

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0271-02
Bill No.: SB 50
Subject: Energy; Natural Resources Department; Public Service Commission; Utilities
Type: Original
Date: February 14, 2011

Bill Summary: This proposal allows electric companies to recover costs from ratepayers associated with early site development for certain electrical generation facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0	\$0	\$0 or (\$150,000)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0 or (\$150,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Public Service Commission** state this proposal will have no fiscal impact on their agency.

According to officials from the **Public Service Commission - Office Public Counsel (OPC)**, this proposal provides that certain expenditures made by regulated public utilities must be included in the utilities' rates unless a party in a rate case at the Public Service Commission can prove that the expenditures were not prudent. The expenditures are the costs of obtaining permits that might eventually be used to support a nuclear power plant. This is a change from existing law, which now provides that the utility, and not the utility's customers, has to bear these costs until the plant is completed and providing electricity to customers.

OPC, whose statutory responsibility under §386.710 is to represent the public interest, must be able to investigate, analyze, and - if necessary - challenge the prudence of these expenditures. OPC does not now have any resources that could be devoted to analysis of the prudence of the costs of obtaining an Early Site Permit (ESP). According to the bill language, these costs are likely to be \$40 million or more, and they will have been incurred over a number of years. Analyzing and challenging the prudence of these costs will require OPC to retain the services of expert witnesses in the two fiscal years in which the ESP process is concluding and utilities are seeking recovery of expenditures in rates. OPC estimates the cost for the expert witnesses to be \$150,000 each year.

Officials from the Public Service Commission state that the Nuclear Regulatory Commission has taken three to four years to issue early site permits.

Oversight assumes the costs incurred by OPC could begin in FY 15. For fiscal note purposes only, **Oversight** will state the cost for FY 15 as \$0 or (\$150,000)

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposed legislation should not result in additional costs or savings to BAP. The proposal may increase economic activity, but BAP cannot estimate any associated induced revenues. In response to a similar proposal (HB 124 FN 510-01), BAP also indicated there would be no impact to **Facilities Management - Design and Construction**.

Officials from the **Department of Natural Resources (DNR)** assume the proposal does not assign any direct duty or responsibility to DNR so no direct impact to DNR would be anticipated.

ASSUMPTION (continued)

Officials from **Cass County** assume there would be no impact to its county budget with this proposed legislation.

Officials from **St Louis County** state there would be no fiscal impact to their county.

Officials from **Kansas City** assume no fiscal impact as a result of this proposed legislation.

Oversight assumes ratepayers will not be required to pay the costs of the incurred expenses of the permit process until and unless the early site permit is obtained. **Oversight** assumes receipt of an early site permit will be beyond the scope of this fiscal note. For fiscal note purposes, **Oversight** will not assign a fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
<u>Cost - Office of Public Counsel - Expert witness fees</u>	<u>\$0</u>	<u>\$0</u>	\$0 or <u>(\$150,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (\$150,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Beginning October 1, 2011, any electric company seeking an Early Site Permit from the U.S. Nuclear Regulatory Commission must submit reports to the Missouri Public Service Commission (PSC) every 6 months. The reports must document the work completed and costs incurred up to that point toward the acquisition of the Early Site Permit as well as the projected amount of work and costs remaining. If the total cost of obtaining the Early Site Permit is expected to exceed \$40 million, the company must also include an explanation in its reports as to why expenditures beyond that amount are prudent.

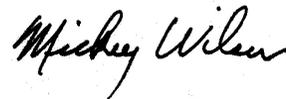
Once the Early Site Permit is obtained, the electric company may recover the expenditures for the permit from its ratepayers through rates and charges over a period not to exceed 20 years. The company may begin the cost recovery on the effective date of tariffs approved by the PSC at the company's first general rate proceeding following the acquisition of the permit. Other electric companies that also incur expenses toward the Early Site Permit may similarly recover their costs through rates and charges.

If an electric company has recovered costs from its ratepayers for an Early Site Permit but the company's interest in the Early Site Permit is subsequently sold or transferred, the company must refund its ratepayers up to the amount that the company collected from the ratepayers for the permit.

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
 Public Service Commission
 Office of Public Counsel
Department of Natural Resources
Office of Administration
 Facilities Management-Design and Construction
 Budget and Planning
Cities
 Kansas City
Counties
 Saint Louis County
 Cass



Mickey Wilson, CPA
Director
February 14, 2011