

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5727-02
Bill No.: HCS for HB 1999
Subject: Utilities
Type: Original
Date: March 8, 2018

Bill Summary: This proposal modifies provisions for public utility rate adjustments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
	\$0	\$0	\$0
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 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

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 2019	FY 2020	FY 2021
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** state that section 386.266 of this bill would establish mechanisms for interim rate case adjustments to now include transmission costs. This would require a hearing on the tariffs filed by the company. OPC assumes the proposal will have no fiscal impact on their organization.

Officials from the **Department of Economic Development - Division of Energy (DE)** participates in PSC regulatory cases to evaluate issues from a formal state policy and planning perspective consistent with its interests in clean, affordable, abundant energy, and its efficient use. DE is active in cases before the PSC related to energy efficiency and renewable energy. As such, DE assumes it would be involved in the implementation of this proposal that allows water and sewer corporations to seek approval from the Public Service Commission for rate schedules authorizing rate adjustments outside of rate cases due to revenue variation from increases or decreases in residential, commercial, public authority and sale for resale usage.

The Missouri Comprehensive State Energy Plan reported that significant amounts of energy are required in the treatment of water and wastewater and its delivery and distribution. As such, there is a linkage between water and energy and efforts to increase efficiencies in water treatment, transportation and usage by residents and businesses. Because of this linkage, DE is now participating in water and sewer utility cases before the PSC to evaluate and promote the efficient use of water.

There is no identifiable direct fiscal impact to the Division of Energy by this bill alone; however, there would be a cumulative fiscal impact to DE if more than one bill related to PSC regulatory issues passes due to DE's involvement in such cases.

ASSUMPTION (continued)

Section 386.266

Officials from the **Office of Administration - Facilities Management Design and Construction (FMDC)** state the following:

Section 386.266.4 of this bill allows water and sewer corporations with more than 8,000 Missouri retail customers to apply to the Public Service Commission for an interim rate change outside of a general rate proceeding due to any revenue variation resulting from increases or decreases in residential, commercial, public authority, and sale for resale usage to ensure that revenue requirements are met. FMDC is unable to predict the extent of water and sewer rate adjustments allowed by this subsection.

FMDC assumes that the above referenced provision will increase water and sewer utility rates, and therefore, FMDC's expenditures for those utilities. Without additional information, FMDC is unable to accurately calculate the amount of such increases. In the last three fiscal years, FMDC has averaged \$2.9M in water and sewer expenditures (excludes MODOT, Conservation and Higher Education). For each one percent increase in water and sewer rates the additional cost to FMDC would be approximately \$29,498 annually.

Oversight will show a cost of \$0 or (Unknown) for possible increases in utility costs.

Officials from the **Attorney General's Office (AGO)** assume any potential cost arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if the proposal results in a significant increase in cases.

Officials from the **Department of Economic Development - Public Service Commission** and the **Department of Natural Resources** each assume the proposal will have no fiscal impact on their organizations.

In response to a previous version, officials from the **Metropolitan St. Louis Sewer District** assumed the proposal will have no fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Cost - OA</u>	\$0 or	\$0 or	\$0 or
Possible increase in utility cost	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost - Possible increase in utility cost</u>	\$0 or	\$0 or	\$0 or
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses may see an increase in utility costs.

FISCAL DESCRIPTION

This bill enables water and sewer corporations with more than 8,000 Missouri retail customers to apply to the Public Service Commission for an interim rate change outside of a general rate proceeding to ensure that revenue requirements are met.

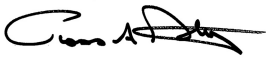
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Economic Development
Attorney General's Office
Office of Administration
Department of Natural Resources
Metropolitan St. Louis Sewer District

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe".

Acting Director
March 8, 2018