

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2417-01
Bill No.: SB 6
Subject: Business and Commerce; Economic Development; Energy; Public Service
Commission; Utilities
Type: Original
Date: May 24, 2017

Bill Summary: This proposal modifies provisions relating to ratemaking for electrical corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	\$0 or (Could exceed \$87,265)	\$0 or (Could exceed \$87,121)	\$0 or (Could exceed \$87,952)
Total Estimated Net Effect on General Revenue	\$0 or (Could exceed \$87,265)	\$0 or (Could exceed \$87,121)	\$0 or (Could exceed \$87,952)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Public Service Commission	\$0 or (Up to \$76,981)	\$0 or (Up to \$78,769)	\$0 or (Up to \$79,520)
Conservation Commission Fund	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Other State Funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (Could exceed \$76,981)	\$0 or (Could exceed \$78,769)	\$0 or (Could exceed \$79,520)

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	0 or up to 1 FTE	0 or up to 1 FTE	0 or up to 1 FTE
Public Service Commission	0 or up to 1 FTE	0 or up to 1 FTE	0 or up to 1 FTE
Total Estimated Net Effect on FTE	0 or up to 2 FTE	0 or up to 2 FTE	0 or up to 2 FTE

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 2018	FY 2019	FY 2020
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

ASSUMPTION

§393.355 and §393.356 Aluminum Smelting Facility

Oversight notes this proposal authorizes the Public Service Commission to approve a special rate for aluminum smelting facilities or steel works facilities. Oversight assumes the granting of the authority may have a direct fiscal impact to state or local governments if the state or local government's utility expense increases as a result of this bill.

§393.1410 Electrical Corporations

In response to similar legislation, officials from the **Department of Economic Development - Division of Energy (DE)** assumed there would be a fiscal impact to DE due to the provisions in this bill because of DE's involvement in cases before the Public Service Commission. DE staff will actively participate in cases before the Public Service Commission where the provisions of this bill are considered and implemented. DE would be involved in rulemaking docket(s) and in cases where the authorized rate or regulatory mechanisms are considered to promote modernization and replacement of infrastructure, as well as tariff cases where the new provisions, such as performance-based ratemaking, revenue decoupling or grid modernization incentives, would be implemented.

DE assumed it would need an a range of 0 or up to 1 FTE (Planner III, \$55,368 annually) to complete new duties including initially participating in rulemakings and other proceedings where rate adjustment mechanisms or other provisions are implemented. On an ongoing basis, this up to 1 FTE will monitor and evaluate the impact of the proposed grid modernization provisions and perform specialized professional work in planning and policy development.

ASSUMPTION (continued)

In response to similar legislation, officials from the **Department of Economic Development - Office of Public Counsel (OPC)** assumed this legislation promotes practices, such as a forecasted test year, that are uncommon at the Public Service Commission, which uses a historical test year. Assuming that should this legislation pass, and regulated utilities bring forth cases incorporating all of these practices, OPC may require additional personnel to deal with the influx of cases, and should such mechanisms be approved, OPC would require additional personnel to maintain oversight of such programs.

The OPC assumed there could be a long range implication. Assuming the law is passed and no regulated electric utility seeks to implement every mechanism under 393.1410, the long-range implications would be zero. Assuming the law is passed, and every regulated electric utility seeks to implement every mechanism under 393.1410, the long-range impact may require an additional FTE accountant. The driver of the cost is the revenue decoupling mechanism, which is a vehicle for interim rate adjustments between rate cases.

There is not enough information to determine a set cost impact; implementation of the prospective language by the Commission would increase demand on OPC's resources, which may require additional personnel. The impact could range from \$0 to the salary of one additional FTE accountant (\$50,112/annually).

Oversight will reflect a fiscal impact range of \$0 (no regulated electric utility seeks to implement mechanisms under section 393.1410) or up to the cost provided by the Office of Public Counsel (every regulated electric utility seeks to implement mechanisms under 393.1410).

Below is a summary of the total annual electric utility payments the **Office of Administration**, the **Department of Corrections**, the **Department of Transportation**, and the **Department of Natural Resources** each reported paying to Ameren in FY 2015 and FY 2016. The totals below do not include payments made by the Missouri Department of Conservation.

	<u>FY 2015</u>	<u>FY 2016</u>
Office of Administration	\$ 8,222,989	\$ 8,185,029
Department of Corrections	\$ 6,605,851	\$ 6,471,812
Department of Transportation	\$ 2,904,533	\$ 2,973,258
Department of Natural Resources	\$ 473,260	\$ 500,186
Total	\$18,206,663	\$18,130,285

ASSUMPTION (continued)

Using a two year average of the cost listed above, a 1% (for example) rate increase to the state government that may result from this bill would result in additional cost of \$181,685 to the General Revenue Fund and Other State Funds. A 5% (for example) rate increase would result in a cost of approximately \$908,000.

Officials from the **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assume that there would be a fiscal impact to any State facilities in the territory served by an electrical provider that provides a special rate to a steel works or aluminum smelting facility. It is understood that the special rate portion of this bill is intended to apply primarily to Ameren Missouri, which provides electrical service for a number of State facilities. Without knowing the special rate that would be provided to the facilities by Ameren, FMDC is unable to calculate the impact that this bill would have on its utility costs.

