

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6103-02
Bill No.: HB 2265
Subject: Utilities
Type: Original
Date: February 12, 2018

Bill Summary: This proposal modifies provisions for public utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Public Service Commission Fund	(\$148,141)	(\$173,208)	(\$174,867)
Total Estimated Net Effect on Other State Funds	(\$148,141)	(\$173,208)	(\$174,867)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Public Service Commission Fund	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

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 2019	FY 2020	FY 2021
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** assume the following:

Section 393.1275 addresses local and state taxes, but does not address the federal corporate tax cuts. The accounts authorized by this section creates additional workload for auditors.

Section 393.1400.2(1) and (2) language is internally inconsistent and will create litigation where it states that no adjustment will be permissible under the statute based upon consideration of other factors, while the second sub paragraph indicates that disallowances would be permitted upon a finding of imprudence. This may create new litigation. (3) the definition of qualifying electric plant does not exclude costs associated with natural gas, wind or solar generation plants.

Section 393.1640 will establish a new application process wherein certain customers can seek reduced rates for incremental load growth. This new proceeding will create additional proceedings before the Commission.

Section 393.1650 establishes a new procedure requiring the Public Service Commission to preside over contractor qualification and bidding processes. This new proceeding will create new litigation.

Section 393.1655 the section proposes additional deferral accounts which will create workload for auditors.

Given the experience of OPC on time spent litigating existing revenue adjustment mechanisms, the potential for appellate work, and the amount of Investor-Owned Utilities who would be eligible to seek such a mechanism, such a bill would likely require one additional auditor \$50,112 annually and one additional attorney at \$58,423 annually.

Officials from **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assume this proposal will increase electric utility rates and therefore, FMDC's expenditures for electricity. Without additional information, OA-FMDC is unable to calculate the amount of such increase. However, in the last three fiscal years, FMDC has averaged \$14.4 million in electricity expenditures. A 3% (cap) increase in rates because of this legislation would cost the state approximately \$432,289 annually.

ASSUMPTION (continued)

Officials from the **Attorney General's Office (AGO)** assume any potential cost arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if the proposal results in a significant increase in cases.

Officials from the **Department of Economic Development - Public Service Commission** and **Division of Energy** and the **Department of Natural Resources** each assume the proposal will have no fiscal impact on their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Cost - OA</u>	\$0 or	\$0 or	\$0 or
Possible increase in utility cost	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
PUBLIC SERVICE COMMISSION FUND			
<u>Cost - OPC</u>			
Personal Service	(\$90,446)	(\$109,620)	(\$110,717)
Fringe Benefits	(\$44,842)	(\$54,133)	(\$54,459)
Equipment and Expense	<u>(\$12,853)</u>	<u>(\$9,455)</u>	<u>(\$9,691)</u>
<u>Total Cost - OPC</u>	<u>(\$148,141)</u>	<u>(\$173,208)</u>	<u>(\$174,867)</u>
FTE Change - OPC	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON THE PUBLIC SERVICE COMMISSION FUND	<u>(\$148,141)</u>	<u>(\$173,208)</u>	<u>(\$174,867)</u>
Estimated net effect on the Public Service Commission Fund	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> - Possible increase in utility cost	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses may see an increase in utility costs.

FISCAL DESCRIPTION

This proposal modifies provisions relating to ratemaking for public utilities.

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
Department of Natural Resources
Office of Administration

Ross Strobe



Acting Director
February 12, 2018