

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1019-03  
Bill No.: Perfected HCS for HB 340  
Subject: Energy; Utilities  
Type: Original  
Date: March 30, 2017

---

Bill Summary: This proposal changes provisions of law relating to net metering.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	FY 2021
General Revenue	(Up to \$250,000)	\$0	(\$50,000)	(\$50,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Up to \$250,000)</b>	<b>\$0</b>	<b>(\$50,000)</b>	<b>(\$50,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Natural Resources** and the **Office of Prosecution Services** each assume the proposal as amended will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Office of the State Public Defender** and the **Metropolitan St. Louis Sewer District** assumed the proposal will have no fiscal impact on their organization.

### House Amendment 4 (§620.3150)

Officials from the **Department of Economic Development (DED) - Division of Energy (DE)** assume that to meet the January 1, 2019 deadline as listed in this proposal as amended for the initial review, funds would not be available and there would be insufficient time to complete the procurement process and contract for services associated with the Comprehensive State Energy Plan (CSEP) review and stakeholder process. For purposes of this fiscal note, DE assumes it would conduct the initial review using a reasonable stakeholder process and existing resources, in consultation with the Missouri-based nonprofit organization identified in the proposal.

For subsequent reviews beginning with the January 1, 2021 update, DE assumes there would be at least two components to the CSEP reviews: (1) a review of the energy data and policy recommendations; and (2) stakeholder input (i.e. meeting facilitation, expenses, materials, §§ technological engagement software tools). The above components could be further broken out into subcategories to target available resources. To the maximum extent possible, DE assumes it would work collaboratively with Missouri stakeholders to perform the CSEP reviews. DE assumes that any contracts for services to assist with the reviews with the Missouri-based nonprofit organization would be subject to appropriation. If funds are not appropriated, it is assumed DE would conduct a review in consultation with Missouri stakeholders, to the extent possible within available resources.

It is not known if a contract for services as identified in the proposal would require competitive procurement or if it would be a sole source provider. It is also not known what the cost of such a review might be until such time as a formal bid or proposal is submitted. For purposes of this fiscal note, it is assumed that a range of \$50,000 to \$100,000 would be needed to conduct the 2021 biennial review. It is assumed that funds would be needed by July 1, 2019 to initiate a procurement process for contractual services, conduct the stakeholder process and review/update the CSEP by January 1, 2021.

ASSUMPTION (continued)

It is also assumed that the review period would cross fiscal years and not be complete by June 30, 2020 and that additional funds would be needed from July 1, 2020-December 31, 2020 (FY 21). For purposes of this fiscal note, one-half of the funds necessary to conduct the 2021 biennial review are requested in FY 20 (and one-half would be requested in FY 2021). Thereafter, the annual request for funds would be one-half of the total biennial review costs and would be informed by the actual bid/proposal amounts.

House Amendment 2, as amended (§386.890.3(2))

Additionally, Section 386.890.3(2), requires a "cost of service study" to be completed by the 'state' or retail electric supplier (defined as a municipal utility or rural electric cooperative) to determine a grid usage fee. DE assumes that because the Public Service Commission (PSC) does not have jurisdiction over municipal utilities or rural electric cooperatives, the Division of Energy would be the 'state' entity to perform the cost-of-service study. Because of the practices surrounding the assessment of impacts of net metering in other states, DE assumes a cost of service study would incorporate a symmetrical study of the costs and savings to the utility and its customers (including customer-generators) from avoided fixed and variable costs of transmission, distribution, generation and avoided regulatory costs. These studies are very specialized and would require a consultant with experience in this area. The cost of such a study that includes both incurred and avoided costs depends on the scope, the availability of good data and homogenous operations and other characteristics, and could range from \$75,000 - \$125,000. It is assumed that separate studies (one for rural electric cooperatives and one for municipal cooperatives) would be needed. Based on the required expertise, a contract for services as identified in the proposal would likely utilize a sole source provider. For purposes of this fiscal note, it is assumed that a range of \$0-\$250,000 would be needed to conduct two valid cost of service studies (one each for municipal utilities and rural electric cooperatives).

**Oversight** will use the estimates provided by DE and show a fiscal impact of a range of up to - \$250,000 for two separate studies in FY 2018 (if the affected utilities conduct the studies DE will have no costs) and \$50,000 in FY 20 and FY 21 for contracted services. It should be noted that thereafter, the annual request for funds would be one-half of the total biennial review costs and would be informed by the actual bid/proposal amounts.

<u>FISCAL IMPACT - State</u>	FY 2018			
<u>Government</u>	(10 Mo.)	FY 2019	FY 2020	FY 2021

**GENERAL REVENUE**

Cost - DED

Services associated with  
 the CSEP

(HA 4) §620.3150	\$0	\$0	(\$50,000)	(\$50,000)
------------------	-----	-----	------------	------------

Service Study HA 2	(Up to -			
§386.890.3(2)	<u>\$250,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>Total Cost - DED</u>	<u>(Up to -</u>			
	<u>\$250,000)</u>	<u>\$0</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>

**ESTIMATED NET  
 EFFECT ON GENERAL  
 REVENUE**

	<u>(Up to -</u>			
	<u>\$250,000)</u>	<u>\$0</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>

<u>FISCAL IMPACT -</u>	FY 2018			
<u>Local Government</u>	(10 Mo.)	FY 2019	FY 2020	FY 2021

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
--	------------	------------	------------	------------

FISCAL IMPACT - Small Business

Small businesses could be affected by changed electric rates allowed as a result of this proposal.

FISCAL DESCRIPTION

This bill transfers certification authority of an energy resource as "renewable" from the Department of Natural Resources to the Department of Economic Development.

This bill also provides that an energy supplier may charge a customer-generator a recurring monthly grid usage fee not to exceed 75% of the supplier's recurring monthly fixed customer or service availability charge to other customers. A customer-generator shall still have the right to use net metering to offset all or more of a customer-generator's electrical energy requirements, and be credited for any excess.

FISCAL DESCRIPTION (continued)

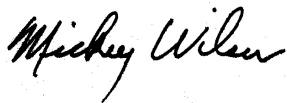
The bill additionally makes the sale of qualified electrical energy generation units subject to all applicable merchandising and consumer protection laws of Chapter 407, RSMo, and requires adequate surge protection for a customer-generator's generation unit.

This bill requires the Missouri Division of Energy to review the comprehensive state energy plan implemented by the division by January 1, 2019. The plan shall be reviewed biennially thereafter to ensure certain enumerated goals and updated as needed. The division shall use a diverse stakeholder input system either directly or by contracting with a Missouri-based nonprofit organization and issue a report along with each review, suggesting policy changes.

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  
Department of Natural Resources  
Office of Prosecution Services  
Office of the State Public Defender  
Metropolitan St. Louis Sewer District



Mickey Wilson, CPA  
Director  
March 30, 2017

Ross Strope  
Assistant Director  
March 30, 2017