

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4802-02
Bill No.: HCS for HB 2050
Subject: Energy; Utilities
Type: Original
Date: March 9, 2020

Bill Summary: This proposal modifies provisions relating to utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue Fund	(Could exceed \$77,042)	(Could exceed \$83,999)	(Could exceed \$84,800)
Total Estimated Net Effect on General Revenue	(Could exceed \$77,042)	(Could exceed \$83,999)	(Could exceed \$84,800)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
PSC Fund (0607)	(Could be less than \$388,304)	(Could be less than \$416,089)	(Could be less than \$419,950)
Other State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on Other State Funds	(Could exceed \$388,304)	(Could exceed \$416,089)	(Could exceed \$419,950)

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 Fund	1 FTE	1 FTE	1 FTE
PSC Fund	4.6 FTE	4.6 FTE	4.6 FTE
Total Estimated Net Effect on FTE	5.6 FTE	5.6 FTE	5.6 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 393.1075 - Missouri Energy Efficiency Investment Act (MEEIA)

Officials from the **Department of Commerce and Insurance - Public Service Commission (PSC)** state their agency will need to promulgate rules to implement the provisions of this act. Given the contentious nature of related rulemakings in the past, it is likely that such a rulemaking will be a longer, more resource intensive process. The average cost for related rulemakings is approximately \$31,500.

Based on the current workload and number of cases associated with MEEIA for the three current electric utilities and that the measure would expand MEEIA to five gas corporations, the PSC anticipates needing four new FTEs (Legal Counsel at \$54,341, Utility Regulatory Auditor III at \$51,808, Utility Engineering Specialist III at \$65,899, and Utility Policy Analyst I at \$48,159). Additionally, the PSC anticipates additional substantive workload to a few other positions, but not exceeding one FTE for those positions (0.34 FTE Legal Counsel and 0.26 FTE Regulatory Law Judge).

Officials from the **Department of Commerce and Insurance - Office of Public Counsel (OPC)** state this proposal could result in Missouri's six regulated natural gas companies each submitting proposed programs that each require extensive review, and a significant increase in the work required of OPC. The Office of the Public Counsel would need one Public Utility Accountant I - III at \$50,112 annually to review the applications and make recommendations to the Public Service Commission.

Oversight assumes the PSC and the OPC will not require the estimated cost provided if not all (6) regulated natural gas company submit proposed programs, therefore, Oversight will reflect fiscal impact as "Could be less than" the estimated provided by the PSC (PSC Fund 0607) and the OPC (General Revenue Fund).

Oversight assumes this proposal allows gas corporations to implement demand-side programs to reduce energy usage and achieve cost-effective demand-side savings which could allow for adjustment of the gas corporation's rate and charges to provide for the recovery cost. Oversight assumes this proposal could increase gas utility costs for the Office of Administration as well as other state agencies and local governments. Since it is unknown how many additional amortizations will be authorized (if any), Oversight will range the cost from \$0 (no utility will increase rates) to an unknown amount to the General Revenue Fund, Other State Funds and local political subdivisions.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources (DNR)**, the **Office of Administration**, the **Missouri Department of Conservation** and the **Department of Transportation** each assume the proposal will have no fiscal impact on their respective organizations.

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.

Section 640.800 - Comprehensive State Energy Plan

Officials from **DNR** note that in response to similar past bills, the Division of Energy (DE) had responded with a fiscal impact estimate because the DE anticipated requesting general revenue to support activities related to the State Energy Plan update. However, the current bill limits funding of State Energy Plan activities to State Energy Program Grant funding from the U.S. Department of Energy. DE regularly uses all the funding that is available to DE under the State Energy Program Grant formula. In the most recent application for funding, DE anticipated the need for an update to the 2015 plan. Knowing DE had no general revenue authorized, DE decided to redirect work under the State Energy Program to conduct a review.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Cost - OPC</u>			
Personal Service	(Could be less than \$41,760)	(Could be less than \$50,613)	(Could be less than \$51,119)
Fringe Benefits	(Could be less than \$23,468)	(Could be less than \$28,329)	(Could be less than \$28,497)
Expense and Equipment	<u>(Could be less than \$11,814)</u>	<u>Could be less than (\$5,057)</u>	<u>(Could be less than \$5,184)</u>
<u>Total Cost - OPC</u>	<u>(Could be less than \$77,042)</u>	<u>(Could be less than \$83,999)</u>	<u>(Could be less than \$84,800)</u>
 <u>Cost - Potential increase in electric utility costs</u>	 \$0 to <u>(Unknown)</u>	 \$0 to <u>(Unknown)</u>	 \$0 to <u>(Unknown)</u>
 ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	 <u>(Could exceed \$77,042)</u>	 <u>(Could exceed \$83,999)</u>	 <u>(Could exceed \$84,800)</u>
 Estimated Net FTE Change to the General Revenue Fund	 1 FTE	 1 FTE	 1 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023
PUBLIC SERVICE COMMISSION FUND (0607)			
<u>Cost - PSC</u>			
Personal Service	(Could be less than \$215,399)	(Could be less than \$261,064)	(Could be less than \$263,674)
Fringe Benefits	(Could be less than \$115,694)	(Could be less than \$139,691)	(Could be less than \$140,558)
Expense and Equipment	<u>(Could be less than \$57,211)</u>	<u>Could be less than (\$15,334)</u>	<u>(Could be less than \$15,718)</u>
<u>Total Cost - PSC</u>	<u>(Could be less than \$388,304)</u>	<u>(Could be less than \$416,089)</u>	<u>(Could be less than \$419,950)</u>
ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION FUND (0607)	<u>(Could be less than \$388,304)</u>	<u>(Could be less than \$416,089)</u>	<u>(Could be less than \$419,950)</u>
Estimated Net FTE Change to the Public Service Commission Fund	4.6 FTE	4.6 FTE	4.6 FTE
OTHER STATE FUNDS			
<u>Cost - Potential increase in electric utility costs</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

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

FISCAL IMPACT - Small Business

Small business gas 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 requires the Division of Energy within the Department of Natural Resources to review, by January 1, 2022, the comprehensive state energy plan and update if necessary using funding through the U.S. Department of Energy. The plan shall be reviewed biennially thereafter to ensure certain listed goals and updated as needed.

The division shall use a diverse stakeholder input system either directly or by contracting with a qualified organization, and issue a report along with each review, suggesting policy changes. The division must submit the report to the Speaker of the House of Representatives and the President Pro Tem of the Senate.

Currently, the Missouri Energy Efficiency Investment Act allows electrical corporations to implement demand-side programs to reduce energy usage and achieve cost-effective demand-side savings. This bill would allow the commission to approve similar programs for gas corporations.

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

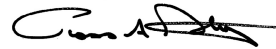
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SOURCES OF INFORMATION

Department of Natural Resources
Department of Commerce and Insurance
Office of Administration
Department of Transportation
Missouri Department of Conservation



Julie Morff
Director
March 9, 2020



Ross Strobe
Assistant Director
March 9, 2020