

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4867-01  
Bill No.: HB 2051  
Subject: Public Service Commission; Utilities  
Type: Original  
Date: January 30, 2018

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Bill Summary: This proposal changes the law regarding the Public Service Commission.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |                                       |                                       |                                       |
|------------------------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| <b>FUND AFFECTED</b>                                 | <b>FY 2019</b>                        | <b>FY 2020</b>                        | <b>FY 2021</b>                        |
| General Revenue Fund                                 | \$0 or (Greater than \$77,142)        | \$0 or (Greater than \$88,082)        | \$0 or (Greater than \$88,926)        |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>\$0 or (Greater than \$77,142)</b> | <b>\$0 or (Greater than \$88,082)</b> | <b>\$0 or (Greater than \$88,926)</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |                           |                           |                           |
|---------------------------------------------------------------|---------------------------|---------------------------|---------------------------|
| <b>FUND AFFECTED</b>                                          | <b>FY 2019</b>            | <b>FY 2020</b>            | <b>FY 2021</b>            |
| Public Service Commission Fund                                | \$0 to (\$296,282)        | \$0 to (\$346,417)        | \$0 to (\$349,733)        |
|                                                               |                           |                           |                           |
| <b>Total Estimated Net Effect on <u>Other</u> State Funds</b> | <b>\$0 to (\$296,282)</b> | <b>\$0 to (\$346,417)</b> | <b>\$0 to (\$349,733)</b> |

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

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

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |                   |                   |                   |
|-----------------------------------------------------------|-------------------|-------------------|-------------------|
| FUND AFFECTED                                             | FY 2019           | FY 2020           | FY 2021           |
| General Revenue                                           | 0 or 1 FTE        | 0 or 1 FTE        | 0 or 1 FTE        |
| Public Service<br>Commission Fund                         | 0 to 4 FTE        | 0 to 4 FTE        | 0 to 4 FTE        |
| <b>Total Estimated<br/>Net Effect on<br/>FTE</b>          | <b>0 to 5 FTE</b> | <b>0 to 5 FTE</b> | <b>0 to 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.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                         |                         |                         |
|--------------------------------------------|-------------------------|-------------------------|-------------------------|
| FUND AFFECTED                              | FY 2019                 | FY 2020                 | FY 2021                 |
| <b>Local Government</b>                    | <b>\$0 or (Unknown)</b> | <b>\$0 or (Unknown)</b> | <b>\$0 or (Unknown)</b> |

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development - Division of Energy (DE)** participate in 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 Comprehensive State Energy Plan prepared by DE in 2015 recommends reforming Missouri's utility ratemaking process and exploring mechanisms related to grid modernization activities and new business models and is engaged in discussions surrounding these efforts.

DE assumes section 393.1160 of this provision makes the policy of the state for the Public Service Commission to support expenditures by electric utilities that maintain or improve the reliability, safety, security, efficiency or automation of electric infrastructure. DE would be involved in the rulemaking docket(s) to implement rate adjustment mechanisms authorized by this section, including but not limited to, mechanisms to promote the modernization and replacement of infrastructure, as well as tariff cases where the new provisions, such as partially forecasted test years, or other mechanisms not specifically authorized by statute, would be implemented.

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 cases before the PSC where the provisions of this bill are considered and implemented. DE assumes it would need 1.0 FTE Planner III at \$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.

Since it is unknown the degree in which the regulated utilities will seek to exercise these policies, **Oversight** will range the fiscal impact to the DE as \$0 (no new FTE are required) or \$77,142 (1 new FTE is required) in FY 2019, \$0 or \$88,082 in FY 2020 and \$0 or \$88,926 in FY 2021 to provide for the implementation of the changes in this proposal.

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** state that this legislation may not increase costs to OPC if no company seeks to exercise these authorities. If, however, this bill spurs additional regulatory proceedings; more interim rate mechanisms; more year-round accounting audits, then this bill would result in the need for two additional FTE attorneys each at \$58,423, and two additional FTE Public Utility Auditors I-III each at \$50,112.

ASSUMPTION (continued)

This bill would create additional filing requirements for regulated corporations and would allow the Public Service Commission to employ an unpredictable level of alternative mechanisms that have the potential to create multiple filings in multiple new processes.

This new filing would result in additional review and potential contested hearings before the Commission requiring additional legal work and additional review and evaluation from auditors.

While the impacts will be determined by the degree in which the regulated utilities seek to exercise such policies, should the policies be implemented vigorously, OPC would likely require additional personnel. It is estimated that 1-2 attorneys and two accountants would have to be added to our staff.

Since it is unknown the degree in which the regulated utilities will seek to exercise these policies, **Oversight** will range the fiscal impact to the OPC as \$0 (no new FTE are required) to \$296,282 in FY 2019 (4 new FTE are required), \$0 or 346,417 in FY 2020 and \$0 or \$349,733 in FY 2021.

