

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4476-02  
Bill No.: HB 1595  
Subject: Sewers and Sewer Districts; Utilities; Public Service Commission  
Type: Original  
Date: February 27, 2018

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Bill Summary: This proposal brings municipal Sewer Districts under the control of the Public Service Commission.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	(\$40,788)	(\$44,041)	(\$44,462)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$40,788)</b>	<b>(\$44,041)</b>	<b>(\$44,462)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Public Service Commission Fund	Unknown to (Less than \$629,043)	Unknown to (Less than \$738,048)	Unknown to (Less than \$744,809)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Unknown to (Less than \$629,043)</b>	<b>Unknown to (Less than \$738,048)</b>	<b>Unknown to (Less than \$744,809)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	.5 FTE	.5 FTE	.5 FTE
Public Service Commission Fund	9 FTE	9 FTE	9 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>9.5 FTE</b>	<b>9.5 FTE</b>	<b>9.5 FTE</b>

☒ 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 2019	FY 2020	FY 2021
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Economic Development - Division of Energy (DE)** participate in Public Service Commission (PSC) regulatory cases to evaluate issues from a formal state policy and planning perspective consistent with its interests in clean, affordable, abundant energy, and its efficient use.

The Missouri Comprehensive State Energy Plan (MCSEP) reported that significant amounts of energy are required in the treatment of water and wastewater and its delivery and distribution. As such, there is a linkage between water and energy and efforts to increase efficiencies in water treatment, transportation and usage by residents and businesses. Because of this linkage, DE is now participating in water and sewer utility cases before the PSC to evaluate and promote the efficient use of water.

DE assumes it would be involved in the implementation of this proposal that brings municipal and/or district sewer systems under the jurisdiction of the PSC for ratemaking purposes by participating in the larger sewer system rate cases to identify opportunities for demand and supply-side energy efficiency. According to the MCSEP, of the 2,722 water treatment systems regulated by the Missouri Department of Natural Resources, 1,433 are 'community-run systems', and the remaining systems are either transient or non-transient, non-community systems. In collaboration with DNR, the PSC has determined there are 600 municipal sewer systems and 60 district sewer systems that would be subject to PSC jurisdiction pursuant to this proposal.

The Division of Energy assumes 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 the larger municipal and/or district sewer cases before the PSC as a result of this proposal. DE assumes it would need 0.5 FTE Planner III (\$55,368/annually) to serve as a witness and perform specialized professional work in these cases.

Officials from the **Department of Economic Development - Public Service Commission (PSC)** assume the following:

Section 204.440 requires the board of trustees to impose, charge and collect a reasonable charge from sewer districts and municipalities, charges fixed at rates recommended to the "board of trustees" by the "advisory board" and approved by the PSC. It is not clear how the PSC will interact with the advisory board or the board of trustees.

ASSUMPTION (continued)

The Commission must set rates that are just and reasonable. For current regulated utilities, the utility files a rate case with the Commission seeking an increase in rates, interested parties intervene, written testimony is provided by Staff of the Commission, the Office of the Public Counsel and intervenors, and the Commission holds an evidentiary hearing before making a decision on the request.

Subsection 386.020 (49) adds "municipality" to the definition of "sewer corporation". The Commission regulates approximately 60 sewer corporations as that term is currently defined. It is estimated that by adding "municipality" to the definition of "sewer corporation", an additional 600 sewer entities will come under PSC jurisdiction.

Section 386.250 prescribes the jurisdiction, supervision, powers and duties of the Public Service Commission. Subsection (4) adds "municipal sewer districts" to the entities under PSC jurisdiction. A municipal utility and a sewer district are two different types of entities. If the intent is to include "districts" under PSC jurisdiction, an additional 60 sewer entities will come under PSC jurisdiction.

Commission regulation of sewer systems includes not only setting rates, but also inspecting sewer systems, investigating and processing complaints, assessing technical and engineering aspects of sewer systems, review of engineering plans and review of DNR mandates

The proposed bill expands Commission regulation to an additional 600 to 700 sewer entities. The Commission's oversight will include annual inspections, and could include periodic rate case filings, mergers, acquisitions or transfer of assets, annual filings, consumer complaints and investigations or other filings before the Commission. This type of work is highly specialized and complex.

The PSC estimates an additional 9 employees will be needed to process the additional work. Following is a summary of the duties, responsibilities and salary range/step for new employees. Salaries are based on current PSC positions. Equipment and Expense estimates are based on FY19 budget instructions, estimates from the PSC's IS Department and historical PSC expenditure information. For the following employees, it is estimated that 3 executive desks, executive chairs, side chairs, desk lamps and 9 calculators, personal computers & monitors and computer software will be needed to accommodate the new employees. Additional employees, fringe, equipment and services results in an estimated fiscal impact of \$592,072 for the first year of the proposed legislation.

