

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6778-02
Bill No.: Perfected HCS for HB 2689
Subject: Energy; Utilities
Type: Original
Date: April 6, 2016

Bill Summary: This proposal establishes new state energy policies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0	(\$50,000)	(\$50,000)
Total Estimated Net Effect on General Revenue	\$0	(\$50,000)	(\$50,000)

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
Total Estimated Net Effect on FTE	0	0	0

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

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development's Division of Energy (DE)** assumed that to meet the January 1, 2017 deadline for the initial biannual 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 (MSEP) review and stakeholder process. DE assumes there would be minimal updates to the MSEP that would be necessary as a result of the initial review and due to the short period between issuance of the MSEP in October 2015 and when the review and update are to be completed (January 1, 2017). DE assumes it would conduct the initial review using a reasonable stakeholder process and existing resources, in consultation with the Missouri-based not-for-profit organization identified in the proposal.

For subsequent reviews beginning with the July 1, 2019 update, DE assumes there would be at least two components to the MSEP 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 MSEP reviews. DE assumes that any contracts for services to assist with the reviews with the Missouri-based not-for-profit 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-\$100,000 would be needed to conduct the 2019 biennial review. It is assumed that funds would be needed by July 1, 2017 to initiate a procurement process for contractual services, conduct the stakeholder process and review/update the MSEP by January 1, 2019.

It is also assumed that the review period would cross fiscal years and not be complete by June 30, 2018 and that additional funds would be needed from July 1, 2018-December 31, 2018 (FY 19). For purposes of this fiscal note, one-half of the funds necessary to conduct the 2019 biennial review are requested in FY 18 and one-half in FY 2019. 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.

ASSUMPTION (continued)

Oversight will use the estimates provided by DE and show a fiscal impact of \$50,000 in FY 18 and FY 19.

House Amendment 1

Oversight assumes this amendment does not change the original fiscal impact of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
GENERAL REVENUE			
Cost - DED - services associated with the MSEP	<u>\$0</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017	FY 2018	FY 2019
	<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 proposal requires the Comprehensive State Energy Plan implemented by the Division of Energy be reviewed and updated if necessary by the division by January 1, 2017, and biannually thereafter. The division must review the plan to ensure it meets specified criteria. To conduct the review, the division must use a diverse stakeholder system or contract with a Missouri-based not-for-profit organization who meets specific requirements. The division must issue a report, along with the review, that suggests policy changes needed to meet set criteria.

FISCAL DESCRIPTION (continued)

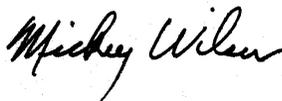
This proposal allows an aluminum smelting facility and the electrical corporation providing electrical services to the smelting facility to jointly submit an application to the Public Service Commission (PSC) for approval of an aluminum smelter rate. If the proposed smelter rate meets requirements set out in this proposal then it shall be deemed a just and reasonable rate. The proposal establishes a time frame for the PSC to order the electrical corporation to file tariffs and authorizes the electrical corporation to create a regulatory asset for the difference between the revenues collected under the contract agreement and the revenues which would have been collected under the previously applicable rate. Electrical corporations affected by this proposal would be allowed to recover the difference in revenues.

This proposal contains an emergency clause.

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



Mickey Wilson, CPA
Director
April 6, 2016

Ross Strobe
Assistant Director
April 6, 2016