

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6174-02
Bill No.: HB 2419
Subject: Utilities
Type: Original
Date: February 19, 2018

Bill Summary: This proposal creates the Missouri Electricity Bill Reduction Assistance Act.

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Public Service Commission Fund	(\$69,629)	(\$81,160)	(\$81,934)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$69,629)	(\$81,160)	(\$81,934)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 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
Public Service Commission 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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** assume the following:

Section 386.915 will create additional proceedings to determine if the Public Service Commission should permit an electric utility to issue bonds to refinance outstanding depreciation costs from prematurely closed facilities. This program is targeted expressly at ratepayers. OPC currently does not have expertise in this field, and will incur either additional operation expense associated with training or hiring appropriate personnel.

Section 386.935 endows the Commission with additional authorities that may require resource commitments from OPC.

Section 386.985 authorizes the Commission to establish rules from implementation that may require resource commitments from OPC.

Given the potential for increased workload new proceedings, such a bill would likely require increased training of personnel and/or one auditor (\$50,112).

Officials from the **Department of Economic Development - Division of Energy (DE)** participate 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 infrastructure modernization and security, changes in rate structures, energy efficiency and renewable energy.

Section 386.905 2 states that the proceeds resulting from the issuance of low-cost securitized ratepayer-backed bonds would be used to lower rates paid by customers by reducing financing costs of retired electric generating facilities, provide transition assistance to facility workers directly impacted by the retirement of generating facilities, and make available capital investment for renewable facilities and services including least-cost electric generating facilities and other supply-side and demand-side resources. DE assumes it would participate in proceedings related to these provisions and would do so with existing resources.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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 Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

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 **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Department of Economic Development - Public Service Commission**, the **Office of Administration - Facilities Management Design and Construction** and the **Department of Insurance, Financial Institutions and Professional Registration** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes any change in utility rates resulting from this bill would occur outside the time period reflected in the note.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
PUBLIC SERVICE COMMISSION FUND			
<u>Cost - DED- OPC</u>			
Personal Service	(\$41,760)	(\$50,613)	(\$51,119)
Fringe Benefits	(\$21,393)	(\$25,820)	(\$25,970)
Equipment and Expense	<u>(\$6,476)</u>	<u>(\$4,727)</u>	<u>(\$4,845)</u>
<u>Total Cost - DED-OPC</u>	<u>(\$69,629)</u>	<u>(\$81,160)</u>	<u>(\$81,934)</u>
FTE Change - DED-OPC	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE PUBLIC SERVICE COMMISSION FUND	<u>(\$69,629)</u>	<u>(\$81,160)</u>	<u>(\$81,934)</u>
Estimated Net FTE Change on the Public Service Commission Fund	1 FTE	1 FTE	1 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2019 (10 Mo.)	 FY 2020	 FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill establishes the "Missouri Electricity Bill Reduction Assistance Act," in which the Public Service Commission is authorized to approve financing orders for the creation of revenue bonds for the retirement of non-operational electric generation facilities and the construction of others. Requirements for the financing order and application thereof are detailed in the bill.

FISCAL DESCRIPTION (continued)

The bonds will be backed by the ratepayers of the electrical corporation that applied for the financing order as well as those existing customers who later purchase electricity from another electric supplier, and individuals within an electrical corporations' certified service territory who may later receive electricity transmission or distribution service from another electric utility in the same service territory. Customers of an electrical corporation that has obtained a financing order shall have their charges related to backing the revenue bond detailed in their bills as a separate line item.

Once a financing order has been issued, the commission shall not consider the bonds to be debt, consider the bond related charges to be part of the electrical corporation's revenue, consider the bonds costs or financing costs to be an asset of the electrical corporation, or determine any action taken by an electrical corporation consistent with the financing order to be unjust or unreasonable so long as the action is prudent.

The commission shall not deny the recovery of any costs associated with the retirement of an electricity generation facilities solely because the electrical corporation chose to finance the retirement through a financing mechanism other than a bond covered by the Act.

Neither the state nor any political subdivision shall take, or allow, any action that impairs the value of any charges, revenue streams of the revenue bond, and rights to collect related to a financing order. The bond related charges may not be reduced or altered until any principal, interest, and redemption premium payable on the bond, all financing costs, and all costs under an ancillary agreement are paid in full.

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
Attorney General's Office
Department of Insurance, Financial Institutions and Professional Registration
Office of the Secretary of State
Joint Committee on Administrative Rules

Ross Strobe

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

Acting Director
February 19, 2018