

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2031-02
Bill No.: HB 1155
Subject: Utilities
Type: Original
Date: April 19, 2019

Bill Summary: This proposal establishes provisions to improve electricity resilience at critical facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 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
Total Estimated Net Effect on FTE	0	0	0

☒ 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

Officials from the **Department of Economic Development - Public Service Commission (PSC)** assume this legislation allows electrical corporations to file, with the Commission, requests for cost recovery of investments to improve electricity resiliency at critical facilities such as military installations, hospitals, facilities that support emergency services, major transportation facilities, wastewater treatment facilities and disaster staging areas or shelters. The legislation lists specific criteria for Commission consideration when determining cost recovery. The legislation also requires the Commission to conduct an annual review of investments to determine performance in improving critical facility energy resilience.

The cost recovery mechanism would be approved as part of a rate case, but would result in periodic rate adjustments outside rate cases.

Currently approved cost recovery mechanisms are typically adjusted annually, semi-annually or 3 times a year. Analysis of recent cost recovery mechanism cases show a cost for the PSC of approximately \$1,200 per case. If the legislation is enacted, it is estimated it would result in 2 additional cases per year for each of the four investor-owned electric utilities for a total of 8 additional cases. The total estimated cost to the PSC for processing the additional cases and to prepare the annual report is estimated at approximately \$9,600 per year. The PSC expects to be able to process these cases with existing staff and appropriation authority, as long as the legislation does not result in an additional caseload per year that exceeds the anticipated maximum of 8 cases per year.

Oversight notes that the PSC has stated that the PSC will be able to process these cases with existing staff and appropriation authority. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for their agency.

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** assume this proposal would allow each of Missouri's four regulated electric utilities to file requests for cost recovery of resiliency improvements for facilities that serve military, hospitals, police, fire, etc. Assuming a conservative estimate of one such filing per year from each electric utility for the initial request (393.1615.2), and another case for the annual review (393.1615.4), the OPC estimates eight cases per year.

The cost reviews under HB 1155 could be similar to the detailed cost reviews performed currently for the Infrastructure System Replacement Mechanism (ISRS), which contemplate a 60-day review.

ASSUMPTION (continued)

The HB 1155 reviews could be lengthy, or short, depending upon how many projects are included. Assuming a high number of projects are included, but assuming conservatively that OPC could review each case under HB 1155 within 30-days, OPC anticipates each case would cost OPC approximately \$7,458 (analyst for one-month, \$5,250; and legal for two weeks, \$2,208). Multiplied by 8 such cases, OPC's anticipated fiscal impact of HB 1155 is approximately \$59,664 annually.

OPC anticipates that during a normal work period (i.e., period in which a normal case load is occurring), that it would be able to absorb this additional cost with its current employees and resources.

Oversight notes that the OPC has stated that the OPC would be able to absorb this additional cost with its current employees and resources. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for their agency.

Officials from the **Department of Public Safety - Missouri National Guard (MNG)** state that this proposal will likely have a fiscal impact because there would be "cost recovery" costs attributed to the MNG. However, the bill does not specify or place limits on "cost recovery" making the fiscal impact unknown.

The scope of the resiliency efforts and cost-recovery mechanisms are undefined, and the guidelines for the Public Service Commission would use to approve such costs are unclear.

Approved utility projects that would improve critical facility energy resilience could potentially result in "cost recovery" that would be passed on, potentially directly to the operators of "critical facilities". It appears from the proposed act that the Public Service Commission would make the decision(s) concerning who would pay for such cost recovery projects. It is unclear if an organization with critical facilities would potentially be forced to directly or indirectly pay for the improvements, or if the organization could opt-out due to the increased cost.

Oversight assumes this proposal would allow each of Missouri's four regulated electric utilities to file request for cost recovery of resiliency improvements. Oversight assumes this legislation allows for cost recovery of investments through cost-recovery mechanism. Oversight assumes this proposal could increase utility cost for the Office of Administration and for local governments. Since it is unknown what the surcharge cost is (if any), Oversight will reflect a range from \$0 (no surcharge rates are filed) to an unknown cost to the state General Revenue Fund and local political subdivisions for increased cost for electric.

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 **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.

Officials from the **Department of Economic Development - Division of Energy**, the **Department of Public Safety - State Emergency Management Agency**, the **Department of Transportation**, the **Joplin Police Department**, the **St. Louis County Department of Justice** and the **Springfield Police Department** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other 911 contacts and hospitals 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 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 their agencies.

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

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

ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$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
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LOCAL POLITICAL SUBDIVISIONS

Cost - Local Governments	\$0 to	\$0 to	\$0 to
Potential increase in electric utility costs	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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FISCAL IMPACT - Small Business

Small business electric utility customers could expect fiscal impact as a result of this proposal as this legislation allows for cost recovery of investments through cost-recovery mechanism.

FISCAL DESCRIPTION

This bill authorizes electrical corporations to file requests for cost recovery with the Public Service Commission for investments to improve electricity resilience at critical facilities. The commission must consider certain factors when determining cost recovery for the investments. Approved investments must be supported through cost-recovery mechanisms otherwise approved by the commission and the commission must conduct an annual review of investments to determine their performance in improving critical facility energy resilience.

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
Public Service Commission
Office of Public Counsel
Division of Energy
Department of Public Safety
Missouri National Guard
State Emergency Management Agency
Department of Transportation
Office of the Secretary of State
Joint Committee on Administrative Rules
Joplin Police Department
St. Louis County Department of Justice
Springfield Police Department



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