

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0525-02
Bill No.: HCS for SB 63
Subject: Agriculture and Animals; Business and Commerce; Attorney General-State;
 Natural Resource Dept.
Type: Original
Date: April 25, 2011

Bill Summary: This proposal prohibits large water consumers from taking water outside of the Southeast Missouri Regional Water District if such activity interferes with certain others' use of the water.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0 to (Unknown)	(\$80,000 to Unknown)	(\$80,000 to Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 to (Unknown)	(\$80,000 to Unknown)	(\$80,000 to Unknown)

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 9 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 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission, City of Kansas City, Office of Administration - Facilities, Management, Design and Construction, Budget and Planning, Administrative Hearing Commission, Little Blue Valley Sewer District, Department of Revenue, Department of Natural Resources** and the **Department of Agriculture** assume that there is no fiscal impact from this proposal.

Officials from the **Office of Secretary of State (SOS)** state that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

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

Officials from the **Office of the Governor** state there should be no added cost to the Governor's Office as a result of this bill.

Sections 393.1000 & 393.1003

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** state this proposal would expand existing legislation so that at least five more service areas for major population centers could take advantage of the opportunity to adjust rates. Currently, only one service area has this option. The proposed legislation also expands the definition of "Water utility plant projects" such that items are included that will raise the question of prudence on investment question. Prudence audits require significantly more analysis than investment verification analysis and require both financial and engineering analysis. Expansion of eligibility for the single issue rate mechanism provided under this proposal also increases the number of rate cases, thus requiring additional resources to analyze all utility costs and process the rate case before the Public Service Commission. Single issue rate mechanisms that exclude consideration of other utility operating revenues, costs, and net investments do not provide ratepayers assurance that the ratepayers are paying just and reasonable rates in total. The required rate case will be the only opportunity to ensure that total rates are just and reasonable.

This proposal will create significant additional responsibilities for OPC staff, requiring the addition of 2 FTE's with specific professional expertise to address the complex legal, engineering and financial issues that will be raised by this proposed legislation. This proposal significantly expands the service territories that could face rate increases and also expands existing statutory authority. This expansion results in new regulatory issues currently not addressed. The proposed legislation effectively will require additional mandatory rate cases which are necessary in order to consider all relevant factors of a utility consistent with case law on setting rates.

Oversight assumes it is unknown how many cases would be subject to review. For fiscal note purposes only, **Oversight** will show no additional personnel costs. Should a sufficient number of cases warrant additional personnel, those personnel may be requested through the appropriations process.

Oversight assumes this proposal could result in unknown rate increases for state governments, local governments, and small businesses.

ASSUMPTION (continued)

Section 393.135

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 \$80,000 each year, beginning in FY 13.

Section 660.122

Officials from the **Department of Social Services - Family Support Division (DOS - FSD)** state this section allows for households who have paid or attempted to pay their utility bills to receive assistance under the utilicare program provided they meet current eligibility guidelines. Currently, the state administers the utilicare program within the federally-funded Low Income Home Energy Assistance Program (LIHEAP). The state currently uses the same guidelines for determining eligibility for both LIHEAP and utilicare. The bill does not change the eligibility guidelines for receiving assistance; therefore, the fiscal impact is zero.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Cost - State Agencies</u>			
Increased water service rates (Sections 393.1000 & 393.1003)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost - Office of Public Counsel</u>			
Expert witness fees (§393.135)	<u>\$0</u>	<u>(\$80,000)</u>	<u>(\$80,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 to (Unknown)</u>	<u>(\$80,000 to Unknown)</u>	<u>(\$80,000 to Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost - Local Political Subdivisions</u>			
Increased water service rates (Sections 393.1000 & 393.1003)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

FISCAL IMPACT - Small Business

Sections 393.1000 & 393.1003

This proposal could result in an increase in utility costs to operate small businesses.

FISCAL DESCRIPTION

Sections 393.1000 & 393.1003

The substitute changes the laws regarding infrastructure replacement surcharges for water corporations. The substitute:

- (1) Revises the definition for "eligible infrastructure system replacements" to include energy efficiency projects that are in service, used, and useful; do not increase revenues by connecting the infrastructure replacements to new customers; and were not included in the water corporation's rate base in its most recent rate case and defines "energy efficiency" as measures that reduce the amount of energy required to achieve a given end result;
- (2) Adds service lines and meters that have worn out, are in a deteriorated condition, or replaced as part of an order issued by the Missouri Public Service Commission, as well as energy efficiency projects, to the list of projects that are allowable water utility plant projects; and
- (3) Allows, beginning August 28, 2012, specified small water corporations to file a petition and proposed rate schedules with the commission to establish or change its infrastructure system replacement surcharge rate schedules that will allow for the adjustment of the corporation's rates and charges to provide for the recovery of costs for eligible infrastructure system replacements if the surcharge produces on an annual basis revenues of at least \$1 million or \$10,000 for a small water corporation. Currently, only water corporations in St. Louis County are allowed to file a petition and proposed rate schedules.

Section 393.135

After 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 during the entire permitting process. 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.

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

Office of Attorney General
Department of Revenue
Office of Secretary of State
Office of the Governor
Little Blue Valley Sewer District
Office of Administration
 -Administrative Hearing Commission
 -Budget and Planning
 -Facilities Management, Design and Construction
Department of Agriculture
Department of Social Services
 -Family Support Division
State Tax Commission
Department of Natural Resources
Department of Economic Development
 -Office of Public Counsel
City of Kansas City

NOT RESPONDING

Cities of: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Kirksville, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Linn, Louisiana, Maryland Heights, Maryville, Mexico, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring, West Plains

Counties of: Andrew, Barry, Bates, Boone, Buchanan, Butler, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Dunklin, Franklin, Greene, Hickory, Holt, Jackson, Jasper, Jefferson, Johnson, Knox, Laclede, Lafayette, Lawrence, Lincoln, Marion, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Pemiscot, Perry, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Stoddard, Taney, Texas, Warren, Webster

L.R. No. 0525-02
Bill No. HCS for SB 63
Page 9 of 9
April 25, 2011

NOT RESPONDING (continued)

Water and Sewer Districts of: Boone County Regional Sewer District, Public Water District #3, Pulaski County Sewer District, St. Louis Metro Sewer District, St. Charles County Public Water Supply District

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent 'M' and 'W'.

Mickey Wilson, CPA
Director
April 25, 2011