

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1439-06  
Bill No.: SCS for HCS for HB 661  
Subject: Energy; Utilities  
Type: Original  
Date: April 14, 2017

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Bill Summary: This proposal modifies provisions relating to energy.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |                   |                   |                    |                    |
|--|-------------------|-------------------|--------------------|--------------------|
| FUND AFFECTED  | FY 2018           | FY 2019           | FY 2020            | (FY 2021)          |
| General Revenue                                      | (\$74,674)        | (\$87,121)        | (\$137,952)        | (\$138,794)        |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>(\$74,674)</b> | <b>(\$87,121)</b> | <b>(\$137,952)</b> | <b>(\$138,794)</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 Other 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> |
| General Revenue   | 1 FTE          | 1 FTE          | 1 FTE          | 1 FTE            |
|   |                |                |                |                  |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>1 FTE</b>   | <b>1 FTE</b>   | <b>1 FTE</b>   | <b>1 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 2018</b> | <b>FY 2019</b> | <b>FY 2020</b> | <b>(FY 2021)</b> |
| Local Government                           | \$0            | \$0            | \$0            | \$0              |

## FISCAL ANALYSIS

### ASSUMPTION

#### §§ 393.1012 through 393.1750

Officials from the **Department of Economic Development (DED) - Division of Energy (DOE)** assume DOE staff will actively participate in cases before the Public Service Commission where the provisions of this bill are considered and implemented. DOE assumes it would need an additional FTE Planner III (\$55,368/annually) to complete new duties including initially participating in rulemakings and other proceedings required for the transition to the new regulatory structure and modernization mechanisms. On an ongoing basis, this FTE will monitor and evaluate the impact of the proposed infrastructure modernization and rate adjustment mechanism provisions and perform specialized professional work in planning and policy development.

#### §620.3150

It is also assumed that to meet the January 1, 2019 deadline 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

ASSUMPTION (continued)

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.

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.

**Oversight** will use the estimates provided by DE and show a fiscal impact of \$50,000 in FY 20 and FY 21. 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.

In summary, DOE assumes a cost of \$74,674 in FY 2018, \$87,121 in FY 2019, \$137,952 (FTE cost and the \$50,000 contract amount) in FY 2020 and \$138,794 (FTE cost and the \$50,000 contract amount) in FY 2021 to the General Revenue Fund to provide for the implementation of the changes in this proposal.

Officials from the **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assumes this proposal may increase utility costs for the state facilities under its control, since this allows the utility provider to recover costs for infrastructure upgrades. Without additional information, OA-FMDC is unable to calculate the amount of such increase.

Officials from the **Metropolitan St. Louis Sewer District** assume the proposal will have no fiscal impact on their organization.

**Oversight** will use the estimates provided by DE and show a fiscal impact of \$50,000 in FY 20 and FY 21. 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.

FISCAL IMPACT -                      FY 2018  
State Government                      (10 Mo.)                      FY 2019                      FY 2020                      (FY 2021)

**GENERAL  
 REVENUE**

|                         |                   |                   |                   |                   |
|-------------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Cost - DOE</u>       |                   |                   |                   |                   |
| Personal Service        | (\$46,140)        | (\$55,922)        | (\$56,481)        | (\$57,046)        |
| Fringe Benefits         | (\$22,330)        | (\$26,962)        | (\$27,128)        | (\$27,296)        |
| E&E                     | <u>(\$6,204)</u>  | <u>(\$4,237)</u>  | <u>(\$4,343)</u>  | <u>(\$4,452)</u>  |
| <u>Total Cost - DOE</u> | <u>(\$74,674)</u> | <u>(\$87,121)</u> | <u>(\$87,952)</u> | <u>(\$88,794)</u> |
| FTE Change - DOE        | 1 FTE             | 1 FTE             | 1 FTE             | 1 FTE             |

|                                      |            |            |                   |                   |
|--------------------------------------|------------|------------|-------------------|-------------------|
| <u>Cost - DOE</u>                    |            |            |                   |                   |
| services associated<br>with the CSEP | <u>\$0</u> | <u>\$0</u> | <u>(\$50,000)</u> | <u>(\$50,000)</u> |

**ESTIMATED NET  
 EFFECT ON  
 GENERAL  
 REVENUE**

|  |                   |                   |                    |                    |
|--|-------------------|-------------------|--------------------|--------------------|
|  | <u>(\$74,674)</u> | <u>(\$87,121)</u> | <u>(\$137,952)</u> | <u>(\$138,794)</u> |
|--|-------------------|-------------------|--------------------|--------------------|

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Estimated Net FTE<br>Change on the<br>General Revenue<br>Fund | 1 FTE | 1 FTE | 1 FTE | 1 FTE |
|---|-------|-------|-------|-------|

|                         |            |            |            |            |
|-------------------------|------------|------------|------------|------------|
| <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

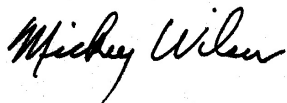
This bill requires the Missouri Division of Energy to review the comprehensive state energy plan implemented by the division by January 1, 2019. The plan shall be reviewed biennially thereafter to ensure certain enumerated goals and updated as needed. The division shall use a diverse stakeholder input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

This proposal also establishes the Rate Case Modernization 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  
Office of Administration  
Metropolitan St. Louis Sewer District



Mickey Wilson, CPA  
Director  
April 14, 2017

Ross Strobe  
Assistant Director  
April 14, 2017