

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1361-03
Bill No.: HCS for HB 747
Subject: Utilities
Type: Original
Date: March 14, 2017

Bill Summary: This proposal establishes the law relating to rate making for gas corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	(\$74,674)	(\$87,121)	(\$87,952)
Total Estimated Net Effect on General Revenue	(\$74,674)	(\$87,121)	(\$87,952)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED) - Division of Energy (DE)** assume there would be a fiscal impact to DE from the numerous provisions in this bill that are related to Public Service Commission (PSC) regulatory issues due to DE's involvement in such cases. DE staff will actively participate in cases before the PSC where the provisions of this bill are considered and implemented. DE assumes it would need 1 FTE Planner III (\$55,368/annually) to participate in proceedings associated with the new regulatory structure. This FTE will monitor and evaluate the impact of the proposed revenue adjustment mechanism provisions associated with the annual update process and perform specialized professional work in planning and policy development.

DE assumes an annual cost of approximately \$74,674 per year from this bill.

Officials from the **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assumes this proposal may increase utility costs for the state facilities under its control. Without additional information, however, OA-FMDC is unable to calculate the amount of such increase.

Officials from the **Missouri Department of Conservation (MDC)** assume this proposal will have an Unknown fiscal impact to their organization.

Oversight assumes MDC is provided with core funding to handle a certain amount of activity each year. Oversight assumes MDC could absorb the costs related to this proposal.

Officials from the **Department of Economic Development - Public Service Commission & Office of Public Counsel, Department of Corrections, Department of Transportation, Missouri State University, State Technical College of Missouri, University of Missouri** and the **University of Central Missouri** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Metropolitan St. Louis Sewer District, City of Kansas City, St. Louis County, St. Louis County Election Board, Jackson County Election Board** and the **Northwest Missouri State University** each assumed the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Cost - DED-DE</u>			
Personal Service	(\$46,140)	(\$55,922)	(\$56,481)
Fringe Benefits	(\$22,330)	(\$26,962)	(\$27,128)
Equipment and Expense	<u>(\$6,204)</u>	<u>(\$4,237)</u>	<u>(\$4,343)</u>
<u>Total Cost - DED-DE</u>	<u>(\$74,674)</u>	<u>(\$87,121)</u>	<u>(\$87,952)</u>
FTE Change - DED-DE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$74,674)</u>	<u>(\$87,121)</u>	<u>(\$87,952)</u>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could fiscally impact small businesses receiving public utilities services from a Public Service Commission regulated utility.

FISCAL DESCRIPTION

This bill establishes a voluntary rate proceeding for gas corporations. A gas corporation may file with the Missouri Public Service Commission, in the same manner as a general rate case, to initiate the new rate proceeding. If a gas corporation has had new rates effective in the past two years through a general rate case, then the commission shall treat the gas corporation's filing as a general rate proceeding.

The commission shall also approve a revenue stabilization mechanism using test years as part of the initial general rate proceeding to address revenue discrepancies due to weather and conservation related changes in usage by customers using 20,000 dekatherms or less of energy. Such a mechanism shall use a deferral account, and rates shall be adjusted to recover revenue.

FISCAL DESCRIPTION (continued)

After the third rate year effectuating an annual true-up only the gas corporation shall file a periodic rate review proceeding. The filing must include several parameters described in the bill.

The commission shall schedule a hearing to resolve rate disputes if they persist between the gas corporations and other parties. A gas corporation may terminate its participating in this update process at the conclusion of any updated test year.

Participating gas corporations shall also submit surveillance reports to the commission on a quarterly basis, and the commission shall then prepare a report for the General Assembly detailing the impacts of rate case modernization by or after December 31, 2025.

The bill requires each participating gas corporation to file tariffs, rate schedules, and the minimum filing requirements 45 days prior to the end of each updated test year, as detailed in the bill, to establish the revenue requirement for the annual true-up. Any rate changes as a result shall be put into effect on an interim basis. The commission shall submit its recommendation that the revenue requirement was correctly calculated within four months of filing, and shall create a procedure to adjudicate persistent conflict between parties.

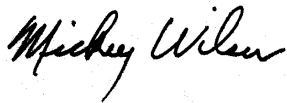
This bill also provides that participating gas corporations may file tariffs within six months of the effective date of the bill, which the commission shall then approve provided they incorporate certain requirements.

The bill details how a participating gas corporation may file with the commission to establish or change an infrastructure system replacement surcharge (ISRS). A gas corporation must file a prequalification process for contractors to competitively bid for the installation of ISRS-eligible gas utility projects within 12 months of the effective date of the bill. A participating gas corporation shall file a verified statement of an existing pre-qualification process by January 1, 2019, and thereafter submit a verified statement that it is using a competitive bidding process for no less than 10% of the combined installation of ISRS-eligible projects with each subsequent petition to establish or change an ISRS. The commission shall report on the impacts of this ISRS filing process to the General Assembly by December 31, 2025 and annually thereafter.

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
Office of Administration
Department of Corrections
Department of Transportation
Metropolitan St. Louis Sewer District
City of Kansas City
St. Louis County
St. Louis County Election Board
Jackson County Election Board
State Technical College of Missouri
University of Missouri
Missouri State University
Northwest Missouri State University
University of Central Missouri



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