

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1066-02
Bill No.: HB 473
Subject: Utilities; Business and Commerce
Type: Original
Date: February 12, 2013

Bill Summary: This proposal modifies provisions relating to gas corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Public Service Commission	(\$222,130)	(\$222,113)	(\$224,349)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$222,130)	(\$222,113)	(\$224,349)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Public Service Commission	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 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 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

According to officials from the **Department of Economic Development - Office of Public Counsel (OPC)**, this bill will create significant additional responsibilities for OPC staff requiring the addition of three FTE's with specific professional expertise to address the complex legal, engineering and financial issues that will be raised by this legislation.

This bill significantly expands existing statutory authority and would expand existing legislation so that more gas utilities could take advantage of the opportunity to adjust rates. Currently only those that have filed for a general rate proceeding within the past three years have that option.

The legislation also expands the number of projects that will be allowed, increasing the amount of review to determine prudence on investment. 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 legislation 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. The legislation also effectively will require additional scrutiny in rate cases beyond the normal test year/true-up time frame which is necessary in order to consider all relevant factors of a utility consistent with case law on setting rates.

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

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
PUBLIC SERVICE COMMISSION FUND			
<u>Cost - Office of Public Counsel (OPC)</u>			
Personal Service	(\$145,188)	(\$146,640)	(\$148,106)
Benefits	(\$73,676)	(\$74,412)	(\$75,156)
Equipment and Expense	<u>(\$3,266)</u>	<u>(\$1,061)</u>	<u>(\$1,087)</u>
Total Costs - OPC	(\$222,130)	(\$222,113)	(\$224,349)
 FTE Change - OPC	 3 FTE	 3 FTE	 3 FTE
 ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION	 <u>(\$222,130)</u>	 <u>(\$222,113)</u>	 <u>(\$224,349)</u>
 Estimated Net FTE for Public Service Commission	 3 FTE	 3 FTE	 3FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2014	 FY 2015	 FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This legislation could result in an increase in utility costs to small businesses and for all other customers, since the proposal provides the gas utilities mechanisms to raise rates for specific new investment costs.

FISCAL DESCRIPTION

This bill changes the laws regarding a request to the Missouri Public Service Commission for a rate increase by a gas corporation.

In its main provisions, the bill:

- (1) Requires a commission order or decision to specify the annual amount of net write-offs incurred as of the date revenues, rate base, and expenses were last updated or trued-up in the general rate proceeding. The corporation must thereafter defer and accumulate for future

DESCRIPTION (continued)

recovery from or return to customers 90% of the net increase or decrease in the annual amount of the net write-offs until they are updated or trued-up in the corporation's next general rate case proceeding. Subject to a review of the reasonableness and prudence of the corporation's collection practices, the deferred amounts must be recovered from or returned to customers through a positive or negative rate base adjustment designed to recover or return the amounts within five years;

(2) Prohibits the commission from approving an infrastructure system replacement surcharge (ISRS) request from a gas corporation if it would produce total annualized ISRS revenues exceeding 15% of the corporation's base revenue level approved in its most recent general rate case proceeding. Currently, the commission cannot approve an ISRS if it would produce total annualized ISRS revenues exceeding 10% of the corporation's base revenue level approved in its most recent general rate proceeding; and

(3) Repeals the provisions that do not allow the commission to approve an ISRS request for any gas corporation that has not had a general rate proceeding decided or dismissed by a commission order within the past three years and the provisions prohibiting a gas corporation from collecting an ISRS for more than three years with specified exceptions.

The bill 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
Public Service Commission
Office of Public Counsel



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