

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2667-01  
Bill No.: HB 1304  
Subject: Utilities; Public Service Commission; Corporations  
Type: Original  
Date: April 27, 2015

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Bill Summary: This proposal modifies provisions relating to the regulation of a corporation's rate of return on equity by the Public Service Commission.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$67,160)	(\$77,837)	(\$78,674)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$67,160)</b>	<b>(\$77,837)</b>	<b>(\$78,674)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
General Revenue	1	1	1
<b>Total Estimated Net Effect on FTE</b>	<b>1</b>	<b>1</b>	<b>1</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development (DED)** state that this proposal requires every person and corporation under the Public Service Commission (PSC) supervision to file with the PSC a quarterly report which includes its actual earned return on equity for the preceding twelve-month period and the preceding quarter, and such supporting information as required by the PSC.

The Division of Energy (DE) would require additional resources to monitor quarterly filings and to evaluate the adequacy of the return on equity in promoting sufficient investment in energy infrastructure, promoting development of and participation in cost-effective energy efficiency programs and ensuring compliance with Missouri renewable energy standards.

In addition, DED states that this proposal requires that in determining the authorized rate of return on equity for any gas corporation, electrical corporation, water corporation, or sewer corporation in a general rate proceeding, the commission's determination of the appropriate return on equity shall take into consideration the impact of changing economic conditions and the proposed rate of return on customers. The commission shall hear evidence concerning these factors and shall make specific findings of fact concerning its consideration of these factors and their impact on the corporation's rate of return on equity.

DE would require additional resources to identify and present any energy related concerns regarding the Commission's consideration of economic or consumer impacts in determining the return on equity.

The need for one FTE by DE (Public Utility Financial Analyst at \$48,153 annually) and associated overhead costs would be ongoing.

In response to a similar proposal from last year, SB 944, officials from DE states no fiscal impact. However, due to a change in their management team this year, DE states their current staffing level does not have the excess capacity to absorb these additional duties.

In addition, the **DED - Office of Public Counsel (OPC)** assume the legislation requires every regulated utility to file with the PSC a quarterly report which includes its actual earned return on equity for the preceding twelve-month period and the preceding quarter, and any such supporting information as required by the Commission. OPC needs qualified personnel to review every regulated utility's quarterly report filed with the PSC in order to determine if it is just and reasonable and to take steps necessary to verify and challenge an over-earning utility.

ASSUMPTION (continued)

**Oversight** assumes OPC will not hire a part-time FTE for these additional responsibilities, but will absorb them within existing resources.

In response to a similar proposal, SB 160, officials from the **Attorney General's Office** assumed that any potential costs arising from the proposal could be absorbed with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DED - DE</u>			
Salaries	(\$40,127)	(\$48,634)	(\$49,121)
Fringe Benefits	(\$20,868)	(\$25,292)	(\$25,545)
Equipment and Expenses	(\$6,165)	(\$3,911)	(\$4,008)
<u>Total Costs - DED - DE</u>	<u>(\$67,160)</u>	<u>(\$77,837)</u>	<u>(\$78,674)</u>
FTE Change - DED - DE	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
	<b><u>(\$67,160)</u></b>	<b><u>(\$77,837)</u></b>	<b><u>(\$78,674)</u></b>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small businesses under the regulation of the PSC will be required to report quarterly to the PSC.

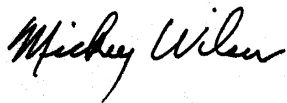
FISCAL DESCRIPTION

This proposal allows the Missouri Public Service Commission to require a report on return on equity with supporting documentation from its regulated utilities four times per year. The return on equity figures will be public information, but supporting documentation containing proprietary or confidential information may be redacted by the commission. The commission must take into account changing economic conditions and customer interests when implementing an authorized rate of return for regulated utilities in a general rate case proceeding. The commission must consider evidence and testimony regarding these factors and make specific findings of fact.

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



Mickey Wilson, CPA  
Director  
April 27, 2015

Ross Strobe  
Assistant Director  
April 27, 2015