

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5412-02
Bill No.: HCS for HB 1488
Subject: Utilities; Public Service Commission
Type: Original
Date: March 6, 2012

Bill Summary: This proposal modifies provisions relating to the regulation of public utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$525,922 to Unknown or (Unknown)	\$1,072,066 to Unknown or (Unknown)	\$1,083,863 to Unknown or (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$525,922 to Unknown or (Unknown)	\$1,072,066 to Unknown or (Unknown)	\$1,083,863 to Unknown or (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Public Counsel Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

*Offsetting Income and Cost

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(10 FTE)	(10 FTE)	(10 FTE)
Public Counsel Fund	14 FTE	14 FTE	14 FTE
Total Estimated Net Effect on FTE	4 FTE	4 FTE	4 FTE

- 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 2013	FY 2014	FY 2015
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** and the **Office of State Treasurer** state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Department of Natural Resources (DNR)** state this proposal does not assign any direct duty or responsibility to their agency and therefore, no direct fiscal impact to the DNR would be anticipated.

Officials from the **Joint Committee on Administrative Rules (JCAR)** stated this proposed legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

§393.150

According to officials from the **Department of Economic Development - Office of Public Counsel (OPC)**, this proposed legislation requires a complex determination not only of the appropriate rates at the end of a rate case to be charged to customers going forward, but also of the appropriate rates that should have been in place at the beginning of the case and a calculation of a surcharge (or surcharges) to collect revenues after-the-fact that would have been collected had somewhat higher rates been in place from the beginning. In effect, each rate case under this new procedure will become more complex than rate cases have been under existing procedures. To deal with the new requirements of the new rate case process, Public Counsel will require two additional accountants and two additional attorneys.

ASSUMPTION (continued)

§386.715

OPC assumes this proposal would change the source of funds used to operate the agency from Public Service Commission funds to a special Office of Public Counsel fund. The revenues for the fund would come from assessments on regulated utilities, which would recover the assessments through rates charged to customers.

Because utilities are permitted to pay assessments in quarterly installments, it is assumed that the agency's operations in the first quarter of the fiscal year after the bill becomes effective will be funded through the Public Service Commission. Any allocation of cost for the Office of Administration Central Service Cost Allocation Plan are not included in this estimate.

Oversight assumes state agencies and local political subdivisions could be affected by a temporary fluctuation in rates due to the under-recovery and over-recovery of utility charges based on a rate case or a complaint as outlined in §393.150. For fiscal note purposes, Oversight will show fiscal impact as Unknown to (Unknown).

<u>FISCAL IMPACT - State Government</u>	FY 2013	FY 2014	FY 2015
GENERAL REVENUE FUND			
<u>Savings - Office of Public Counsel</u>			
Personal Service (14 FTE)	\$485,687	\$654,058	\$660,598
Fringe Benefits	\$257,123	\$346,258	\$349,721
Expense and Equipment	<u>\$52,500</u>	<u>\$71,750</u>	\$73,544
Total Savings - OPC (§386.715)	\$795,310	\$1,072,066	\$1,083,863
<u>Cost - Office of Public Counsel</u>			
Personal Service (14 FTE)	(\$161,896)	\$0	\$0
Fringe Benefits	(\$85,708)	\$0	\$0
Equipment and Expense	<u>(\$21,784)</u>	<u>\$0</u>	<u>\$0</u>
Total Cost - OPC (§386.715 & 383.150)	(\$269,388)	\$0	\$0
<u>Savings/Cost - State Agencies -</u>			
Temporary utility adjustments (§393.150)	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
	<u>\$525,922 to</u> <u>Unknown or</u> <u>(Unknown)</u>	<u>\$1,072,066 to</u> <u>Unknown or</u> <u>(Unknown)</u>	<u>\$1,083,863 to</u> <u>(Unknown or</u> <u>(Unknown)</u>
ESTIMATED NET EFFECT ON FTE - GENERAL REVENUE			
	4 FTE - 3 Mo (14 FTE) - 9 Mo	(10 FTE)	(10 FTE)

FISCAL IMPACT - State Government FY 2013 FY 2014 FY 2015

PUBLIC COUNSEL FUND

Income - Increased assessments on regulated utilities (§386.715) \$795,310 \$1,072,066 \$1,083,863

Cost - Office of Public Counsel
 Personal Service (14 FTE) (\$485,687) (\$654,058) (\$660,598)
 Fringe Benefits (\$257,123) (\$346,258) (\$349,721)
 Expense and Equipment (\$52,500) (\$71,750) (\$73,544)
 Total Costs - OPC (§386.715 & 383.150) (\$795,310) (\$1,072,066) (\$1,083,863)

ESTIMATED NET EFFECT ON PUBLIC COUNSEL FUND **\$0** **\$0** **\$0**

ESTIMATED NET EFFECT ON FTE - PUBLIC COUNSEL FUND 14 FTE 14 FTE 14 FTE

FISCAL IMPACT - Local Government FY 2013 FY 2014 FY 2015

LOCAL POLITICAL DIVISIONS

Savings/Cost - State Agencies - Temporary utility adjustments (§393.150) Unknown to (Unknown) Unknown to (Unknown) Unknown to (Unknown)

ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS **Unknown to (Unknown)** **Unknown to (Unknown)** **Unknown to (Unknown)**

FISCAL IMPACT - Small Business

Small businesses could have an increase or decrease in temporary utility rates as a result of §393.150.

FISCAL DESCRIPTION

This proposed legislation changes the laws regarding the regulation of public utilities. The total amount of assessments to all public utilities to fund the Missouri Public Service Commission is reduced from a maximum of one-fourth of 1% to twenty-three hundredths of 1% of the total gross intrastate operating revenues of all utilities subject to the jurisdiction of the commission.

The Office of Public Counsel within the commission is allowed to be funded by a maximum of three hundredths of 1% of the total gross intrastate operating revenues of all utilities subject to the jurisdiction of the commission and the amount allocated to telecommunications companies cannot exceed 3% of the total estimated expenses directly attributable to the public counsel's responsibilities.

The Public Counsel Fund is created to be used solely for the payment of expenditures actually incurred by the public counsel attributable to his or her responsibilities. The public counsel will be allowed to attribute regulatory expenses in the same manner as the commission for the purpose of receiving a proportion of gross operating revenue. Rules for providing statements to the public counsel so that expenses may be estimated are specified in the proposal.

The duties of the public counsel are changed so that he or she may represent and protect the interests of residential, small commercial, and agricultural customers in any proceeding before or an appeal from the commission. Currently, he or she may represent and protect the interests of the public.

The proposal specifies the procedure for a rate adjustment due to the under-recovery and over-recovery of utility charges based on a rate case or a complaint. The calculation to determine the amount of over-recovery or under-recovery is specified in the proposal. The amount must be reflected as a temporary rate adjustment over a one-year period.

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
Department of Revenue
Joint Committee on Administrative Rules
Office of Secretary of State
Administrative Rules Division
Office of State Treasurer



Mickey Wilson, CPA
Director
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