ASSUMPTION (continued)

Full time employee summary:

1 - Utility Engineering Specialist III/Engineer I - This position will largely be responsible for assessing technical and engineering aspects associated with the additional sewer systems, including reviews of engineering plans for new and existing facilities and review of DNR mandates. The range/salary step for this position will be 32-Q with a range of salary up to \$65,280.

2 - Utility Operations Technical Specialists II - These positions will largely be responsible for the annual inspections of the additional sewer systems. These positions may investigate consumer complaints. The range/salary step for these positions will be 26-O with a range of salary up to \$49,116 each.

1 - Rate & Tariff Examiner III - This position will largely be responsible for the tariff filings the additional sewer entities will make with the Commission when establishing and changing rates. The range/salary step for this position will be 28-O with a range of salary up to \$53,136.

2 - Utility Regulatory Auditor III - These positions will largely be responsible for auditing the books and records of the additional sewer entities are part of the rate case process. They will also be involved in the review of annual filings made by the sewer entities. The range/salary step for these positions will be 26-O, with a range of salary up to \$49,116 each.

1 - Legal Counsel - This position will represent the Staff of the Commission in cases and proceedings brought before the Commission as a result of the proposed legislation. This is an exempt position with a range of salary up to \$53,136.

1 - Administrative Office Support Assistant - This position will provide administrative support to new technical Staff positions. The range/salary step for this position is 15-P with a range of salary up to \$33,840.

1 - Regulatory Law Judge - This position will preside over cases and proceedings brought before the Commission as a result of the proposed legislation. This is an exempt position with a range of salary up to \$69,528.

Officials from the **City of Springfield** state that there is a potential negative fiscal impact to the City of Springfield; the impact is unquantifiable without knowing how the administrative cost and loss of control over City sewers would impact City resources.

ASSUMPTION (continued)

Officials from the **Department of Economic Development - Office of Public Counsel**, the **Department of Natural Resources** and the **Metropolitan St. Louis Sewer District** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** assumes this proposal adds municipal sewer systems under the regulation of the Public Service Commission jurisdiction. Oversight assumes the municipal sewer districts will be assessed by the PSC; therefore Oversight will reflect a positive unknown revenue to the Public Service Commission Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Cost - DE</u>			
Salaries	(\$23,070)	(\$27,961)	(\$28,240)
Fringe Benefits	(\$11,347)	(\$13,698)	(\$13,781)
Equipment and Expense	<u>(\$6,371)</u>	<u>(\$2,382)</u>	<u>(\$2,441)</u>
<u>Total Cost - DE</u>	<u>(\$40,788)</u>	<u>(\$44,041)</u>	<u>(\$44,462)</u>
FTE Change - DE	.5 FTE	.5 FTE	.5 FTE
<b>ESTIMATED NET EFFECT ON THE PUBLIC SERVICE COMMISSION FUND</b>	<b><u>(\$40,788)</u></b>	<b><u>(\$44,041)</u></b>	<b><u>(\$44,462)</u></b>
Estimated Net FTE Change to the Public Service Commission Fund	.5 FTE	.5 FTE	.5 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
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**PUBLIC SERVICE COMMISSION  
FUND**

<u>Revenue - PSC</u> Municipal Sewer System assessment fee from municipalities and districts	Unknown	Unknown	Unknown
<u>Cost - PSC</u>			
Salaries	(\$392,820)	(\$476,098)	(\$480,859)
Fringe Benefits	(\$197,578)	(\$238,493)	(\$239,907)
Equipment and Expense	(\$38,645)	(\$23,457)	(\$24,043)
<u>Total Cost - PSC</u>	(\$629,043)	(\$738,048)	(\$744,809)
FTE Change - PSC	9 FTE	9 FTE	9 FTE

<b>ESTIMATED NET EFFECT ON THE PUBLIC SERVICE COMMISSION FUND</b>	<u>Unknown to</u> <u>(Less than</u> <u>\$629,043)</u>	<u>Unknown to</u> <u>(Less than</u> <u>\$738,048)</u>	<u>Unknown to</u> <u>(Less than</u> <u>\$744,809)</u>
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Estimated Net FTE Change to the Public Service Commission Fund	9 FTE	9 FTE	9 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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**LOCAL POLITICAL SUBDIVISIONS**

<u>Cost - administrative cost and assessment to the PSC</u>	(Unknown)	(Unknown)	(Unknown)
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<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

Since the legislation affects the process for determining sewer rates for certain sewer entities in Missouri, it could have an economic impact on small business.

### FISCAL DESCRIPTION

This bill expands the Public Service Commission's jurisdiction to include municipal sewer corporations and sewer districts.

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  
Department of Natural Resources  
Metropolitan St. Louis Sewer District  
City of Springfield

Ross Strobe



Acting Director  
February 27, 2018