

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1950-01
Bill No.: HB 935
Subject: Utilities
Type: Original
Date: May 13, 2019

Bill Summary: This proposal creates the Missouri Electricity Bill Reduction Assistance Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 to (Could be greater than \$98,613)	\$0 to (Could be greater than \$116,050)	\$0 to (Could be greater than \$117,154)
Total Estimated Net Effect on General Revenue	\$0 to (Could be greater than \$98,613)	\$0 to (Could be greater than \$116,050)	\$0 to (Could be greater than \$117,154)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Colleges & Universities	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	0 to 1 FTE	0 to 1 FTE	0 to 1 FTE
Total Estimated Net Effect on FTE	0 to 1 FTE	0 to 1 FTE	0 to 1 FTE

☒ 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 2020	FY 2021	FY 2022
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§386.905.2

Officials from the **Department of Economic Development - Division of Energy (DE)** assume this section states that the proceeds resulting from the issuance of low-cost securitized ratepayer-backed bonds would be used to: lower rates paid by customers by reducing financing costs of retired electric generating facilities, provide transition assistance to facility workers directly impacted by the retirement of generating facilities, and make available capital investment for renewable facilities and services including least-cost electric generating facilities and other supply-side and demand-side resources. DE assumes it would participate in proceedings related to these provisions and would do so with existing resources.

Quantifying current resources that will potentially be utilized on new legislative proposals is a required component of fiscal notes for this year. Existing resources are projected as 5% FTE Planner II and 5% FTE Planner III plus corresponding E&E expenses, all paid from Federal funds, for a total cost of \$7,033 in FY2020, \$8,514 in FY2021, and \$8,588 in FY2022.

There is no identifiable direct fiscal impact to the Division of Energy by this version of the bill alone; the Division will be able to participate in proceedings related to these provisions with current resources. However, there would be a cumulative fiscal impact to DE if more than one bill related to PSC regulatory issues passes or if other provisions are included due to DE's involvement in such cases.

Oversight assumes DE is provided with core funding to handle a certain amount of activity each year. Oversight assumes DE could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

§§ 386.915- 386.985

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** assume this proposal creates additional proceedings to determine if the Public Service Commission should permit an electric utility to issue bonds to refinance outstanding depreciation costs from prematurely closed electric generation facilities. This program is targeted expressly at all residential and business customers of Missouri's four electric utilities. The Office of the Public Counsel currently does not have expertise in this field, and will incur either additional operation expense associated with training or hiring appropriate personnel.

ASSUMPTION (continued)

This proposal will create additional proceedings to determine if the Public Service Commission should issue subsequent financing orders that provides for refinancing, retiring, or refunding bonds issued under the original financing order, that will require training or hiring of personnel as described above for § 386.915.

This proposal endows the Public Service Commission with additional authorities that may require resource commitments from the Office of the Public Counsel.

This proposal will create additional proceedings to determine how an electrical company may invest or expend bond proceeds that may require additional resource commitments from the Office of the Public Counsel.

This proposal authorizes the Public Service Commission to establish rules from implementation that may require resource commitments from the Office of the Public Counsel or call upon finance expertise the Office of the Public Counsel does not have as described above for §386.915.

Such a bill would likely require one Utility Regulatory Auditor V at \$75,000 annually.

Oversight assumes Department of Economic Development - Office of Public Counsel (OPC) could absorb some of the additional duties without adding an FTE; It is unknown how many utility companies will apply to the Public Service Commission for a financing order authorization therefore, Oversight will range the cost from \$0 (FTE can be absorbed and/or no companies apply) to the estimated provided by OPC (FTE is not absorbed) to the General Revenue Fund.

Officials from the **Department of Economic Development - Public Service Commission (PSC)** assume this act creates the Missouri Electricity Bill Reduction Assistance (MO-EBRA) Act which allows electrical corporations to apply to the Public Service Commission for a financing order authorizing the issuance of MO-EBRA bonds, and the collection of MO-EBRA charges on customer bills that is separate from the electrical corporation's base rates.

