

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4059-03
Bill No.: Perfected SS for SB 618
Subject: Contracts and Contractors; Corporations; Energy; Public Service Commission; Utilities
Type: Original
Date: March 4, 2020

Bill Summary: This proposal modifies provisions of law relating to an infrastructure system replacement surcharge for gas corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
State Facility Maintenance and Operation Fund (0501)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Other State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 393.1009 - Gas Utility Plan Projects

Officials from the **Department of Commerce and Insurance (DCI) - Office of the Public Counsel (OPC)** assume there would be a need for an additional Public Utility Accountant I-III at \$50,112 annually to review the increased costs included in ISRS petitions, the increased projects, plant, and costs that will be reviewed in general rate cases. The cost for such analyst would be approximately \$65,000 annually.

Oversight assumes this legislation will not generate a sufficient workload for the OPC to require an additional FTE, and therefore assume DCI-OPC could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DCI-OPC could request funding through the appropriation process.

Section 393.1012

Officials from the **Office of Administration (OA) - Facilities Management Design and Construction (FMDC)** state that the increase to gas service anywhere in the state individually or when combined with ISRS shall not produce revenues in excess of ten percent of the gas corporation's base revenue. And the commission may not approve an ISRS if the revenues exceed ten percent.

FMDC used a four year average (FY16 - FY19) of Natural Gas, Propane and Fuel Oil cost equaling \$3,533,122 and applied a 1%, 5% and 10% increase to determine the maximum amount that could be charged based on this legislation.

		1.00%	5.00%	10.00%
Gas with Fuel Oil	\$3,533,122	\$35,331	\$176,656	\$353,312

Oversight assumes this proposal allows gas corporations to file a petition and propose rate schedules with the Public Service Commission to establish or change ISRS rate schedules (that will allow for adjustment of the gas corporation's rate and charges to provide for the recovery cost).

ASSUMPTION (continued)

Oversight assumes this proposal could increase gas utility costs for the Office of Administration as well as other state agencies and local governments. Since it is unknown how many additional amortizations will be authorized (if any), Oversight will range the cost from \$0 (no utility will increase rates) to an unknown amount to the State Facility Maintenance and Operation Fund (0501) and a \$0 to unknown cost to other state funds and local political subdivisions.

Officials from the **Department of Commerce and Insurance (Public Service Commission)**, the **Department of Natural Resources** and the **Department of Transportation** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Officials from the **Missouri Department of Conservation** did not respond to our request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
STATE FACILITY MAINTENANCE AND OPERATION FUND (0501)			
<u>Cost - Office of Administration</u> Potential increase in gas utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
VARIOUS STATE FUNDS			
<u>Cost - Various State Agencies</u> Potential increase in gas utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost - Local Governments</u>	\$0 to	\$0 to	\$0 to
Potential increase in electric utility costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

FISCAL IMPACT - Small Business

Small business gas utility customers could expect fiscal impact as a result of this proposal as this legislation allows for cost recovery of investments through cost-recovery mechanisms.

FISCAL DESCRIPTION

This act modifies the definition of "appropriate pretax revenues" and "gas utility plant projects" for provisions of law relating to an infrastructure system replacement surcharge (ISRS) for gas corporations.

Any gas corporation whose ISRS is found by a court of competent jurisdiction to include illegal and inappropriate charges shall refund every current customer of the gas corporation who paid such charges, before the gas corporation can file for a new ISRS.

This act requires gas corporations utilizing ISRS to develop and file with the Public Service Commission a pre-qualification process for contractors seeking to participate in competitive bidding to install ISRS-eligible gas utility plant projects. The gas corporation may specify the criteria that the contractor shall meet in order to qualify to participate in the competitive bidding process. Under this act, the gas corporation shall file a verified statement with the Public Service Commission stating that it has in place a pre-qualification process by January 1, 2022.

Any ISRS petition thereafter shall be accompanied with a verified statement that the gas corporation is using a competitive bidding process for installing no less than 25% of ISRS-eligible gas utility plant projects. Under this act, the lowest and best bid in the competitive bidding process shall receive the contract to perform the project.

FISCAL DESCRIPTION (continued)

Under this act, the Public Service Commission shall prepare a report for the General Assembly annually, with the first report being submitted by December 31, 2023, on the competitive bidding process established under this act.

The provisions of law relating to the ISRS for gas corporations shall expire on August 28, 2029.

The act also requires, beginning with the first general rate proceeding after June 1, 2020, every gas corporation to submit an evaluation, plan, or tariff regarding the utilization of renewable natural gas.

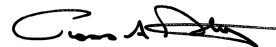
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Commerce and Insurance
Public Service Commission
Office of Public Counsel
Department of Natural Resources
Department of Transportation
Office of Administration



Julie Morff
Director
March 4, 2020



Ross Strobe
Assistant Director
March 4, 2020