

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1995-01
Bill No.: SB 403
Subject: Energy; Public Service Commission; Utilities
Type: Original
Date: March 9, 2015

Bill Summary: This proposal modifies provision relating to rate making for gas corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Public Service Commission	(\$61,144)	(\$72,373)	(\$73,115)
Total Estimated Net Effect on Other State Funds	(\$61,144)	(\$72,373)	(\$73,115)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Office of the Public Counsel (OPC)** assume this proposal modifies and potentially expands regulated gas utilities' ability to defer expenses associated with a large number of investments, from plants to distribution lines and customer meters. Because of the deferral and the mandatory recovery (393.1400.1), utilities making these investments are not subject to the same discipline that traditional rate making imposes. The only check on gold-plating and unnecessary investments is the threat of after-the-fact prudence reviews in subsequent general rate proceedings.

For this threat to be credible, OPC needs qualified personnel to review the utilities' infrastructure investments and to challenge the prudence of those investments if they are not in the public interest. The proposal will create significant additional responsibilities for OPC's staff requiring the addition of 1 FTE, Public Utility Acct I-III at \$46,326 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
PUBLIC SERVICE COMMISSION FUND			
<u>Costs - DED - OPC</u>			
Salaries	(\$38,605)	(\$46,789)	(\$47,257)
Fringe Benefits	(\$20,077)	(\$24,333)	(\$24,576)
Equipment and Expenses	<u>(\$2,462)</u>	<u>(\$1,251)</u>	<u>(\$1,282)</u>
<u>Total Costs - DED - OPC</u>	<u>(\$61,144)</u>	<u>(\$72,373)</u>	<u>(\$73,115)</u>
FTE Change	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION FUND			
	<u>(\$61,144)</u>	<u>(\$72,373)</u>	<u>(\$73,115)</u>
Estimated Net FTE Change on Public Service Commission Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Currently, the Public Service Commission may not approve a gas infrastructure system replacement surcharge (ISRS) to the extent that it would produce total annualized ISRS revenues exceeding 10% of the gas corporation's base revenue level. Under this proposal, the Public Service Commission may not approve a gas ISRS to the extent it would produce annual ISRS revenues exceeding 1.25% of the gas corporation's Missouri gross revenues, excluding pass-through taxes not included in tariffed rates. Any costs not recovered as a result of the 1.25% limit on rate adjustments may be deferred for recovery in a subsequent year or in the gas corporation's next general rate proceeding.

Currently, the Public Service Commission cannot approve a gas ISRS without having issued a general rate proceeding decision within the last 3 years, and a gas corporation cannot collect an ISRS for more than 3 years unless they have filed or are the subject of a new general rate proceeding. This act modifies these provisions to 5 years.

Nothing in this act shall be construed to limit the rights of certain groups to file a complaint alleging that the rates or charges of a gas corporation are unreasonable or unlawful.

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

L.R. No. 1995-01
Bill No. SB 403
Page 5 of 5
March 9, 2015

SOURCES OF INFORMATION

Department of Economic Development - Office of the Public Counsel



Mickey Wilson, CPA
Director
March 9, 2015

Ross Strobe
Assistant Director
March 9, 2015