

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4774-01
Bill No.: HB 1651
Subject: Utilities; Public Service Commission; Corporations
Type: Original
Date: December 30, 2015

Bill Summary: This proposal changes the laws regarding the regulation of a corporation's rate of return on equity by the Public Service Commission.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$65,521)	(\$75,595)	(\$76,308)
Total Estimated Net Effect on General Revenue	(\$65,521)	(\$75,595)	(\$76,308)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	1	1	1
Total Estimated Net Effect on FTE	1	1	1

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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0\$0

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 \$47,892 annually) to process approximately 78 reports quarterly. Any associated overhead costs would be ongoing.

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Economic Development - Office of the Public Counsel** and the **Department of Economic Development - Public Service Commission** each assume the current proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Costs - DED - DE</u>			
Salaries	(\$39,910)	(\$48,371)	(\$48,855)
Fringe Benefits	(\$19,313)	(\$23,307)	(\$23,439)
Equipment and Expenses	<u>(\$6,298)</u>	<u>(\$3,917)</u>	<u>(\$4,014)</u>
<u>Total Costs - DED - DE</u>	<u>(\$65,521)</u>	<u>(\$75,595)</u>	<u>(\$76,308)</u>
FTE Change - DED - DE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$65,521)</u>	<u>(\$75,595)</u>	<u>(\$76,308)</u>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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.

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SOURCES OF INFORMATION

Department of Economic Development
Attorney General's Office



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Director
December 30, 2015

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December 30, 2015