

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3741H.03C
 Bill No.: HCS for SB 820
 Subject: Consumer Protection; Environmental Protection
 Type: Original
 Date: April 11, 2022

Bill Summary: This proposal modifies provisions relating to renewable energy.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue*	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

*The Department of Natural Resources – Division of Energy is required to oversee the distributed energy resources study (estimated to cost \$300,000), which is to be paid for through funds available from federal and state grants. DNR states two potential, but uncertain funding possibilities exist. DNR-DE has federal funds associated with a previous grant in a revolving loan fund that can potentially be repurposed for use to pay the contractor. Also, funds available from the Infrastructure Investment and Jobs Act (IIJA) could be used. If the federal funding sources are not available, the study may need to be paid by state General Revenue. **Oversight** will assume federal funding will be available.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Federal Funds*	(\$300,000)	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$300,000)	\$0	\$0

*The Department of Natural Resources – Division of Energy is required to oversee the distributed energy resources study (estimated to cost \$300,000), which is to be paid for through funds available from federal and state grants. DNR states two potential, but uncertain funding possibilities exist. DNR-DE has federal funds associated with a previous grant in a revolving loan fund that can potentially be repurposed for use to pay the contractor. Also, funds available from the Infrastructure Investment and Jobs Act (IIJA) could be used. **Oversight** will assume federal funding will be available.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
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 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§386.885 –Distributed Energy Resource Study

Officials from the **Department of Commerce and Insurance’s Public Service Commission (PSC)** state that §§386.885 to 386.890 may require 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 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 rule making authority at substantial costs, the PSC could request funding through the appropriation process. Therefore, Oversight will assume the proposal will have no fiscal impact on their organization.

Officials from the **Department of Natural Resources – Division of Energy (DNR-DE)** state that this legislations requires the DNR-DE to oversee the distributed energy resources study to be selected and conducted by an independent and objective expert with input from the members of the task force. The cost of said study shall be paid for through funds available from federal and state grants applied for by the DNR-DE. The DNR-DE shall establish procedures for the submission and non-public disclosure of confidential and propriety information.

DNR-DE anticipate being able to identify contractors with experience in conducting distributed energy resource studies. The work will require specialized knowledge of applicable Missouri statutes, electric utility generation, transmission and distribution systems and related costs, distributed energy generation systems and grid integration, wholesale energy market operation and pricing. The language in the bill does not define “distributed energy resources.” The term may be defined broadly, but since this legislation focuses on net metering, DNR-DE assumes that the study contemplated in the legislation will be limited to distributed generation. DNR-DE anticipates the study will require the contractor to meet with the task force, retail electric suppliers and other stakeholders to discuss and finalize the work plan, conduct cost/benefit analyses, and other work as required to fulfill the contract requirements. Based on the revisions, DNR-DE officials do not anticipate the study will be granular, instead focusing on the practical and economic benefits, challenges, and drawbacks of increased distributed energy generation in

the state without the requirement of determining specific rates for each retail electric provider.

DNR-DE may not have adequate "...funds available from federal and state grants applied for by the division of energy" to cover this cost in the short term as the grants already applied for by DNR-DE have all funds assigned to other activities. To DNR-DE's knowledge, there is not any certainty as to the availability of any sufficient federal or state grants that can be readily applied for and awarded in time to pay for this initiative based upon the time constraints contained in the proposal. If no funding opportunities arise, DE would require General Revenue amounting to \$300,000 to fulfill the requirements of this section.

Two potential, but uncertain funding possibilities exist. DNR-DE has federal funds associated with a previous grant in a revolving loan fund that can potentially be repurposed for use to pay the contractor. DNR-DE would be required to submit a request to the U.S. Department of Energy (DOE) requesting the repurposing of funds. DOE accepts such requests in either January or June, but may be willing to accept such a request outside of those months. Presuming DOE is agreeable to repurposing the funds, the contractor would be required to comply with American Recovery and Reinvestment Act of 2009 (ARRA) flow-down requirements, which are attached to those funds. DNR-DE anticipate initiating a formal request to DOE for allowance to repurpose up to \$300,000, although DOE's approval of such a repurposing request is not guaranteed.

