

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5110-02  
Bill No.: Truly Agreed To and Finally Passed SS for SB 705  
Subject: Business and Commerce; Corporations; Public Service Commission; Sewers and Sewer Districts; Utilities  
Type: Original  
Date: June 12, 2018

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Bill Summary: This proposal relates to rate adjustments outside of general rate proceedings for certain public utilities.

**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    |
|   |            |            |            |
| <b>Total Estimated Net Effect on <u>Other</u> State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</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** and the **Department of Economic Development Public Service Commission (PSC)** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Economic Development - Division of Energy (DE)** participate 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 related to energy efficiency and renewable energy. As such, DE assumes it would be involved in the implementation of this proposal that allows certain water and sewer corporations to seek approval from the Public Service Commission for rate schedules authorizing rate adjustments outside of rate cases due to revenue variation from increases or decreases in residential, commercial, public authority and sale for resale usage.

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.

There is no identifiable direct fiscal impact to the Division of Energy by this bill alone; however, there would be a cumulative fiscal impact to DE if more than one bill related to PSC regulatory issues passes due to DE's involvement in such cases.

Officials from **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assume section 386.266.4 of the proposed legislation would allow a water corporation with more than eight thousand Missouri retail customers to apply to the Public Service Commission (Commission) to approve a rate schedule authorizing periodic rate adjustments outside of general rate proceedings to ensure revenues billed by the water corporation meet revenue requirements as established in the most recent general rate proceeding or complaint proceeding due to any revenue variation resulting from increases or decreases in residential, commercial, public authority, and sale for resale usage. FMDC assumes this provision will increase water utility rates, and therefore, FMDC's expenditures for those utilities.

ASSUMPTION (continued)

FMDC is unable to predict the extent of water rate adjustments allowed by this section. In the last three fiscal years, FMDC has averaged \$1.2 million per year in water expenditures (excludes MODOT, Conservation and Higher Education). For each one percent increase in water rates the additional cost to FMDC would be approximately \$12,048 annually.

Section 393.358 specifies water corporations are to develop a qualification process for all contractors and the qualified bidder with the lowest and best bid shall be awarded the contract.

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.

In response to a previous version, officials from the **Metropolitan St. Louis Sewer District** assumed the proposal will have no fiscal impact on their organization.

For fiscal note purposes, **Oversight** will reflect a possible increase in utility cost to the General Revenue Fund and to Local Political Subdivisions.

| <u>FISCAL IMPACT - State Government</u>                     | FY 2019<br>(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 costs                          | <u>(Unknown)</u>                   | <u>(Unknown)</u>                   | <u>(Unknown)</u>                   |
| <b>ESTIMATED NET EFFECT ON THE<br/>GENERAL REVENUE FUND</b> | <b><u>\$0 or<br/>(Unknown)</u></b> | <b><u>\$0 or<br/>(Unknown)</u></b> | <b><u>\$0 or<br/>(Unknown)</u></b> |

| <u>FISCAL IMPACT - Local Government</u>                         | FY 2019<br>(10 Mo.)                | FY 2020                            | FY 2021                            |
|---|------------------------------------|------------------------------------|------------------------------------|
| <b>LOCAL POLITICAL SUBDIVISIONS</b>                             |                                    |                                    |                                    |
| <u>Cost</u> - Possible increase in utility costs                | \$0 or<br><u>(Unknown)</u>         | \$0 or<br><u>(Unknown)</u>         | \$0 or<br><u>(Unknown)</u>         |
| <b>ESTIMATED NET EFFECT ON THE LOCAL POLITICAL SUBDIVISIONS</b> | <b>\$0 or<br/><u>(Unknown)</u></b> | <b>\$0 or<br/><u>(Unknown)</u></b> | <b>\$0 or<br/><u>(Unknown)</u></b> |

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  
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