

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2134-02
Bill No.: HCS for HB 956
Subject: Utilities
Type: Original
Date: April 17, 2015

Bill Summary: This proposal modifies provisions relating to 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 <u>Other</u> 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
Public Service Commission	1	1	1
Total Estimated Net Effect on FTE	1	1	1

☐ 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 the 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 time the appropriateness of utilities actions can be challenged is in subsequent general rate proceedings.

In order to assess the prudence of utility actions, 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.

Oversight notes that this proposal could potentially increase or decrease gas costs for state and local governments.

<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	(\$2,462)	(\$1,251)	(\$1,282)
<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

This bill limits commission approval of annual revenue from infrastructure replacement surcharges under Section 393.1020, RSMo, to 1.25% of a gas corporation's gross jurisdictional revenues. Gross receipts, sales taxes, and other pass-through types of taxation not included in the rate-making process are not counted for purposes of the limit and may be collected by the gas corporation.

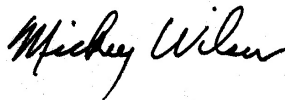
Surcharges may be approved for a period of up to five years without the need for a gas corporation to bring a general rate case. Currently, there is a three year limit.

The bill does not prevent the commission, certain legislative bodies, or classes of customers from bringing a complaint under Section 386.390 alleging that the rates or other 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.

SOURCES OF INFORMATION

Department of Economic Development - Office of the Public Counsel



Mickey Wilson, CPA
Director
April 17, 2015

Ross Strobe
Assistant Director
April 17, 2015