

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1123-01
Bill No.: HB 398
Subject: Energy; Public Service Commission; Utilities
Type: Original
Date: February 22, 2013

Bill Summary: This proposal allows electrical corporations to recover costs for infrastructure replacement projects.

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Public Service Commission Fund	(\$185,652)	(\$222,113)	(\$224,349)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$185,652)	(\$222,113)	(\$224,349)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 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 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

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 3 FTE that have specific professional expertise to address the complex legal, engineering and financial issues that will be raised by this legislation. This legislation 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 legislation 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.

The addition of §§393.1019 and 393.1110 expands the type of regulated utility and as a result, the number of companies and the service territories eligible to use the Infrastructure System Replacement Surcharge and expands the types of projects that will have to be examined and analyzed.

Oversight assumes this proposal could result in an unknown rate increase or an infrastructure system replacement surcharge (ISRS) for utilities serving state government, local political subdivisions, and small businesses. However, petitions would still have to be approved by the Public Service Commission. Oversight will range fiscal impact from \$0 (assuming no rate cases are heard and/or approved or no ISRS surcharges are approved) to (Unknown) to reflect approved rate cases or ISRS surcharges.

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 act. The SOS'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 Secretary of State's office for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes 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 their office can sustain with their core budget. Therefore, SOS reserves 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 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.

ASSUMPTION (continued)

Officials from the **Department of Economic Development - Public Service Commission, Department of Natural Resources, Department of Revenue, Department of Transportation,** and the **Joint Committee on Administrative Rules** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 mos.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Costs</u> - State Agencies - Potential for increased electric rates or an infrastructure system replacement surcharge (ISRS)	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
PUBLIC SERVICE COMMISSION FUND			
<u>Costs</u> - Office of Public Counsel (OPC)			
Personal Service	(\$120,990)	(\$146,640)	(\$148,106)
Benefits	(\$61,396)	(\$74,412)	(\$75,156)
Equipment and Expense	<u>(\$3,266)</u>	<u>(\$1,061)</u>	<u>(\$1,087)</u>
Total Costs - OPC	<u>(\$185,652)</u>	<u>(\$222,113)</u>	<u>(\$224,349)</u>
FTE Change - OPC	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION	<u>(\$185,652)</u>	<u>(\$222,113)</u>	<u>(\$224,349)</u>
Estimated Net FTE for Public Service Commission Fund	3 FTE	3 FTE	3FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 mos.)	FY 2015	FY 2016
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs - Local Political Subdivision -</u> Potential for increased electric costs or an ISRS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</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 electric utilities mechanisms to raise rates for specific new investment costs.

FISCAL DESCRIPTION

Currently, gas corporations may file petitions to recover specified infrastructure replacement costs with the Missouri Public Service Commission. This bill allows an electrical corporation to recover these costs in a similar manner.

The infrastructure costs that can be recovered are specified in the bill and include the repair of electrical plants; actions undertaken to comply with federal, state, or local environmental or safety regulations; and the costs of facility relocations required due to a public works project unless the costs have been reimbursed to the electrical corporation.

Beginning August 28, 2013, the commission must implement a mechanism to track the difference between specified non-capitalization costs used to calculate and set the electrical corporation's revenue requirement for rate cases and the sum of the cost actually incurred by the electrical corporation as reflected on its books and records. The electrical corporation must defer the amount tracked as an asset or liability to be included in determining the revenue requirement amortized over a period of three years without offset, reduction, or adjustment at the corporation's next general rate proceeding. Certain costs are excluded from the labor and regulatory costs allowed to be included in the non-capitalization costs.

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 Revenue
Department of Natural Resources
Department of Transportation
Joint Committee on Administrative Rules
Office of Secretary of State
Administrative Rules Division



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