

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2425-01
Bill No.: HB 5
Subject: Utilities; Public Service Commission
Type: Original
Date: May 23, 2017

Bill Summary: This proposal gives the Public Service Commission authority to approve certain special utility rates for an aluminum smelting facility or a steel works facility under certain circumstances.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	(Could exceed \$87,265)	(Could exceed \$87,121)	(Could exceed \$87,952)
Total Estimated Net Effect on General Revenue	(Could exceed \$87,265)	(Could exceed \$87,121)	(Could exceed \$87,952)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Public Service Commission	\$0 or (Up to \$246,569)	\$0 or (Up to \$246,997)	\$0 or (Up to \$249,355)
Other State Funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (Could exceed \$246,569)	\$0 or (Could exceed \$246,997)	\$0 or (Could exceed \$249,355)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	1	1	1
Public Service Commission	0 or up to 3	0 or up to 3	0 or up to 3
Total Estimated Net Effect on FTE	1 or up to 4	1 or up to 4	1 or up to 4

☒ 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 2018	FY 2019	FY 2020
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

ASSUMPTION

§393.355 and §393.356 Aluminum Smelting Facility

Oversight notes this proposal authorizes the Public Service Commission to have the authority to approve a special rate for aluminum smelting facilities or steel works facilities. Oversight assumes the granting of the authority may have a direct fiscal impact to state or local governments if the state or local government's utility expense increases as a result of this bill.

§393.1410 Electrical Corporations

In response to similar legislation, officials from the **Department of Economic Development - Division of Energy (DE)** assumed there would be a fiscal impact to DE due to the provisions in this bill because of DE's involvement in cases before the Public Service Commission. DE staff will actively participate in cases before the Public Service Commission where the provisions of this bill are considered and implemented. DE would be involved in rulemaking docket(s) and in cases where the authorized rate or regulatory mechanisms are considered to promote modernization and replacement of infrastructure, as well as tariff cases where the new provisions, such as performance-based ratemaking, revenue decoupling or grid modernization incentives, would be implemented.

DE assumed it would need an additional Planner III (\$55,368 annually) to complete new duties including initially participating in rulemakings and other proceedings where rate adjustment mechanisms or other provisions are implemented. On an ongoing basis, this FTE will monitor and evaluate the impact of the proposed grid modernization provisions and perform specialized professional work in planning and policy development.

ASSUMPTION (continued)

In response to similar legislation, officials from the **Department of Economic Development - Office of Public Counsel (OPC)** assumed this legislation promotes practices, such as a forecasted test year, that are uncommon at the Public Service Commission, which uses a historical test year. Assuming that should this legislation pass, and regulated utilities bring forth cases incorporating all of these practices, OPC may require additional personnel to deal with the influx of cases, and should such mechanisms be approved, OPC would require additional personnel to maintain oversight of administration of such programs.

The OPC assumed there could be a long range implication. Assuming the law is passed and no regulated electric utility seeks to implement every mechanism under 393.1410, the long-range implications would be zero. Assuming the law is passed, and every regulated electric utility seeks to implement every mechanism under 393.1410, the long-range impact would require additional personnel, including one FTE attorney and two FTE accountants.

There is not enough information to determine a set cost impact; implementation of the prospective language by the Commission would increase demand on OPC's resources, which may require additional personnel. The impact could range from \$0 to the salaries of an additional attorney (\$58,423/annually) and two additional FTE accountants (\$50,112/annually).

Oversight will reflect a fiscal impact range of \$0 (no regulated electric utility seeks to implement mechanisms under section 393.1410) or up to the cost provided by the Office of Public Counsel (every regulated electric utility seeks to implement mechanisms under 393.1410).

Below is a summary of the **Office of Administration** past electric utility cost paid to Ameren in FY 2015 and FY 2016 (NOT including the Department of Corrections, the Missouri Department of Conservation, the Department of Transportation, the Department of Natural Resources and Colleges and Universities).

<u>FY 2015</u>	<u>FY 2016</u>
\$8,222,898	\$8,185,029

Using a two year average of the cost listed above, a 5% rate increase (for example), would result in a cost of \$410,200 to the General Revenue Fund. If there were a 10% rate increase (for example), the fiscal impact would be a cost of \$820,401.

ASSUMPTION (continued)

In response to similar legislation, officials from the **Department of Corrections (DOC)** assumed an unknown cost (due to not knowing the exact utility rate increase percentage) as a result of this proposal. Below is a summary of DOC's past electric utility cost paid to Ameren in FY 2015 and FY 2016.

