Commission may review such RSM rate schedules for certain exclusive purposes set forth in this act.

Under this act, any water or sewer corporation utilizing an RSM rate schedule is required to submit a report in each general rate proceeding on changes in water demands, and the measures the corporation has taken to educate consumers on water efficiency.

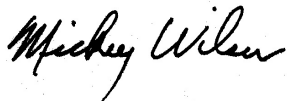
FISCAL DESCRIPTION (continued)

This act requires that a water or sewer corporation's RSM rate schedule be updated during each general rate proceeding. Further, a water or sewer corporation may terminate such RSM rate schedule during a general rate proceeding, provided that certain rate adjustments occur as set forth in this act. Further, this act requires that the Public Service Commission file a report on the impact of RSM rate schedules with the Secretary of the Senate and the Chief Clerk of the House of Representatives by December 31, 2024.

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 Natural Resources  
Missouri Department of Conservation  
Department of Economic Development  
    Division of Energy  
    Public Service Commission  
    Office of Public Counsel



Mickey Wilson, CPA  
Director  
January 10, 2017

Ross Strobe  
Assistant Director  
January 10, 2017