COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6103-04
Bill No.: Perfected HCS for HB 2265
Subject: Utilities
Type: Original
Date: March 14, 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 (Up to $150,000,000)
Total Estimated Net Effect on General Revenue	**$0 or (Unknown)**	**$0 or (Unknown)**	**$0 or (Up to $150,000,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Public Service Commission Fund	($78,562)	($92,047)	($92,930)
Total Estimated Net Effect on Other State Funds	**($78,562)**	**($92,047)**	**($92,930)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on All 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	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**1 FTE**	**1 FTE**	**1 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

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to a previous version, officials from the **Department of Economic Development - Office of Public Counsel (OPC)** assumed the following:

Section 393.1100 permits customers to refuse the mechanism by which companies measure consumption. This may incur economic waste by requiring manual reading or auditing of self-reporting.

Section 393.1400.2(1) and (2) language is internal 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 393.1670 authorizes solar rebates.

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 attorney at $58,423 annually.

ASSUMPTION (continued)

In response to a previous version, officials from **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assumed the following:

Section 386.266.3 of the bill allows any gas or electrical corporation to make an application to the Public Service Commission to approve rate schedules authorizing periodic rate adjustments outside of general rate proceedings to adjust rates to account for the impact on utility revenues of changes in usage due to variations in either weather, conservation, or both.

FMDC is unable to predict the extent of electrical rate adjustments allowed by this subsection.

Section 393.137 of the bill provides the PSC, in specified circumstances, the authority to prospectively adjust the rates of certain electrical corporations so that the income tax component of the revenue requirement used to set such corporations' rates is based on the provisions of the federal 2017 Tax Cut and Jobs Act without considering any other factor as otherwise required by section 393.270. FMDC is unable to predict the extent of electrical rate adjustments allowed by this section.

Section 393.1400 of the bill requires electrical corporations that elect to be part of a voluntary program to defer all depreciation expenses and returns associated with either half or all (depending on recorded plan-in-service date) qualifying electric plants to a regulatory asset, which shall then be included in those electrical corporations' rate base without any other offsets or adjustments except as provided in the bill. FMDC is unable to predict the effect of this section on electrical rates except as provided for in section 393.1655.

Section 393.1640 of the bill allows for percentage discounts to be applied to base rates for new or existing customers meeting certain criteria. The section allows for the reduced revenues resulting from the specified discounts to be recovered by an increase via the application of a uniform percentage adjustment to all customer classes. FMDC is unable to predict the extent of electrical rate adjustments allowed by this section.

Section 393.1655 of the bill limits rate increases for electrical corporations that elected to exercise any option under section 393.1400 and that have more than 200,000 customers in 2018. An electrical corporation's base rates shall remain static for three years, except that rates may change due to a reduction in revenues resulting from a force majeure event.

ASSUMPTION (continued)

This limitation shall not affect the electrical corporation's ability to adjust its non-base rates that arise from PSC-approved rate adjustment mechanisms during such 3-year period. Subsection 3 would allow Electrical corporations that have a general rate proceeding pending before the PSC as of a specified date to recover an amount not to exceed three percent as specified. Subsection 4 would allow electrical corporations that do not have a general rate proceeding pending before the PSC as of the specified date to recover an amount not to exceed two and eighty-five hundredths percent as specified. Subsection 6 would allow reduced revenues arising from limiting the large power service class rate increase to two percent to be recovered by an increase via the application of a uniform percentage adjustment to all other customer classes. FMDC is unable to predict the effect of this section on electrical rates except as provided for in subsections 3 and 4.

Section 393.1670 of the bill requires an electrical corporation to make solar rebates available in specified amounts, subject to limitations. An electrical corporation providing rebates under this section may elect to recover the cost of all solar rebate payments it has made as provided by the section. FMDC is unable to predict the extent of electrical rate adjustments allowed by this section except as provided by subsection 2 of section 393.1030.

FMDC assumes that the above referenced provisions will increase gas and electrical utility rates (where applicable), and therefore, FMDC's expenditures for those utilities. Without additional information, FMDC is unable to accurately calculate the amount of such increases. In the last three fiscal years, FMDC has averaged $3,438,727 per year in gas expenditures and $17,990,497 per year in electricity expenditures (both amounts exclude MODOT, Conservation and Higher Education). For each one percent increase in gas rates the additional cost to FMDC would be approximately $34,387 annually, and for each one percent increase in electrical rates the additional cost to FMDC would be approximately $179,905 annually. A three percent increase in electrical rates would cost FMDC approximately $539,715 annually.

In response to a previous version, officials from the **Attorney General's Office (AGO)** assumed 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 Transportation** each assume the proposal will have no fiscal impact on their organizations.

In response to a previous version, officials from the **Department of Natural Resources** assumed the proposal will have no fiscal impact on their organization.

