

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4194-02
Bill No.: SB 1125
Subject: Public Service Commission; Utilities
Type: Original
Date: February 13, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$1,118,747	\$1,168,887	\$1,197,662
Total Estimated Net Effect on General Revenue Fund	\$1,118,747	\$1,168,887	\$1,197,662

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Public Service Commission and Public Counsel Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

*Assumes costs to the Fund of \$1,118,747, \$1,168,887, and \$1,197,662 and offsetting increases in assessments against regulated utilities in the next three fiscal years.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Economic Development - Public Service Commission (PSC)** assume this proposal, as written, would require the PSC and the Office of Public Counsel to each calculate their own assessment. However, the assessment funds received by each agency would be deposited into a new fund to be known as "The Public Service Commission and Public Counsel Fund." Currently, the PSC's assessment funds are deposited into the PSC Fund. Co-mingling the PSC and OPC assessment funds together creates fiscal and managerial issues relating to fund accountability with regard to expenditures, estimated allocation of cash balance between the PSC and OPC for future years' assessment calculations, etc.

Currently, the PSC assessment can not exceed one-fourth of one percent of the total gross intrastate operating revenues of all utilities subject to the jurisdiction of the PSC. The bill, as written, would combine the PSC and the OPC's assessed amounts such that together the amounts assessed by the PSC and the OPC could not exceed the cap of one-fourth of one percent of the total gross intrastate operating revenues of all utilities. Sharing the expenditure cap with OPC would certainly increase the likelihood of the cap being reached. This could negatively impact the availability of resources for both the Public Service Commission and the Office of Public Counsel.

PSC is not requesting additional resources due to this proposal.

ASSUMPTION (continued)

Officials of the **Department of Economic Development - Office of the Public Counsel (OPC)** state this proposal changes the source of funding for the Office of Public Counsel from general revenue funding to assessments against regulated utilities which are placed into the Public Counsel Fund.

OPC has shown all figures for the Personal Services, Fringe Benefits, and Expense and Equipment as duplicated from existing general revenue budget figures. The only addition into the Expense listing would be the recognition of property rental cost to be paid directly from the office's funding rather than out of the Office of Administration's bill covering general revenue for non-state property. This is an annual payment according to Lease #02600791 for 15 years commencing July, 2000.

OPC assumes that the Public Service Commission will administer all functions associated with the Public Counsel Fund, including the calculation of the assessments to each regulated utility, rendering invoices, and the collection and processing of funds.

OPC assumes that all utility assessments would ultimately be included in the calculation of rates by the Public Service Commission whenever each regulated utility has its rates reviewed.

OPC assumes that during the transition to assessment funding that there may be a lag from the period that statements are rendered and the time that payments are received. During this gap, it may be necessary for some funding to be made available to cover payroll and other expenses until the first payments are received. If a loan is necessary to cover this transitional period, interest expense would be needed. The level of this additional expense is unknown and has not been included in this fiscal note response.

Officials from the **State Treasurer's Office (STO)** assume this proposal changes "The Public Service Commission Fund" to include the Public Counsel as well. The new name of the fund will be "The Public Service Commission and Public Counsel Fund" (Section 386.370.4)

STO assumes this legislation would allow others (than just the PSC) to make complaints in regards to the reasonableness of any rates or charges of utilities.

No impact to the STO is expected.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Savings</u> - Office of Public Counsel			
Personal Service (14 FTE)	\$625,015	\$656,656	\$673,073
Fringe Benefits	\$258,756	\$271,856	\$278,652
Expense and Equipment	<u>\$234,976</u>	<u>\$240,375</u>	<u>\$245,937</u>
Total Cost - OPC	<u>\$1,118,747</u>	<u>\$1,168,887</u>	<u>\$1,197,662</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$1,118,747</u>	<u>\$1,168,887</u>	<u>\$1,197,662</u>
PUBLIC SERVICE COMMISSION FUND			
<u>Income</u> - Increased Assessments on Regulated Utilities			
	\$1,118,747	\$1,168,887	\$1,197,662
<u>Cost</u> - Public Service Commission			
Personal Service (14 FTE)	(\$625,015)	(\$656,656)	(\$673,073)
Fringe Benefits	(\$258,756)	(\$271,856)	(\$278,652)
Expense & Equipment	<u>(\$234,976)</u>	<u>(\$240,375)</u>	<u>(\$245,937)</u>
Total Cost - PSC	<u>(\$1,118,747)</u>	<u>(\$1,168,887)</u>	<u>(\$1,197,662)</u>
ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Regulated utility companies, which are considered small businesses, would be assessed through Public Counsel as a result of this proposal.

DESCRIPTION

This proposal pertains to consumer protection and utility companies.

SECTION 386.370 - This proposal deals with estimates and assessments made by both the Public Service Commission and the Public Counsel with regard to the regulation of public utilities. The fund such payments are credited to has been modified and is now known as the Public Service Commission and Public Counsel Fund.

SECTION 386.390 - This proposal states that any complaint can be brought in front of the PSC alleging a utility's rates are excessive. If such a complaint is made, the public utility shall, within thirty days or less, file a bond or undertaking approved by the PSC conditioned upon the refund, of amounts collected after the date of the filing in excess of rates and charges finally determined by the PSC to be lawful, with interest thereon at the legal rate. If after a hearing, the PSC determines that the utility's rates are unlawful, the PSC shall order a refund with interest. Both parties involved in such a complaint shall have the obligation to present evidence to support the alleged overcharge; provided that the burden of proof shall be upon the utility corporation. The PSC shall issue an order with regard to the complaint within eleven months from the date of the initial filing.

SECTION 386.900 - Any corporation proposing to invest or enter into a contract for infrastructure project must first notify the PSC of its proposal. The PSC shall require that the corporation engage in a competitive bidding process and provide information on that process to the PSC.

SECTION 393.190 - No corporation, person, or public utility shall sell, assign, lease, transfer, or mortgage the franchise without first securing an order from the PSC to do so. The PSC shall grant its approval if the transaction is for a proper purpose and is in the public interest.

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

KS:LR:OD (12/02)

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Department of Economic Development
Public Service Commission
Office of the Public Counsel
State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA
Director
February 13, 2004