

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5110-01  
Bill No.: SB 705  
Subject: Business and Commerce; Corporations; Public Service Commission; Sewers and Sewer Districts; Utilities  
Type: Original  
Date: January 23, 2018

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Bill Summary: This proposal allows water and sewer corporations to make an application to the Public Service Commission to approve rate schedules outside of a general rate proceeding.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Public Service Commission Fund	(\$125,000)	(\$153,750)	(\$157,594)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$125,000)</b>	<b>(\$153,750)</b>	<b>(\$157,594)</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 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>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</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 - 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 approach would create a new interim rate mechanism that would likely be adjusted between general rate cases, creating additional proceedings before the Public Service Commission.

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, likely require additional expert witness consultant services.

OPC anticipates a total cost of approximately \$150,000 to provide for the professional services for implementation of this proposal.

Officials from **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assumes this proposal enables water and sewer corporations also to apply to the Public Service Commission for an interim rate change outside of a general rate proceeding to ensure that revenue requirements are met. Without additional information about the expenditures of water and sewer companies, OA-FMDC is unable to calculate the amount of such increase. However, an estimate is provided below:

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.

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 and Division of Energy**, 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 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Cost - OA</u>	\$0 or	\$0 or	\$0 or
Possible increase in utility cost	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>
<b>PUBLIC SERVICE COMMISSION FUND</b>			
<u>Cost - OPC</u>			
Equipment and Expense	<u>(\$125,000)</u>	<u>(\$153,750)</u>	<u>(\$157,594)</u>
<b>ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION FUND</b>	<b><u>(\$125,000)</u></b>	<b><u>(\$153,750)</u></b>	<b><u>(\$157,594)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2019 (10 Mo.)	 FY 2020	 FY 2021
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost - Possible increase in utility cost</u>	\$0 or	\$0 or	\$0 or
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<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>
 <u>FISCAL IMPACT - Small Business</u>			

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  
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