<u>FY 2015</u>	<u>FY 2016</u>
\$6,605,851	\$6,471,812

Oversight assumes this proposal may increase utility cost to all state departments and local governments and therefore will reflect a \$0 or (Unknown) cost to the General Revenue Fund and Other State Funds as well as Local Political Subdivisions.

In response to similar legislation, officials from the **Department of Economic Development - Public Service Commission**, the **Office of Administration - Facilities Management Design and Construction**, the **Department of Transportation**, the **Missouri State University**, the **University of Central Missouri** and the **Missouri Western State University** each assumed the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2018	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Cost - DED-DE §393.1410</u>			
Personal Service	(\$55,368)	(\$55,922)	(\$56,481)
Fringe Benefits	(\$25,693)	(\$26,962)	(\$27,128)
Equipment and Expense	<u>(\$6,204)</u>	<u>(\$4,237)</u>	<u>(\$4,343)</u>
<u>Total Cost - DED-DE</u>	<u>(\$87,265)</u>	<u>(\$87,121)</u>	<u>(\$87,952)</u>
FTE Change - DED-DE	1 FTE	1 FTE	1 FTE
 <u>Cost - Statewide</u>	 \$0 or	 \$0 or	 \$0 or
Possible increase in utility cost	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	 <u>(Could exceed</u> <u>\$87,265)</u>	 <u>(Could exceed</u> <u>\$87,121)</u>	 <u>(Could exceed</u> <u>\$87,952)</u>
 Estimated Net FTE Change on the General Revenue Fund	 1 FTE	 1 FTE	 1 FTE

FISCAL IMPACT - State Government
(continued)

FY 2018

FY 2019

FY 2020

**PUBLIC SERVICE COMMISSION
 FUND**

Cost - DED-OPC §393.1410

Personal Service	\$0 or (Up to \$158,647)	\$0 or (Up to \$160,233)	\$0 or (Up to \$161,836)
Fringe Benefits	\$0 or (Up to \$73,619)	\$0 or (Up to \$74,052)	\$0 or (Up to \$74,490)
Equipment and Expense	\$0 or (Up to \$14,304)	\$0 or Up to \$12,712)	\$0 or (Up to \$13,029)
Total Cost - DED-OPC	<u>\$0 or (Up to \$246,569)</u>	<u>\$0 or (Up to \$246,997)</u>	<u>\$0 or (Up to \$249,355)</u>
FTE Change - DED-OPC	0 or up to 3 FTE	0 or up to 3 FTE	0 or up to 3 FTE

**ESTIMATED NET EFFECT ON
 THE PUBLIC SERVICE
 COMMISSION FUND**

**\$0 or (Up to
\$246,569)** **\$0 or (Up to
\$246,997)** **\$0 or (Up to
\$249,355)**

Estimated Net FTE Change on the
 Public Service Commission Fund

0 or up to 3 FTE 0 or up to 3 FTE 0 or up to 3 FTE

OTHER STATE FUNDS

<u>Cost - Statewide</u>	\$0 or	\$0 or	\$0 or
Possible increase in utility cost	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

**ESTIMATED NET EFFECT ON
 OTHER STATE FUNDS**

**\$0 or
(Unknown)** **\$0 or
(Unknown)** **\$0 or
(Unknown)**

<u>FISCAL IMPACT - Local Government</u>	FY 2018	FY 2019	FY 2020
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LOCAL POLITICAL SUBDIVISIONS

<u>Cost - Statewide</u>	\$0 or	\$0 or	\$0 or
Possible increase in utility cost	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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FISCAL IMPACT - Small Business

Small businesses receiving utility service from the Public Service Commission regulated utility could see an increase in overall utility rates for electric service.

FISCAL DESCRIPTION

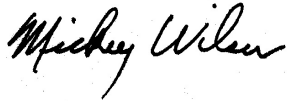
This proposal modifies provisions relating to ratemaking for public utilities.

This proposal contains an emergency clause.

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
 Division of Energy
 Office of Public Counsel
 Public Service Commission
Office of Administration
 Facilities Management Design and Construction
Department of Transportation
Department of Corrections
Missouri State University
University of Central Missouri
Missouri Western State University



Mickey Wilson, CPA
Director
May 23, 2017

Ross Strobe
Assistant Director
May 23, 2017