The act could result in cases before the PSC that would be comparable to financing cases of other types. Examples of recently completed financing cases cost the PSC from approximately \$8,500 to \$20,000 per case.

ASSUMPTION (continued)

This legislation, if enacted, could potentially result in an estimated 0-2 cases each year. The total number of cases filed with the PSC varies from year to year. Since HB 935 may or may not add an additional case or two each year, the PSC expects to be able process the cases with existing staff and appropriation authority. However should this legislation result in more than zero to two cases per year, additional resources would need to be allocated.

Oversight notes that the PSC has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for the PSC.

Officials from the **Office of Administration (OA)** assume this legislation provides for the use of ratepayer-backed bond financing by Missouri electric companies, a lower-cost financing option than financing typically used by electric companies. The intent of the legislation is to reduce Missouri electricity bills by reducing electric company financing costs. However, the financing costs (principal and interest payments, etc.) of ratepayer-backed bond financing are passed on to ratepayers and are "non-bypassable". This legislation has an unknown fiscal impact to FMDC in that it is uncertain and impossible to predict the level of net fiscal impact incurred by FMDC by the net effect of the increased cost of financing costs paid by FMDC versus the possible cost avoidance of a reduction in electricity rates paid by FMDC.

Oversight assumes this proposal allows for a lower-cost financing option to be used by electric companies be could be recouped by various customer classes. Oversight assumes this proposal could increase utility cost for the Office of Administration and for local governments.

Since it is unknown how many utility companies will apply to the Public Service Commission for a financing order authorizing the issuance of MO-EBRA bonds (if any), Oversight will reflect a range from \$0 (no change in utility rates) to an unknown cost to the state, colleges and universities, and to political subdivisions.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs.

However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

Officials from the **State Tax Commission**, the **Department of Revenue**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Attorney General's Office, Kansas City** and the **City of Springfield** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for those agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other counties, cities and utilities were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

Oversight assumes there could be benefits to the utilities and their customers in future years if the bond proceeds are used to provide "efficient and cost-effective electric generation." However, Oversight assumes this would be considered an indirect benefit of the program and probably outside the scope of the fiscal note.

FISCAL IMPACT - State Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
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GENERAL REVENUE FUND

Cost - DED-OPC (§§ 386.915 -386.985)

p. 4

Salary	\$0 to (\$62,500)	\$0 to (\$75,750)	\$0 to (\$76,508)
Fringe Benefit	\$0 to (\$29,554)	\$0 to (\$35,693)	\$0 to (\$35,924)
Equipment and Expense	\$0 to (\$6,559)	\$0 to (\$4,607)	\$0 to (\$4,722)
Total Cost - DED-OPC	\$0 to (\$98,613)	\$0 to (\$116,050)	\$0 to (\$117,154)
Total FTE Change - DED-OPC	0 to 1 FTE	0 to 1 FTE	0 to 1 FTE

Cost - Office of Administration	\$0 to	\$0 to	\$0 to
Potential increase in utility costs p. 5	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 to (Could be greater than \$98,613)	\$0 to (Could be greater than \$116,050)	\$0 to (Could be greater than \$117,154)
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Estimated Net FTE Change to the General Revenue Fund	0 to 1 FTE	0 to 1 FTE	0 to 1 FTE
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COLLEGES AND UNIVERSITIES

Costs - potential increase in utility costs	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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ESTIMATED NET EFFECT TO COLLEGES AND UNIVERSITIES	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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FISCAL IMPACT - Local Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
Cost - Local Governments	\$0 to	\$0 to	\$0 to
Potential increase in utility costs p.5	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL IMPACT - Small Business

Small businesses could have an increase in utility cost as a result of this proposal.

FISCAL DESCRIPTION

This proposal creates the Missouri Electricity Bill Reduction Assistance Act.

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
Attorney General's Office
Office of Administration
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Office of the Secretary of State
Joint Committee on Administrative Rules
State Tax Commission
Kansas City
City of Springfield



Kyle Rieman
Director
May 13, 2019

Ross Strobe
Assistant Director
May 13, 2019