

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3774S.08C
Bill No.: SCS for SB 756
Subject: Corporations; Energy; Public Service Commission; Utilities
Type: Original
Date: March 11, 2022

Bill Summary: This proposal modifies provisions relating to public utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	\$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)

*Oversight assumes the fiscal impact to the state (if any) from increased utility costs would not reach the \$250,000 threshold.

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

Numbers within parentheses: () indicate costs or losses.

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

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 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** state this bill contains a number of provisions that FMDC assumes have the potential to impact utility costs for FMDC and other state and local government entities. However, FMDC is unable to determine the amount of such impact as it depends on a number of factors including the actions of utility companies and decisions of the Public Service Commission. Therefore, the impact of this bill is unknown.

Oversight assumes this proposal modifies accounting practices of electrical, gas, sewer and water corporations. Oversight assumes this proposal could possibly increase utility cost for the Office of Administration as well as other state agencies and local governments. Since it is unknown how much of a rate increase 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, however, Oversight assumes the potential increase in utility cost will be less than \$250,000 in a given fiscal year.

Officials from the **Department of Commerce and Insurance** assume no fiscal impact to the department. However, should the extent of the work be more than anticipated, the department would request additional appropriation and/or FTE through the budget process.

Officials from the **Missouri Department of Conservation**, the **Missouri Department of Transportation**, the cities: **Kansas City, O'Fallon, Springfield and Claycomo**, and the utilities: **Metropolitan St. Louis Sewer District, South River Drainage District, St. Charles County Pwsd, Wayne County Pwsd, Hancock Street Light District** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Missouri Department of Conservation** and the **St. Louis-Jefferson Swmd** each assumed the proposal will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary.

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.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rule arise based on a review of the finally approved bills signed by the governor.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and utilities 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
GENERAL REVENUE FUND			
<u>Cost - Office of Administration</u> Potential increase in utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
VARIOUS STATE FUNDS			
<u>Cost - Various State Agencies</u> Potential increase in utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost - Local Governments</u> Potential increase in 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 modifies provisions relating to public utilities.

ACCOUNTING PRACTICES OF ELECTRICAL CORPORATIONS (Section 393.1275)

Under this act, electrical corporations, gas corporations, sewer corporations, and water corporations shall defer to a regulatory asset or liability account any difference in state or local property tax expenses actually incurred, and those on which the revenue requirement used to set rates in the corporation's most recently completed general rate proceeding was based. The regulatory asset or liability account balances shall be included in the revenue requirement used to set rates through an amortization over a reasonable period of time in such corporation's subsequent general rate proceedings, without any offset.

This provision is identical to SCS/SB 745 (2022).

PLANT-IN-SERVICE ACCOUNTING (Section 393.1400)

This act modifies the definition of "weighted average cost of capital" for a provision relating to plant-in-service accounting.

CAPITAL INVESTMENT PLAN (Section 393.1400)

Current law states that an electrical corporation's election to defer depreciation expense, as set forth in statute, shall allow it to make such deferrals until December 31, 2023, or if approved by the Public Service Commission, continue to make such deferrals from January 1, 2024, through December 31, 2028. Under this act, such deferrals are allowed until December 31, 2033, or if approved by the Commission, a corporation may continue such deferrals from January 1, 2034, through December 31, 2038.

DISCOUNTED ELECTRIC RATES (Section 393.1640)

This act modifies the criteria for electric customers to be considered for a discounted electric rate. The first discount of 35% is for customers with new load that is projected to be between 300 kilowatts but not more than 10 megawatts with a load factor of 45% and shall apply for 5 years. The second discount applies for new load that is projected to be more than 10 megawatts and have a load factor of 55% and the discount percentage shall be determined such that the applicant's total bill is expected to provide revenues equal to 120% of the corporation's variable cost to serve the corporation's accounts that are to receive the discount. Such discount shall apply for 10 years.

In order to obtain one of the discounts, the customer's load shall be incremental, the customer must receive an economic development incentive from the local, regional, state, or federal government, and the customer must meet criteria set forth in the electrical corporation's economic development rider tariff sheet.

The electrical corporation shall verify the customer's incremental demand annually to determine continued qualification for the applicable discount.

In each general rate proceeding concluded after August 28, 2022, the difference in revenues generated by applying the discounted rates and the revenue that would have been generated

without such discounts shall not be imputed into the electrical corporation's revenue requirement but instead such revenue requirement shall be set as described in the act. The sunset date for discounted electric rates is December 31, 2038, and an electrical corporation shall not enter into new contracts for discounted electric rates after December 31, 2033, unless the corporation has timely obtained an order from the PSC relating to deferrals of depreciation expenses.

REVENUE REQUIREMENT (Section 393.1656)

Beginning January 1, 2024, that part of an electrical corporation's retail revenue requirement used to set the electrical corporation's base rates in each of the electrical corporation's general rate proceedings that are concluded on or after August 31, 2023, that consists of revenue requirement arising from inclusion in rate base of certain regulatory asset balances shall not exceed the revenue requirement impact cap, as such term is defined in the act. Such provision shall continue to apply to electrical corporations until December 31, 2033, if the Commission has not issued an order approving continuation of certain deferrals authorized in statute or the continuation of discounted electric rates set forth in statute. However, if the Commission has issued such an order, such provision shall continue until December 31, 2038.

FINANCING ORDERS (Section 393.1700)

The act allows the Public Service Commission to directly contract counsel, financial advisors, or other consultants as necessary to carry out the Commission's duties related to financing orders and the Commission shall not be subject to provisions of law relating to competitive bidding for state entities.

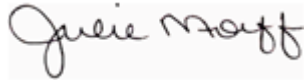
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

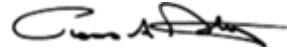
Department of Commerce and Insurance
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
Office of the Secretary of State
Joint Committee on Administrative Rules
Kansas City
City of O'Fallon
City of Springfield
City of Claycomo
St. Charles County Pwsd
Wayne County Pwsd
Metropolitan St. Louis Sewer District
South River Drainage District
St. Louis-Jefferson Swmd

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Hancock Street Light District



Julie Morff
Director
March 11, 2022



Ross Strobe
Assistant Director
March 11, 2022