Officials from the **Department of Economic Development - Public Service Commission**, the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** assumes the state and local political subdivisions could see an increase in overall utility rates based on this legislation and will reflect a \$0 (no increase in rates) to negative unknown cost to the General Revenue Fund and the Local Political Subdivisions.

| <u>FISCAL IMPACT - State Government</u>                                   | FY 2019<br>(10 Mo.)                              | FY 2020                                          | FY 2021                                          |
|---------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| <b>GENERAL REVENUE FUND</b>                                               |                                                  |                                                  |                                                  |
| <u>Cost - DED - Division of Energy</u>                                    |                                                  |                                                  |                                                  |
| Personal Service                                                          | \$0 or (\$46,140)                                | \$0 or (\$55,922)                                | \$0 or (\$56,481)                                |
| Fringe Benefits                                                           | \$0 or (\$22,694)                                | \$0 or (\$27,397)                                | \$0 or (\$27,563)                                |
| Equipment and Expense                                                     | <u>\$0 or (\$8,308)</u>                          | <u>\$0 or (\$4,763)</u>                          | <u>\$0 or (\$4,882)</u>                          |
| <u>Total Cost - DE</u>                                                    | <u>\$0 or (\$77,142)</u>                         | <u>\$0 or (\$88,082)</u>                         | <u>\$0 or (\$88,926)</u>                         |
| FTE Change - DE                                                           | 0 or 1 FTE                                       | 0 or 1 FTE                                       | 0 or 1 FTE                                       |
| <u>Cost - Statewide Departments</u>                                       | <u>\$0 or</u>                                    | <u>\$0 or</u>                                    | <u>\$0 or</u>                                    |
| Possible increase in utility cost                                         | (Unknown)                                        | (Unknown)                                        | (Unknown)                                        |
| <b>ESTIMATED NET EFFECT TO THE<br/>GENERAL REVENUE FUND</b>               | <b><u>\$0 or (Greater<br/>than \$77,142)</u></b> | <b><u>\$0 or (Greater<br/>than \$88,082)</u></b> | <b><u>\$0 or (Greater<br/>than \$88,926)</u></b> |
| Estimated Net FTE Change to the General<br>Revenue Fund                   | 0 or 1 FTE                                       | 0 or 1 FTE                                       | 0 or 1 FTE                                       |
| <b>PUBLIC SERVICE COMMISSION<br/>FUND</b>                                 |                                                  |                                                  |                                                  |
| <u>Cost - OPC</u>                                                         |                                                  |                                                  |                                                  |
| Personal Service                                                          | \$0 to (\$180,892)                               | \$0 to (\$219,241)                               | \$0 to (\$221,433)                               |
| Fringe Benefits                                                           | \$0 to (\$89,685)                                | \$0 to (\$108,267)                               | \$0 to (\$108,918)                               |
| Equipment and Expense                                                     | <u>\$0 to (\$25,705)</u>                         | <u>\$0 to (\$18,909)</u>                         | <u>\$0 to (\$19,382)</u>                         |
| <u>Total Cost - OPC</u>                                                   | <u>\$0 to (\$296,282)</u>                        | <u>\$0 to (\$346,417)</u>                        | <u>\$0 to (\$349,733)</u>                        |
| FTE Change - OPC                                                          | 0 to 4 FTE                                       | 0 to 4 FTE                                       | 0 to 4 FTE                                       |
| <b>ESTIMATED NET EFFECT TO THE<br/>PUBLIC SERVICE COMMISSION<br/>FUND</b> | <b><u>\$0 to (\$296,282)</u></b>                 | <b><u>\$0 to (\$346,417)</u></b>                 | <b><u>\$0 to (\$349,733)</u></b>                 |
| Estimated net FTE Change to the Public<br>Service Commission Fund         | 0 to 4 FTE                                       | 0 to 4 FTE                                       | 0 to 4 FTE                                       |

| <u>FISCAL IMPACT - Local Government</u>                         | FY 2019<br>(10 Mo.)                       | FY 2020                                   | FY 2021                                   |
|-----------------------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>LOCAL POLITICAL SUBDIVISIONS</b>                             |                                           |                                           |                                           |
| <u>Cost</u>                                                     | <u>\$0 or</u>                             | <u>\$0 or</u>                             | <u>\$0 or</u>                             |
| Possible increase in utility cost                               | <u>(Unknown)</u>                          | <u>(Unknown)</u>                          | <u>(Unknown)</u>                          |
| <b>ESTIMATED NET EFFECT ON<br/>LOCAL POLITICAL SUBDIVISIONS</b> | <b><u>\$0 or</u><br/><u>(Unknown)</u></b> | <b><u>\$0 or</u><br/><u>(Unknown)</u></b> | <b><u>\$0 or</u><br/><u>(Unknown)</u></b> |

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill states that it shall be the policy of the state to support electrical corporations in their endeavors to maintain and improve service and related infrastructure, and to meet the needs and expectation of customers. In furtherance of such policies the bill then authorizes the Public Service Commission to approve rate adjust mechanisms not otherwise permitted by statute including, but not limited to, partially forecasted test years, and mechanisms that encourage infrastructure modernization and replacement.

However, the commission shall lack the ability to alter the use of a utility's mechanism over its specified term of approval.

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 Secretary of State  
Joint Committee on Administrative Rules

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director  
January 30, 2018