ASSUMPTION (continued)

House Amendment 1 to Part 1 of the proposal

In response to a similar proposal from this year, HB 1691, officials from the **Department of Economic Development (Public Service Commission**, **Office of Public Counsel** and **Division of Energy**) assumed the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from this year, HB 1691, officials from the **Attorney General's Office (AGO)** assumed 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.

In response to a similar proposal from this year, HB 1691, officials from the **Metropolitan St. Louis Sewer District** assumed the proposal will have no fiscal impact on their organization.

House Amendment 2 to Part 1 of the proposal

Oversight assumes House Amendment 2 will have no fiscal impact on state or local government

House Amendment 3 to Part 1 of the proposal

Oversight assumes House Amendment 3 will have no fiscal impact on state or local government.

House Amendment 4 to Part 1 of the proposal

In response to a similar proposal from this year, HB 2222, officials from the **Department of Economic Development - Division of Energy (DE)** assumed the following:

Section 393.1025 - DE could implement this provision with existing resources.

Section 393.1130 -- There is no identifiable direct fiscal impact to the Division of Energy by this provision alone; however, there could be a cumulative fiscal impact to the Division of Energy if more than one bill related to PSC regulatory issues passes or if other provisions are included in future versions of this bill, due to DE's involvement in such cases.

In response to a similar proposal from this year, HB 2222, officials from the **Department of Corrections** stated using full year FY17 data, if there were a 10% rate increase (for example), the impact would be FY19 ($661,719) FY20 ($681,571) FY21 ($702,018). However, due to not knowing the exact rate increase percentage, the impact to DOC is unknown.

ASSUMPTION (continued)

In response to a similar proposal from this year, HB 2222, officials from the **Department of Economic Development - Office of Public Counsel and Public Service Commission**, the **Department of Transportation**, the **Missouri Department of Conservation** and the **Office of Administration - Facilities Management Design and Construction** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight notes that subsection 620.3080.2 states that no benefits allowed under various state economic development programs (MoWorks, Mo BUILD, MoWorks Training, and Tax Increment Financing) provided to Small Modular Nuclear Reactor Production Facilities shall not be counted in the programs limits. The aggregate state benefits that can be allowed under this section shall not exceed $150 million. Oversight assumes the economic development programs listed have some available space within their program caps to fit additional benefits for these SMR facilities. Also, Oversight assumes it may take several years for a SMR facility to be eligible for benefits under the various programs. Therefore, Oversight will range the fiscal impact of HA 4 as $0 (no facility built and/or receiving state benefits above the stated program limits) to the stated limit of $150 million, starting in FY 2021.

Oversight notes there would be substantial positive economic benefits to the state and local regions for the development and production of small modular nuclear reactors. However, Oversight considers those to be indirect impacts of the bill and will not reflect them in the fiscal note.

House Amendment 1 to House Amendment 4

Oversight assumes House Amendment 1 to House Amendment 4 will have no fiscal impact on state or local government.

House Amendment 5 of Part 1 of the proposal

In response to a similar proposal from this year, HB 2516, officials from the **Department of Economic Development - Division of Energy**, **Office of Public Counsel** and **Public Service Commission** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from this year, HB 2516, officials from the **Attorney General's Office (AGO)** assumed 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.

ASSUMPTION (continued)

In response to a similar proposal from this year, HB 2516, officials from the **Office of Administration - Facilities Management Design and Construction** , the **Department of Natural Resources** and the **Metropolitan St. Louis Sewer District** each assumed the proposal will have no fiscal impact on their organizations.

House Amendment 1 as amended to Part 2 of the proposal

Oversight assumes House Amendment 1 as amended to Part 2 adopted will have no fiscal impact on state or local government.

House Amendment 1 to House Amendment 1 to Part 2 of the proposal

Oversight assumes House Amendment 1 to House Amendment 1 will have no fiscal impact on state or local government.

FISCAL IMPACT - State Government	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
Costs - DED - economic development benefits for small modular nuclear reactor production facilities (HA 4) not counted in program limits for MoWorks, MoBUILD and TIF	$0	$0	$0 or (Up to $150,000,000)
Cost - OA Possible increase in utility cost	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**$0 or (Unknown)**	**$0 or (Unknown)**	**$0 or (Up to $150,000,000)**

FISCAL IMPACT - State Government (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
PUBLIC SERVICE COMMISSION FUND			
Cost - OPC			
Personal Service	($48,686)	($59,007)	($59,597)
Fringe Benefits	($23,450)	($28,313)	($28,488)
Equipment and Expense	($6,426)	($4,727)	($4,845)
Total Cost - OPC	($78,562)	($92,047)	($92,930)
FTE Change - OPC	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE PUBLIC SERVICE COMMISSION FUND	**($78,562)**	**($92,047)**	**($92,930)**
Estimated net effect on the Public Service Commission Fund	1 FTE	1 FTE	1 FTE

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

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 Strope

Acting Director
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