

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4353-01
Bill No.: HB 1737
Subject: Homeland Security; Utilities
Type: Original
Date: January 17, 2020

Bill Summary: This proposal establishes provisions to improve electricity resilience at critical facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue*	\$0 or (Greater than \$163,154)	\$0 or (Greater than \$179,180)	\$0 or (Greater than \$180,894)
Total Estimated Net Effect on General Revenue*	\$0 or (Greater than \$163,154)	\$0 or (Greater than \$179,180)	\$0 or (Greater than \$180,894)

* The fiscal impact is dependant upon how many electrical corporations file to improve electricity resilience at critical facilities and what cost-recovery mechanisms are approved.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Various State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Total Estimated Net Effect on FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 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 2021	FY 2022	FY 2023
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 393.165 - Electricity Resilience at Critical Facilities

Officials from the **Department of Commerce and Insurance - Office of Public Counsel** state the impact on the Office of the Public Counsel is unknown and dependent on the number of filings and cases, and whether the utility companies would attempt to incur and recover costs under the statute that are unnecessary and imprudent. The impact could be zero, or the impact could be a need for two additional FTE (Public Utility Accountant I-III at \$50,112 annually and Attorney at \$58,423 annually) to adequately protect the interests of the public in the rate increase mechanism filings. This is based on the assumption that Missouri's four large electric companies would each file multiple requests every year to raise rates through the mechanism.

Oversight will range the fiscal impact as estimate by the Office of Public Counsel as \$0 (zero FTE are needed) to \$163,154 in FY 2021, \$179,180 in FY 2022 and \$180,894 in FY 2023 (2 FTE are needed) to the General Revenue Fund.

Officials from the **Department of Commerce and Insurance (DCI) - Public Service Commission (PSC)** state that the Public Service Commission's currently approved cost recovery mechanisms are typically adjusted annually, semi-annually or 3 times a year. Analysis of recent cost recovery mechanism cases show a cost for the PSC of approximately \$1,200 per case. If the legislation is enacted, the measure is anticipated to possibly result in up to 2 additional cases per year for each of the four investor-owned electric utilities for an estimated total of 8 additional cases. The total estimated cost to the PSC for processing the additional cases and to prepare the annual report is estimated at approximately \$9,600 per year.

The PSC is funded by an assessment on Commission-regulated public utilities pursuant to Section 386.370, RSMo, and not by any state general appropriations. Depending on the cumulative effect of all PSC-impacting legislation passed in the current session and the associated increased costs associated with that legislation to the PSC, the PSC may need to request an increase in our appropriation authority and/or FTE allocation as appropriate through the budget process.

Oversight assumes the PSC is provided with core funding to handle a certain amount of activity each year. Oversight assumes the PSC could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, the PSC could request funding through the appropriation process.

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Missouri National Guard (MNG)** state that this will have a likely fiscal impact because it appears that there are potential "cost recovery" costs attributed to the MNG. However, the bill does not specify or place limits on "cost recovery" making the fiscal impact unknown. The scope of the resiliency efforts and cost-recovery mechanisms are undefined, and MNG is not familiar with the guidelines the Public Service Commission would use to approve such costs.

Approved utility projects that would improve critical facility energy resilience could potentially result in "cost recovery" that would be passed on, potentially directly to the operators of "critical facilities". It appears from the proposed act that the Public Service Commission would make the decision(s) concerning who would pay for such cost recovery projects. It is unclear if an organization with critical facilities would potentially be forced to directly or indirectly pay for the improvements, or if the organization could opt-out due to the increased cost.

In response to similar legislation from this year, officials from the **Office of Administration (OA) - Facilities Management Design and Construction (FMDC)** assumed this proposal could increase utility costs for OA, other state agencies and for local governments. However, the amount of increase, if any, is unknown.

Oversight assumes this proposal would allow each of Missouri's four regulated electric utilities to file request for cost recovery of resiliency improvements. Oversight assumes this legislation allows for cost recovery of investments through cost-recovery mechanisms. Oversight assumes this proposal could increase utility cost for the Office of Administration as well as other state agencies and for local governments. Since it is unknown what the surcharge cost is (if any), Oversight will reflect a range from \$0 (no surcharge rates are filed) to an unknown cost to the state General Revenue Fund, Various State Funds and local political subdivisions for increased cost for electric.

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 SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the 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 the office can sustain with the core budget.

ASSUMPTION (continued)

Therefore, the 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. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Officials from the **Department of Public Safety - State Emergency Management Agency**, the **St. Louis Police Department**, the **Springfield Police Department** and the **University of Missouri System** each assume the proposal will have no fiscal impact on their respective organizations.

In response to similar legislation from this year, officials from the **Missouri Department of Conservation** assumed the proposal would have no fiscal impact on their organization.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other hospitals, police departments, sheriff departments, fire protection districts and ambulance districts were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

FISCAL IMPACT - State Government	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
Cost - OPC			
Personal Service (0 or 2 FTE)	\$0 or (\$90,446)	\$0 or (\$109,620)	\$0 or (\$110,717)
Fringe Benefits	\$0 or (\$49,237)	\$0 or (\$59,445)	\$0 or (\$59,809)
Equipment and Expense	\$0 or (\$23,471)	\$0 or (\$10,115)	\$0 or (\$10,368)
Total Cost	\$0 or (\$163,154)	\$0 or (\$179,180)	\$0 or (\$180,894)
FTE Change - OPC	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Cost - Office of Administration			
Potential increase in electric utility costs	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 or (Greater than \$163,154)	\$0 or (Greater than \$179,180)	\$0 or (Greater than \$180,894)
Estimated Net FTE Change to the General Revenue Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
VARIOUS STATE FUNDS			
Cost - Various State Agencies			
Potential increase in electric utility costs	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL IMPACT - Local Government	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
Cost - Local Governments	\$0 to	\$0 to	\$0 to
Potential increase in electric utility costs	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL IMPACT - Small Business

Small business electric utility customers could expect fiscal impact as a result of this proposal as this legislation allows for cost recovery of investments through cost-recovery mechanisms.

FISCAL DESCRIPTION

This bill authorizes electrical corporations to file requests for cost recovery with the Public Service Commission for investments to improve electricity resilience at critical facilities. The commission must consider certain factors when determining cost recovery for the investments. Approved investments must be supported through cost-recovery mechanisms otherwise approved by the commission and the commission must conduct an annual review of investments to determine their performance in improving critical facility energy resilience.


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 Commerce and Insurance
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Public Safety
 Missouri National Guard
 State Emergency Management Agency
Department of Transportation
Office of Administration
Missouri Department of Conservation
St. Louis County Police Department
Springfield Police Department
University of Missouri



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January 17, 2020



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