

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0297-01
Bill No.: SB 55
Subject: Corporations; Public Service Commission; Sewers and Sewer Districts; Utilities;
 Water Resources and Water Districts
Type: Original
Date: January 29, 2019

Bill Summary: This proposal authorizes the Public Service Commission, during a general rate proceeding for a water corporation or sewer corporation, to set a separate, lower fixed charge or customer charge for low-income customers of water corporations and sewer corporations.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|-------------------------|-------------------------|-------------------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| General Revenue Fund | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| Total Estimated Net Effect on General Revenue | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

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 2020 | FY 2021 | FY 2022 |
| Local Government | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Public Service Commission (Commission)** assume the proposal will have no fiscal impact on their organization because the Commission currently considers these types of proposals in its proceedings of general rate proceedings. This legislation provides a definition of “low-income customer.”

The bill allows the Commission to establish, as part of a rate case, a low income rate for water and/or sewer customers. Once approved, low income customers would not automatically be enrolled in the lower rate because neither the utility nor the Commission know if a customer qualifies as a low income customer. Typically what would happen is a customer would contact either the utility or a Community Action Agency (CAP) asking questions or requesting assistance. It would be up to either the utility or the CAP to determine whether the customer qualifies, and to explain the opportunity for a low income rate.

The utility company would also likely send out statements on its bills indicating something similar to - if you have trouble paying your bill, please contact us.

If a customer contacts the Commission about the inability to pay a bill, the Commission's Consumer Services Department (CSD) typically refers the customer to the utility. If the customer has concerns that the utility is not following statutes, rules, or its tariffs, CSD will inform the customer that he may file an informal or formal complaint with the Commission for further review.

As far as recovery of lost revenues. The bill indicates the low income rates will not be detrimental to the utility. In a rate case, the Commission determines a revenue requirement amount that the utility is allowed to recover. That amount is then divided, through rate design, among the various customer classes (residential, industrial, commercial, etc.). The total revenue requirement (pot of money) will not change, but the difference that would have been recovered from those customers that receive the low income rate, had they continued to pay the residential rate, will be allocated to all other rate classes in a manner determined as part of the rate case. This is no different than is done today for other "special" rates such as economic development riders, rate caps pursuant to SB 564, special rates as a result of HB 1 from the 2017 special session.

ASSUMPTION (continued)

Oversight assumes this proposal allows lost revenues from utility companies offering a lower fixed charge to be recouped by various customer classes. Oversight assumes this proposal could increase utility cost for the Office of Administration and for local governments. Since it is unknown how many customers will qualify and request a lower rate (if any), Oversight will reflect a range from \$0 (no customers will request a lower rate) to and unknown cost to the state and local political subdivisions.

Officials from the **Department of Economic Development (Division of Energy and Office of Public Counsel)**, the **Attorney General’s Office** and the **Metropolitan St. Louis Sewer District** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the Division of Energy, the Office of Public Counsel, the Attorney General’s Office and the Metropolitan St. Louis Sewer District have each stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other utilities were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

| <u>FISCAL IMPACT - State Government</u> | FY 2020 (10 Mo.) | FY 2021 | FY 2022 |
|---|---|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Cost</u> - Office of Administration | <u>\$0 to</u> | <u>\$0 to</u> | <u>\$0 to</u> |
| Potential increase in water and sewer utility costs | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND | <u>\$0 to</u> <u>(Unknown)</u> | <u>\$0 to</u> <u>(Unknown)</u> | <u>\$0 to</u> <u>(Unknown)</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2020 (10 Mo.) | FY 2021 | FY 2022 |
|---|---|---|---|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Cost - Local Governments</u> | <u>\$0 to</u> | <u>\$0 to</u> | <u>\$0 to</u> |
| Potential increase in water and sewer utility costs | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS | <u>\$0 to</u> <u>(Unknown)</u> | <u>\$0 to</u> <u>(Unknown)</u> | <u>\$0 to</u> <u>(Unknown)</u> |

FISCAL IMPACT - Small Business

Small businesses could have an increase in utility cost as a result of this proposal.

FISCAL DESCRIPTION

This act authorizes the Public Service Commission, during a general rate proceeding for a water corporation or sewer corporation, to set a separate, lower fixed charge or customer charge for low-income customers of water corporations and sewer corporations. The act also creates a definition for "low-income customer".

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Economic Development
Public Service Commission
Office of Public Counsel
Division of Energy
Attorney General's Office
Metropolitan St. Louis Sewer District



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January 29, 2019

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January 29, 2019