

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4317S.01I
 Bill No.: SB 740
 Subject: Energy; Utilities; Boards, Commissions, Committees, and Councils; Public Service Commission
 Type: Original
 Date: January 16, 2024

Bill Summary: This proposal modifies provisions relating to utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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)

*This bill could increase utility costs to state departments and local governments if rate changes are made as a result of these new standards, however, **Oversight** assumes the potential increase would be less than \$250,000 each year.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Other State Funds*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Public Service Commission Fund (0607)	\$0 or (Up to \$490,309)	\$0 or (Up to \$571,506)	\$0 or (Up to \$581,435)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (Could exceed \$490,309)	\$0 or (Could exceed \$571,506)	\$0 or (Could exceed \$581,435)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Public Service Commission Fund	0 or Up to 5 FTE	0 or Up to 5 FTE	0 or Up to 5 FTE
Total Estimated Net Effect on FTE	0 or Up to 5 FTE	0 or Up to 5 FTE	0 or Up to 5 FTE

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 2025	FY 2026	FY 2027
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§393.320.5 – Large Public Water Utilities

Officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** assume this legislation will only allow six months for the Public Service Commission to make a decision on the application submitted by the public utility company. Currently, depending on the level of detail and the size of the acquisition, it can take nine to twelve months, or longer in some cases, to make a decision. This does not include the potential of having to go to hearing.

PSC assumes this legislation will require an additional 5 FTE to process the applications in a six-month time frame.

Oversight does not have any information to the contrary. Oversight assumes the PSC could absorb some of the costs related to this proposal as this is procedure the PSC already has in place, or there may not be many large water public utility companies that acquire smaller companies; therefore, Oversight will reflect the FTE cost as **\$0 or Up To** 5 FTE to the Public Service Commission Fund.

Oversight assumes this proposal modifies the definition of a “large water public utility” to include any public utility that regularly provides water service, sewer service or a combination of either to more than 8,000 customer connections and also specifies that a large water public utility may file with the PSC for a water and sewer infrastructure rate adjustment.

According to the PSC “FY 2023 PSC Annual Report”, this legislation would allow one current additional combination water and sewer company (Confluence Rivers Utility Operating Co.) to be defined as a “large water public utility”. Oversight assumes this newly defined company could file for a water and sewer infrastructure rate adjustment which could increase utility cost to local political subdivisions in which this company serves.

Oversight will reflect a range from \$0 (no utility will increase rates) to an unknown cost to local political subdivisions for potential higher utility costs.

Bill as a whole:

Officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** assumes there would be a fiscal impact to the State's utility costs. However, without more information FMDC is unable to calculate the impact this would have on statewide utility costs for consolidated facilities managed by FMDC; \$0 to unknown impact.

Oversight assumes this proposal increases the required percentages of each electric utility's sales that must come from renewable energy resources. Oversight assumes rate changes could be made as a result of this proposal that will be passed onto various customer classes.

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 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 under \$250,000.

Officials from the **Department of Natural Resources**, the **Department of Revenue**, the **Office of the Governor**, the **Missouri Department of Transportation**, the **Office of the State Treasurer**, the **Missouri House of Representatives**, the **Missouri Senate**, the **City of Osceolo**, **Kansas City**, the **South River Drainage District** and **St. Charles County Pwsd** 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.

Rule Promulgation

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 rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Cost - Office of Administration</u> 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 THE GENERAL REVENUE FUND	0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
PUBLIC SERVICE COMMISSION FUND (0607)			
<u>Cost – PSC §393.320.5</u>	\$0 or Up to....	\$0 or Up to....	\$0 or Up to....
Personal Service	(\$276,936)	(\$338,970)	(\$345,750)
Fringe Benefits	(\$169,920)	(\$206,480)	(\$209,108)
Equipment and Expense	<u>(\$43,453)</u>	<u>(\$26,056)</u>	<u>(\$26,577)</u>
<u>Total Cost – PSC</u>	<u>(\$490,309)</u>	<u>(\$571,506)</u>	<u>(\$581,435)</u>
FTE Change – PSC	0 or Up to 5 FTE	0 or Up to 5 FTE	0 or Up to 5 FTE
ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION FUND (0607)	<u>\$0 or (Up to \$490,309)</u>	<u>\$0 or (Up to \$571,506)</u>	<u>\$0 or (Up to \$581,435)</u>
Estimated Net FTE Change to the Public Service Commission Fund	0 or Up to 5 FTE	0 or Up to 5 FTE	0 or Up to 5 FTE
VARIOUS STATE FUNDS			
<u>Cost - Various State Agencies</u> 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 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 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> – potential additional compensation paid §204.300, §204.610	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost - Local Governments</u> Potential increase in electric utility costs	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Trustees appointed by the governing body of certain counties may be paid reasonable compensation by the common sewer district for their services outside their duties as trustees. Monetary compensation of such trustees is described in the act. This act repeals certain provisions that any such compensation must be approved by resolution of the board of trustees, or by a resolution, order, or ordinance of the governing body of the county. The act further repeals the provision that all expenses incurred by the trustees in the performance of their duties must be reimbursed by the district. This act also repeals certain provisions regarding counties with a ten-member board of trustees. The trustees of a district with an eleven-member board and located in two counties shall receive no compensation for their services but may be reimbursed for expenses. Reimbursement of trustees of a ten-member board are described in the act. (Section 204.300)

