

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5027-01
Bill No.: SB 564
Subject: Business and Commerce; Contracts and Contractors; Corporations; Economic Development; Energy; Environmental Protection; General Assembly; Public Service Commission; Utilities
Type: Original
Date: January 9, 2018

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	(Unknown greater than \$78,562)	(Unknown greater than \$92,047)	(Unknown greater than \$92,930)
Total Estimated Net Effect on General Revenue	(Unknown greater than \$78,562)	(Unknown greater than \$92,047)	(Unknown greater than \$92,930)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> 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 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 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 2019	FY 2020	FY 2021
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Energy (DE)** state that the DE participates in Public Service Commission (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 related to energy efficiency and renewable energy. The Comprehensive State Energy Plan prepared by DE in 2015 recommends reforming Missouri's utility ratemaking process and exploring mechanisms related to grid modernization activities and new business models and is engaged in discussions surrounding these efforts.

DE assumes Section 393.1400 requires electric utilities that defer and recover depreciation expense and return for certain qualifying electric plants to file 5-year capital investment plans (updating annually) for modernizing and securing infrastructure. DE would participate in the review of the annual capital investment plans related to grid modernization.

DE assumes the proposal will have no fiscal impact on their organization; however, there would be a cumulative fiscal impact to DE if more than one bill related to PSC regulatory issues passes or if other provisions are included due to DE's involvement in such cases.

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** assume:

Section 386.266 of this proposal would establish mechanisms for interim rate case adjustments to now include transmission costs. This would require a hearing on the tariffs filed by the company, which will require additional personnel dedicated to this proceeding and in subsequent fuel adjustment charge cases.

Subsections 393.1400.2(1) and (2) of this proposal will create litigation where it states that no adjustment will be permissible under the statute based upon consideration of other factors, while the second sub paragraph indicates that disallowances would be permitted upon a finding of imprudence. This will create new litigation.

Section 393.1650 of this proposal establishes a new procedure requiring the Public Service Commission to preside over contractor qualification and bidding processes. This new proceeding will create new litigation.

ASSUMPTION (continued)

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 attorney at \$58,423 annually.

OPC anticipates a total cost of approximately \$92,000 for this FTE from this proposal.

Officials from the **Department of Economic Development - Public Service Commission** assume the proposal will have no fiscal impact on their organization.

Officials from **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assume this proposal may increase utility cost for the state facilities under its control. Without additional information, OA-FMDC is unable to calculate the amount of such increase.

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 Natural Resources** assume the proposal will have no fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Cost - OPC</u>			
Personal Service	(\$48,686)	(\$59,007)	(\$59,597)
Fringe Benefits	(\$23,450)	(\$28,313)	(\$28,488)
Equipment and Expense	(\$6,426)	(\$4,727)	(\$4,845)
<u>Total Cost - OPC</u>	<u>(\$78,562)</u>	<u>(\$92,047)</u>	<u>(\$92,930)</u>
FTE Change - OPC	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>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(Unknown greater than <u>\$78,562</u>)	(Unknown greater than <u>\$92,047</u>)	(Unknown greater than <u>\$92,930</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</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 LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

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
Division of Energy
Public Service Commission
Office of Public Counsel
Attorney General's Office
Department of Natural Resources
Office of Administration

Ross Strobe



Acting Director
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