

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4353-02  
Bill No.: HCS for HB 1737  
Subject: Homeland Security; Utilities  
Type: Original  
Date: February 7, 2020

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue*	\$0 or (Could exceed \$163,154)	\$0 or (Could exceed \$179,180)	\$0 or (Could exceed \$180,894)
<b>Total Estimated Net Effect on General Revenue*</b>	<b>\$0 or (Could exceed \$163,154)</b>	<b>\$0 or (Could exceed \$179,180)</b>	<b>\$0 or (Could exceed \$180,894)</b>

\* The fiscal impact is dependant upon how many electrical corporations file to improve electricity resilience at critical facilities and what cost-recovery mechanisms are approved.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Various State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
General Revenue	0 or Up to 2 FTE	0 or Up to 2 FTE	0 or Up to 2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0 or Up to 2 FTE</b>	<b>0 or Up to 2 FTE</b>	<b>0 or Up to 2 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>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### *Section 393.165 - Electricity Resilience at Critical Facilities*

Officials from the **Department of Commerce and Insurance - Office of Public Counsel** state the impact on the Office of the Public Counsel is unknown and dependent on the number of filings and cases, and whether the utility companies would attempt to incur and recover costs under the statute that are unnecessary and imprudent. The impact could be zero, or the impact could be a need for two additional FTE (Public Utility Accountant I-III at \$50,112 annually and Attorney at \$58,423 annually) to adequately protect the interests of the public in the rate increase mechanism filings. This is based on the assumption that Missouri's four large electric companies would each file multiple requests every year to raise rates through the mechanism.

**Oversight** will range the fiscal impact as estimate by the Office of Public Counsel as \$0 (zero FTE are needed) to \$163,154 in FY 2021, \$179,180 in FY 2022 and \$180,894 in FY 2023 (2 FTE are needed) to the General Revenue Fund.

Officials from the **Department of Commerce and Insurance (DCI) - Public Service Commission (PSC)** state that the Public Service Commission's 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, the measure is anticipated to possibly result in up to 2 additional cases per year for each of the four investor-owned electric utilities for an estimated 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 is funded by an assessment on Commission-regulated public utilities pursuant to Section 386.370, RSMo, and not by any state general appropriations. Depending on the cumulative effect of all PSC-impacting legislation passed in the current session and the associated increased costs associated with that legislation to the PSC, the PSC may need to request an increase in our appropriation authority and/or FTE allocation as appropriate through the budget process.

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

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Missouri National Guard (MNG)** state that this will have a likely fiscal impact because it appears that there are potential "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 MNG is not familiar with the guidelines the Public Service Commission would use to approve such costs.

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.

Officials from the **Office of Administration (OA) - Facilities Management Design and Construction (FMDC)** assumed this proposal allows electrical corporations to file requests for cost recovery with the Public Service Commission. FMDC assumes that this bill could increase utility costs to all state departments and local governments if rate changes are made to allow for cost recovery.

Without additional information, FMDC is unable to accurately calculate the impact of this bill; therefore, the impact is \$0 to unknown.

**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 mechanisms. Oversight assumes this proposal could increase utility cost for the Office of Administration as well as other state agencies 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, Various State Funds and local political subdivisions for increased cost for electric.

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.

ASSUMPTION (continued)

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 Public Safety - State Emergency Management Agency**, the **Department of Transportation** and the **Missouri Department of Conservation** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **St. Louis Police Department**, the **Springfield Police Department** and the **University of Missouri System** each assumed 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 these agencies.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other hospitals, police departments, sheriff departments, fire protection districts and ambulance districts were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>GENERAL REVENUE FUND</b>			
<u>Cost - OPC</u>			
Personal Service (0 or 2 FTE)	\$0 or (\$90,446)	\$0 or (\$109,620)	\$0 or (\$110,717)
Fringe Benefits	\$0 or (\$49,237)	\$0 or (\$59,445)	\$0 or (\$59,809)
Equipment and Expense	\$0 or (\$23,471)	\$0 or (\$10,115)	\$0 or (\$10,368)
<u>Total Cost</u>	\$0 or (\$163,154)	\$0 or (\$179,180)	\$0 or (\$180,894)
FTE Change - OPC	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
<u>Cost - Office of Administration</u>			
Potential increase in electric utility costs	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b>\$0 or (Up to <u>\$163,154</u>)</b>	<b>\$0 or (Up to <u>\$179,180</u>)</b>	<b>\$0 or (Up to <u>\$180,894</u>)</b>
Estimated Net FTE Change to the General Revenue Fund	0 or Up to 2 FTE	0 or Up to 2 FTE	0 or Up to 2 FTE
<b>VARIOUS STATE FUNDS</b>			
<u>Cost - Various State Agencies</u>			
Potential increase in electric utility costs	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS</b>	<b>\$0 to <u>(Unknown)</u></b>	<b>\$0 to <u>(Unknown)</u></b>	<b>\$0 to <u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost - Local Governments</u>	\$0 to	\$0 to	\$0 to
Potential increase in electric utility costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>

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 mechanisms.

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.

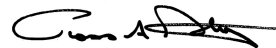
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Commerce and Insurance  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
Department of Public Safety  
    Missouri National Guard  
    State Emergency Management Agency  
Department of Transportation  
Office of Administration  
Missouri Department of Conservation  
St. Louis County Police Department  
Springfield Police Department  
University of Missouri



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February 7, 2020