

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1070S.02P
Bill No.: Perfected SS for SB 141
Subject: Corporations; Energy; Public Service Commission; Utilities
Type: Original
Date: March 24, 2021

Bill Summary: This proposal requires the Public Service Commission to create a renewable natural gas program and prohibits political subdivisions from prohibiting the connection or reconnection of a utility service based upon the type or source of energy.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$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)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Various State Funds*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on Other State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

*The state may pay higher utility cost if any prudently incurred costs incurred by a gas corporation to establish and maintain renewable gas equipment and facilities are recovered by means of an automatic adjustment clause. Oversight assumes the potential increase in utility costs to the state would not reach the \$250,000 threshold.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 386.895.2 – Renewable Natural Gas Program

In response to a previous version, officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** stated this legislation requires a rulemaking by the PSC in order to implement the provisions. Rulemakings generally result in an estimated cost of up to approximately \$4,700. 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 budget process.

In response to a previous version, officials from **Office of Administration - Facilities Management, Design and Construction (FMDC)** assumed his bill requires the Public Service Commission to adopt by a rule a renewable natural gas program for gas corporations. It provides that any prudently incurred costs incurred by a gas corporation to establish and maintain renewable gas equipment and facilities shall be recovered by means of an automatic adjustment clause.

FMDC assumes that this bill will cause an increase in gas utility rates for state facilities. However, FMDC cannot determine the amount of any increase because it is unknown whether gas corporations would utilize this program or what amount of costs would be incurred by gas corporations and passed on to consumers in any given year. Therefore, the impact of this bill is \$0 to unknown.

For reference, FMDC's average annual expenditure for natural gas for the past three fiscal years is \$2,840,156; therefore, a one percent increase in gas prices would cost FMDC \$28,402 annually.

Oversight assumes this proposal allows the Public Service Commission to authorize a prudently incurred costs incurred by a gas corporation to be recovered by means of an automatic adjustment clause. **Oversight** assumes any additional adjustments will be recouped by various customer classes by rate increases.

Oversight assumes this proposal could increase utility cost 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 reflect a range from \$0 (no utility will increase rates) to an unknown cost to the state and local political subdivisions for higher utility costs.

In response to a previous version, officials from the **Joint Committee on Administrative Rules** assumed this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they 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, they 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.

Senate Amendment 2

Oversight assumes this amendment will have no fiscal impact on state or local governments.

Senate Amendment 3

In response to a similar proposal from this year (SB 230), officials from the **Department of Natural Resources** and the **Department of Commerce and Insurance** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal from this year (SB 230), officials from the cities of **Ballwin**, **Corder**, **Kansas City**, **O'Fallon**, **Springfield** and **St. Louis**, the **Cass County Public Water Supply District (PWSD) #2**, **Clarence Water/Wastewater**, **Corder Water/Wastewater**, **Lexington Water/Wastewater**, the **Little Blue Valley Sewer District**, the **Macon County PWSD #1**, the **Metropolitan St. Louis Sewer District**, the **Platte County PWSD #6**, the **South River Drainage District**, the **Ste. Genevieve County PWSD #1**, the **Tri County Water**

Authority and the **Wayne County PWSD #2** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to similar legislation from 2020, SB 1048, officials from the **Glasgow Village Street Lighting District** assumed the proposal will have no fiscal impact on their organization.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, and utilities 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 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Cost</u> - Office of Administration Potential increase in electric utility costs	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
VARIOUS STATE FUNDS			
<u>Cost</u> - 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)

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> - Local Governments Potential increase in electric utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

FISCAL IMPACT – Small Business

Small businesses could have an increase in utility cost as a result of this proposal.

FISCAL DESCRIPTION

This act requires the Public Service Commission to adopt by a rule a renewable natural gas program for gas corporations. The Commission shall establish reporting requirements and a process for gas corporations to fully recover prudently incurred costs associated with a renewable natural gas program.

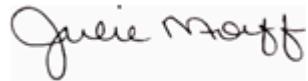
Any prudently incurred costs incurred by a gas corporation shall be recovered by means of an automatic adjustment clause. Such costs shall include costs to establish and maintain equipment and facilities deemed prudent at the time the initial investment was made.

An affiliate of a gas corporation shall not be prohibited from making a capital investment in a biogas production project if the affiliate is not a public utility as defined in statute.

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
Public Service Commission
Office of Administration
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Natural Resources
City of Ballwin
City of Corder
City of Kansas City
City of O'Fallon
City of Springfield
City of St. Louis
Cass County Public Water Supply District (PWSD) #2
Clarence Water/Wastewater
Corder Water/Wastewater
Lexington Water/Wastewater
Little Blue Valley Sewer District
Macon County PWSD #1
Metropolitan St. Louis Sewer District
Platte County PWSD #6
South River Drainage District
Ste. Genevieve County PWSD #1
Tri County Water Authority
Wayne County PWSD #2
Glasgow Village Street Lighting District



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March 24, 2021



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March 24, 2021