Additionally, it is possible that funding from the Infrastructure Investment and Jobs Act (IIJA) could be used. As the bill is currently written, DNR-DE's understanding is that State Energy Program (SEP) funds from the IIJA can be used for any allowable activity under SEP (10 CFR 420). However, usage of such funds for the purpose described in this bill could detract from the ability of DNR-DE to pursue additional opportunities presented by the IIJA, and the exact amount of funding to be received from the IIJA is not certain at this time.

Oversight will reflect this cost to federal funds and note the possibility that if federal funding is not available, state General Revenue may be needed.

DNR-DE anticipates they will engage stakeholders as part of the study process. However, based on the direction that "House Research and Senate Research shall provide necessary clerical, research, fiscal, and legal services to the task force," DNR-DE anticipates that House Research and Senate Research rather than DNR-DE will have primary responsibility for drafting the study RFP, study contracts, and task force report. DNR-DE will require 1 FTE Research/Data Analyst to coordinate with House Research and Senate Research, provide technical assistance, and to prepare material for review by the task force. This would be a temporary position that would terminate at the end of the project period.

As Section 386.885 expires on December 31, 2023, **Oversight** will assume DNR will not require hiring a new FTE for the time period this FTE may be needed. Therefore, Oversight will assume DNR will be able to implement the provisions of this proposal with existing resources.

Officials from the **Missouri State Senate (SEN)** anticipate a negative fiscal impact to reimburse 2 Senators and 2 Representatives for travel to the Task Force on Distributed Energy Resources and Net Metering meetings. In summary, it will cost approximately \$517.44 (528 miles x \$0.49 (rate per mile) per meeting.

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

§386.890 - Net Metering

In response to a previous version, officials from the **Missouri Department of Conservation** assumed this 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 on the fiscal note.

§442.404 – Restrictive Covenants regarding Solar Panels or Rooftops

SEQ CHAPTER 11 In response to a previous version, officials from the **City of Springfield** 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 for this section.

In response to similar legislation from 2021, SB 249, officials at the cities of **Ballwin, Corder, Hale, O’Fallon** and **St. Louis** each assumed the proposal will have no fiscal impact on their cities. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these cities.

Oversight assumes §442.404 is effective on January 1, 2023 and will have no direct fiscal impact.

Bill as a Whole

Officials from the **Missouri Department of Transportation**, the **Office of Administration** the **State Tax Commission**, the **Missouri House of Representatives**, the **City of Claycomo**, the **City of Kansas City** and the **City of O’Fallon** 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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, counties and circuit clerks were requested to respond to this proposed

legislation but did not. A listing of political subdivisions included in the Missouri Legislative information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
FEDERAL FUNDS			
<u>Cost – DNR - Independent Contractor – to conduct distributed energy resource study (§386.885)</u>	<u>(\$300,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(\$300,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

There could be a positive indirect fiscal impact to small businesses that sell/install solar panels or solar collectors as a result of this proposal. (§442.404)

FISCAL DESCRIPTION

This act modifies provisions relating to renewable energy.

NET METERING (Sections 386.885 and 386.890)

This act establishes the Task Force on Distributed Energy Resources and Net Metering, to conduct hearings and research information related to net metering as set forth in the amendment. The Task Force shall compile a report for the General Assembly by December 31, 2023. The Task Force shall dissolve on December 31, 2023, or when the Task Force concludes its work, whichever is sooner.

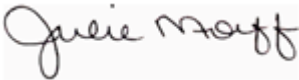
The act modifies the definitions of "department", which is changed from the Department of Economic Development to the Department of Natural Resources, and "retail electric supplier", which term now includes municipally-owned utilities.

The sale of qualified electric energy units to any customer-generator shall be subject to provisions of law related to consumer protection.

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

State Tax Commission
Department of Commerce and Insurance
Department of Natural Resources
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
Missouri House of Representatives
Missouri Senate
City of Claycomo
City of Kansas City
City of Springfield
City of O'Fallon
City of Ballwin
City of Corder
City of Hale
City of St. Louis



Julie Morff
Director
April 11, 2022



Ross Strope
Assistant Director
April 11, 2022