OA-FMDC's Leasing Ameren electric cost for the past two years was \$1,637,805 in FY 2016 and \$1,630,761 in FY 2015.

FMDC also assumes that there would be a fiscal impact to the State's utility cost from the portion of this bill authorizing rate adjustment mechanisms for infrastructure improvements. However, without more information, FMDC is unable to calculate the impact of such provisions.

Officials from the **Missouri Department of Conservation (MDC)** assume an unknown cost as a result of this proposal.

Officials from the **the Department of Natural Resources, Missouri State University** and the **State Technical College of Missouri** assume the proposal will have no fiscal impact on their organization.

Officials from the **Missouri Western State University** assume this proposal could have a fiscal impact on their organization; however, until a rate is set the amount can not be determined.

In response to similar legislation, officials from the **Department of Corrections (DOC)** assumed an unknown cost (due to not knowing the exact utility rate increase percentage) as a result of this proposal.

In response to similar legislation, officials from the **Department of Economic Development - Public Service Commission**, the **Department of Transportation** and the **University of Central Missouri** each assumed the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

Oversight assumes this proposal may increase utility cost to all state departments and local governments and therefore will range the fiscal impact from \$0 (no special rate is approved with other utility customers sharing the cost) or an Unknown cost to the General Revenue Fund and Other State Funds as well as Local Political Subdivisions for the potential increased utility expense.

Oversight also assumes this proposal could have positive fiscal impact to state and local governments if additional jobs materialize; however, Oversight considers these to be indirect benefits of the bill and will not be reflect them in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2018	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Cost - DED-DE §393.1410</u>			
Personal Service	\$0 or (Up to \$55,368)	\$0 or (Up to \$55,922)	\$0 or (Up to \$56,481)
Fringe Benefits	\$0 or (Up to \$25,693)	\$0 or (Up to \$26,962)	\$0 or (Up to \$27,128)
Equipment and Expense	\$0 or (Up to \$6,204)	\$0 or (Up to \$4,237)	\$0 or (Up to \$4,343)
<u>Total Cost - DED-DE</u>	<u>\$0 or (Up to \$87,265)</u>	<u>\$0 or (Up to \$87,121)</u>	<u>\$0 or (Up to \$87,952)</u>
FTE Change - DED-DE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<u>Cost - Statewide</u>			
Possible increase in utility cost	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0 or (Could exceed \$87,265)</u>	<u>\$0 or (Could exceed \$87,121)</u>	<u>\$0 or (Could exceed \$87,952)</u>
Estimated Net FTE Change on the General Revenue Fund	0 or up to 1 FTE	0 or up to 1 FTE	0 or up to 1 FTE

FISCAL IMPACT - State Government
 (continued)

FY 2018

FY 2019

FY 2020

**PUBLIC SERVICE COMMISSION
 FUND**

Cost - DED-OPC §393.1410

Personal Service	\$0 or (Up to \$50,112)	\$0 or (Up to \$50,613)	\$0 or (Up to \$51,119)
Fringe Benefits	\$0 or (Up to \$22,101)	\$0 or (Up to \$23,919)	\$0 or (Up to \$24,058)
Equipment and Expense	\$0 or (Up to \$4,768)	\$0 or Up to \$4,237)	\$0 or (Up to 4,343)
<u>Total Cost - DED-OPC</u>	<u>\$0 or (Up to \$76,981)</u>	<u>\$0 or (Up to \$78,769)</u>	<u>\$0 or (Up to \$79,520)</u>
FTE Change - DED-OPC	0 or up to 1 FTE	0 or up to 1 FTE	0 or up to 1 FTE

**ESTIMATED NET EFFECT ON
 THE PUBLIC SERVICE
 COMMISSION FUND**

**\$0 or (Up to
\$76,981)** **\$0 or (Up to
\$78,769)** **\$0 or (Up to
\$79,520)**

Estimated Net FTE Change on the
 Public Service Commission Fund

0 or up to 1 FTE 0 or up to 1 FTE 0 or up to 1 FTE

OTHER STATE FUNDS

<u>Cost - Statewide</u>	\$0 or	\$0 or	\$0 or
Possible increase in utility cost	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

**ESTIMATED NET EFFECT ON
 OTHER STATE FUNDS**

**\$0 or
(Unknown)** **\$0 or
(Unknown)** **\$0 or
(Unknown)**

<u>FISCAL IMPACT - Local Government</u>	FY 2018	FY 2019	FY 2020
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost - Statewide</u>	\$0 or	\$0 or	\$0 or
Possible increase in utility cost	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses receiving utility service from the Public Service Commission regulated utility could see an increase in overall utility rates for electric service.

FISCAL DESCRIPTION

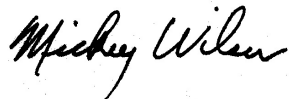
This proposal modifies provisions relating to rate-making for public utilities.

This proposal contains an emergency clause.

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
Division of Energy
Office of Public Counsel
Office of Administration
Facilities Management Design and Construction
Department of Transportation
Department of Corrections
Department of Natural Resources
Missouri Department of Conservation
Joint Committee on Administrative Rules
Missouri State University
University of Central Missouri
Missouri Western State University



Mickey Wilson, CPA
Director
May 24, 2017

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May 24, 2017