

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (16-219)**

Subject

Initiative petition from David Klindt regarding a proposed amendment to Chapter 386 of the Revised Statutes of Missouri. (Received January 28, 2016)

Date

February 17, 2016

Description

This proposal would amend Chapter 386 of the Revised Statutes of Missouri.

The amendment is to be voted on in November 2016.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **State Technical College of Missouri**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, the **Public Service Commission**, and the **Missouri Joint Municipal Electric Utility Commission**.

Assumptions

Officials from the **Attorney General's office** indicated they assume that any potential costs arising from the adoption of this proposal can be absorbed with existing resources.

Officials from the **Department of Agriculture** indicated no fiscal impact on their department.

Officials from the **Department of Economic Development** (DED) provided the following information:

Section 386.890.2(4), RSMo - The DED, Division of Energy (DE), which was previously located in the Department of Natural Resources, continues to certify other sources of energy that become available as renewable, as required by statute.

DE assumes it would be involved in the implementation of this proposal that modifies the existing net metering and interconnection requirements for regulated electric utilities, rural electric cooperatives and municipal utilities. It is assumed there would be a rulemaking docket to revise the Public Service Commission's (PSC) current rules to address the provisions of this proposal that allow additional standby, capacity, interconnection or other fees or charges to recover the portion of fixed costs of the utility and demand charges attributable to and necessary for providing service; no longer require municipal utilities and rural electric cooperatives with less than 10,000 meters to offer net metering to their customers; and require approval by utilities of the professional electricians or engineers that install net-metered systems.

Rulemaking cases before the PSC may be open for a year or more and include several full-day workshops. DE staff would participate in the workshops, monitor filings and review of other parties' proposals, research best practices and develop proposals and rule language, collaborate with other interested parties, and file comments. DE assumes it would monitor and participate in tariff and other related cases where revised net metering provisions are considered.

For purposes of this fiscal note, DE assumes it would be involved in the PSC rulemaking and related cases to implement this proposal but could do so with existing resources. However, there could be a cumulative fiscal impact to DE if multiple provisions related to PSC regulatory issues pass due to DE's involvement in such cases.

Officials from the **Department of Higher Education** indicated this initiative petition would not have a fiscal impact on their department.

Officials from the **Department of Health and Senior Services** indicated no fiscal impact on their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposal creates no direct obligations or requirements to their department that would result in a fiscal impact.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Corrections** indicated no impact.

Officials from the **Department of Labor and Industrial Relations** indicated no fiscal impact on their department.

Officials from the **Department of Revenue** indicated this petition will have no fiscal impact on their department.

Officials from the **Department of Public Safety** indicated they see no fiscal impact due to this initiative petition.

Officials from the **Department of Social Services** indicated no fiscal impact on their department.

Officials from the **Governor's office** indicated there should be no fiscal impact to their office.

Officials from the **Missouri House of Representatives** indicated no fiscal impact to their office.

Officials from the **Department of Conservation** indicated that no adverse fiscal impact to their department would be expected as a result of this initiative petition.

Officials from the **Office of Administration** indicated this proposal will have no fiscal impact to their office.

Officials from the **Office of State Courts Administrator** indicated there is no fiscal impact on the courts.

Officials from the **Missouri Senate** indicated no fiscal impact on their office.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Their office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted

each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. Through FY (fiscal year) 2013, the appropriation had historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue). In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation and their office was appropriated \$1.19 million to publish the full text of the measures. Due to this reduced funding, their office reduced the scope of the publication of these measures. In FY 2015, at the August and November elections, there were 9 statewide Constitutional Amendments or ballot propositions that cost \$1.1 million to publish (an average of \$122,000 per issue). Despite the FY 2015 reduction, their office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, they reserve the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any impact on their office.

Officials from the **State Treasurer's office** indicated this proposal would have no impact to their office.

Officials from **Greene County** indicated there are no estimated costs or savings to report from their county for this initiative petition.

Officials from the **City of Jefferson** indicated they do not expect any fiscal impact should this petition become law.

Officials from the **City of Kansas City** indicated no fiscal impact is anticipated if this proposal is adopted.

Officials from **University of Missouri** indicated they have not seen cost impact studies on this initiative from their electric utility suppliers, but they do not believe this will have a significant impact on their university.

Officials from the **Public Service Commission** (PSC) indicated:

Section 386.890.2.(3)(e) states "is intended. . . not to exceed one hundred percent". "Intended" is existing language that introduces vagueness in the section since it is not a firm number. The section also does not include a period of time over which the electrical requirements would be measured.

Section 386.890.7 requires the customer-generator to furnish the retail electric supplier a certification for a qualified professional electrician or engineer approved by the retail electric supplier. This could limit competition since the customer-generator cannot choose its own electrician or engineer.

The Office of Public Counsel (OPC) indicated this petition will result in increased operating expenses of \$87,039 for fiscal year 2017, \$100,176 for fiscal year 2018, and \$101,126 for fiscal year 2019.

This initiative petition changes the definition of “customer generator” under the Missouri Net Metering and Easy Connection Act, expanding the potential number of customer generators, eligible for rate reductions because it also changes and expands the number of electric retail suppliers covered under the Act. This expansion in the number of covered retail electric providers to those subject to PSC jurisdiction will initially prompt additional and new litigation surrounding who is eligible, the amount of cost the utility is permitted to offset and recover in rates, and impact to retail ratepayer rates for those customers who do qualify for a reduction in their electric rates through potential intra-class subsidization. Additionally, it also removes a number of small businesses that could qualify as “customer generators,” by eliminating municipal suppliers of electric service from coverage under the Net Metering and Easy Connection Act, which could result in higher electric utility bills for those customers.

The estimated impact for this petition was based on a review of the initial impact to the office from similar legislation including the original Missouri Net Metering and Easy Connection Act passage. The office anticipates an additional ½ full-time employee (FTE) for an attorney, ½ FTE for an auditor, and ¼ FTE for an analyst to handle issues brought up during rate proceedings because of this proposed legislation.

Officials from the **Missouri Joint Municipal Electric Utility Commission** (MJMEUC) indicated:

Missouri Public Utility Alliance (MJMEUC is part of the alliance) through its electric division represents 65 of the 86 cities with municipal electric utilities.

After careful review and analysis for this petition, they believe that implementation would increase municipal electric utility revenues by approximately \$1,100 annually:

1. Reducing the number of cities covered by net metering from 86 to four (Springfield, Independence, Columbia, and Kirkwood)
2. There appears to be only a marginal level of interest on the part of covered cities to implement a “standby, capacity, interconnection, or other fee” for net-metering customers, therefore the additional revenue for effected cities would be less than \$2,000 per year for all covered cities.

There would be a minimal reduction in costs for cities not covered by the new metering law since they would no longer be required to notify customers annually of the presence of a net metering policy. In most cases those notices are printed on monthly billing

statements already going to customers. The result is that reduction of costs would likely be negligible.

The State Auditor's office did not receive a response from the **Department of Elementary and Secondary Education**, the **Department of Transportation**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Joplin**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **State Technical College of Missouri**, **Metropolitan Community College**, and **St. Louis Community College**.

Fiscal Note Summary

State governmental entities estimate increased annual operating costs of approximately \$101,000. Local government electric revenue may increase \$1,100 annually with minimal reduction in operating costs.