

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4743-02  
Bill No.: SB 642  
Subject: Business and Commerce; Corporations; Energy; Public Service Commission;  
 Utilities  
Type: Original  
Date: January 23, 2018

Bill Summary: This proposal modifies provisions relating to ratemaking for public utilities.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	(Could exceed \$67,077)	(Could exceed \$75,884)	(Could exceed \$76,606)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Could exceed \$67,077)</b>	<b>(Could exceed \$75,884)</b>	<b>(Could exceed \$76,606)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Public Service Commission Fund	(\$148,141)	(\$173,208)	(\$174,867)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$148,141)</b>	<b>(\$173,208)</b>	<b>(\$174,867)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
General Revenue Fund	1 FTE	1 FTE	1 FTE
Public Service Commission Fund	2 FTE	2 FTE	2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>	<b>3 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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development - Division of Energy (DE)** assume Section 386.266 of this proposal provides that the DE participates in PSC regulatory cases to evaluate issues from a formal state policy and planning perspective consistent with its interests in clean, affordable, abundant energy, and its efficient use. DE is active in cases before the PSC that relate to changes in rate structures. DE assumes it would be involved in rulemaking dockets, tariff and other related cases before the PSC from the provisions of this proposal that allow electrical, water and sewer corporations (in addition to gas corporations that may do so under current law) to apply to adjust rates outside of general rate proceedings to account for the increases or decreases in residential and commercial customer usage (386.266.3). This section would no longer restrict such rate adjustments to reduced usage from weather or conservation.

The Missouri Comprehensive State Energy Plan reported that significant amounts of energy are required in the treatment of water and wastewater and its delivery and distribution. As such, there is a linkage between water and energy and efforts to increase efficiencies in water treatment, transportation and usage by residents and businesses. Because of this linkage, DE is now participating in water and sewer utility cases before the PSC to evaluate and promote the efficient use of water.

DE assumes it would need 1.0 FTE Public Utility Accountant II at \$46,056 annually to participate in implementation of Section 386.266 of this proposal. It is assumed there would be a rulemaking docket to set the process and details associated with this proposal and that DE staff would participate in the workshops, monitor filings, review proposals and file comments. The proposal expands the reasons for filing a rate adjustment from weather and conservation impacts to any changes in residential and commercial customer usage that impact utility revenues. The proposal makes this available to electrical, water and sewer utilities in addition to gas utilities. It is assumed DE would monitor and participate in the review of rate adjustment mechanism cases filed by gas, electrical, water and sewer utilities and subsequent reconciliations to insure charges associated with reduced customer energy usage are appropriate.

DE anticipates a total cost of approximately \$75,000 to the General Revenue Fund to provide for the implementation in this proposal.

ASSUMPTION (continued)

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** assume Section 386.266.3 of this proposal would establish mechanisms for interim rate case adjustments without a general rate proceeding where all relevant factors are considered in setting utility rates. This section would authorize an application process in which rates would be raised without providing the Commission any discretion to approve or deny such request, contrary to the existing interim rate adjustment mechanisms.

OPC also assumes Section 386.266.4 of this proposal directs that the commission shall approve such revenue guarantees submitted under subsection 3. As such, OPC's recourse will likely be the appeals process, possibly rising to the level of necessitating dedicated staff to address these cases. Subsection 3 is open to every regulated utility except telecommunications, and there are dozens of small water and sewer Investor Owned Utilities that would be eligible under this language.

OPC assumes time spent litigating existing revenue adjustment mechanisms, the potential for appellate work, and the amount of Investor-owned Utilities who would be eligible to seek such a mechanism, would likely require one additional accountant at \$50,112 annually and one additional attorney at \$58,423 annually.

OPC anticipates a total cost of approximately \$175,000 to the Public Service Commission Fund to provide for the implementation of this proposal.

Officials from **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assume this proposal would allow any electrical, gas, or water corporation to make an application to the commission to approve rate schedules. Without additional information, FMDC is unable to accurately calculate the impact of this bill. However, an estimate is provided below:

In the last three fiscal years, FMDC has averaged \$14.4 million in electricity expenditures. A 2.5% (cap) increase in rates because of this bill would cost the state approximately \$360,241 annually.

In the last three fiscal years, FMDC has averaged \$3.1 million in gas expenditures. A 2.5% (cap) increase in rates because of this bill would cost the state approximately \$77,568 annually.

In the last three fiscal years, FMDC has averaged \$2.7 million in water and sewer expenditures. A 2.5% (cap) increase in rates because of this bill would cost the state approximately \$66,414 annually.

ASSUMPTION (continued)

Officials from the **Attorney General's Office (AGO)** assume any potential cost arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if the proposal results in a significant increase in cases.

Officials from the **Department of Economic Development - Public Service Commission**, the **Department of Natural Resources** and the **Metropolitan St. Louis Sewer District** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
	(10 Mo.)		
<b>GENERAL REVENUE FUND</b>			
<u>Cost - DE</u>			
Personal Service	(\$38,380)	(\$46,517)	(\$46,982)
Fringe Benefit	(\$20,389)	(\$24,604)	(\$24,742)
Equipment and Expense	<u>(\$8,308)</u>	<u>(\$4,763)</u>	<u>(\$4,882)</u>
<u>Total Cost - DE</u>	<u>(\$67,077)</u>	<u>(\$75,884)</u>	<u>(\$76,606)</u>
FTE Change - DE	1 FTE	1 FTE	1 FTE
<u>Cost - OA</u>			
Possible increase in utility cost	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(Could exceed \$67,077)</u></b>	<b><u>(Could exceed \$75,884)</u></b>	<b><u>(Could exceed \$76,606)</u></b>
Estimated Net FTE Change to the General Revenue Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
(continued)	(10 Mo.)		

**PUBLIC SERVICE COMMISSION  
 FUND**

<u>Cost - OPC</u>			
Personal Service	(\$90,446)	(\$109,620)	(\$110,717)
Fringe Benefits	(\$44,842)	(\$54,133)	(\$54,459)
Equipment and Expense	(\$12,853)	(\$9,455)	(\$9,691)
<u>Total Cost - OPC</u>	<u>(\$148,141)</u>	<u>(\$173,208)</u>	<u>(\$174,867)</u>
FTE Change - OPC	2 FTE	2 FTE	2 FTE

<b>ESTIMATED NET EFFECT TO THE    PUBLIC SERVICE COMMISSION    FUND</b>	<b><u>(\$148,141)</u></b>	<b><u>(\$173,208)</u></b>	<b><u>(\$174,867)</u></b>
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Estimated Net FTE Change to the Public Service Commission Fund	2 FTE	2 FTE	2 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2019	FY 2020	FY 2021
	(10 Mo.)		

**LOCAL POLITICAL SUBDIVISIONS**

<u>Cost - Possible increase in utility cost</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON THE    LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0 or    (Unknown)</u></b>	<b><u>\$0 or    (Unknown)</u></b>	<b><u>\$0 or    (Unknown)</u></b>
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FISCAL IMPACT - Small Business

Small businesses may see an increase in utility costs.

FISCAL DESCRIPTION


This proposal modifies provisions relating to ratemaking for public utilities.

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  
Department of Natural Resources  
Office of Administration  
Metropolitan St. Louis Sewer District

Ross Strobe



Acting Director  
January 23, 2018