Each trustee appointed or elected in the circuit court decree or amended decree of incorporation for a reorganized common sewer district may receive certain monetary compensation for their services as trustees as described in the act. The act repeals the provisions stating that such trustees shall receive no compensation for their services but may be compensated for reasonable expenses normally incurred in the performance of their duties. (Section 204.610)

Under the act, the Public Service Commission shall issue its decision establishing the ratemaking rate base of the small water utility in its order approving the acquisition of a small water utility by a large water public utility within 6 months of the submission of the application. This act further modifies the definition of "large water public utility".

Prior to the expiration of the six-month period, the Commission staff or the Office of Public Counsel may request from the Commission an extension for approval of the application for an additional 30 days. (Section 393.320)

Energy meeting the criteria of the renewable energy portfolio requirements under the act that is generated from renewable energy resources and contracted for by an accelerated renewable buyer, as defined in the act, shall be subject to certain requirements described in the act. The accelerated renewable buyer shall be exempt from any renewable energy standard compliance costs as may be established by the utility and approved by the Public Service Commission as described in the act.

Each electric utility shall certify and verify to the Commission that the accelerated renewable buyer has satisfied the exemption requirements under the act for each year, or an accelerated renewable buyer may choose to certify satisfaction of this exemption by reporting to the Commission individually. Nothing in this provision shall be construed as imposing or authorizing the imposition of any reporting, regulatory or financial burden on an accelerated renewable buyer.

These provisions apply to electric utilities with more than 250,000 but less than 1 million retail customers in the state as of the end of the calendar year 2023. (Section 393.1030)

This act creates provisions for gas corporation customers to be considered for a discounted gas rate.

Under the act, a new or an existing gas corporation account meeting the criteria under the act shall qualify for the following discounts:

- (1) When the customer is a new customer and the new load is reasonably projected to be at least 270,000 CCF annually, the discount shall equal 25% and shall apply for four years; or
- (2) When the customer is an existing customer and the new load is reasonably projected to be at least 135,000 CCF annually, the discount shall equal 25% and shall apply for four years.

To obtain one of the discounts under the act, the customer's load shall be incremental, net of any offsetting load reductions due to the termination of other accounts of the customer or an affiliate of the customer within twelve months prior to the commencement of service to the new load.

The customer shall receive an economic development incentive from a governmental entity, as described in the act, in conjunction with the incremental load. The customer shall meet the criteria set forth in the gas corporation's economic development rider tariff sheet, as approved by the Public Service Commission, that are not inconsistent with the act.

Unless otherwise provided by the gas corporation's tariff, the applicable discount shall be a percentage applied to all variable base-rate components of the bill. The discount shall be applied

to such incremental load from the date when the meter has been permanently set until the date that such incremental load no longer meets the criteria required to qualify for the discount as determined under the act, or a maximum of four years. The gas corporation may include in its tariff additional or alternative terms and conditions to a customer's utilization of the discount, subject to approval of such terms and conditions by the Commission.

The customer, on forms supplied by the gas corporation, shall apply for the applicable discount at least 90 days prior to the date the customer requests that the incremental usage receive one of the discounts provided for by this subsection and shall enter into a written agreement with the gas corporation reflecting the discount percentages and other pertinent details prior to which no discount will be available. If the incremental usage is not separately metered, the gas corporation's determination of the incremental usage shall control. The gas corporation shall verify the customer's consumption annually to determine continued qualification for the applicable discount. The cents-pre-CCF realization resulting from application of any discounted rates as calculated shall be higher than the gas corporation's variable cost to serve such incremental usage and the applicable discounted rate shall also make a positive contribution to fixed costs associated with service to such incremental usage. If in a subsequent general rate proceeding the Commission determines that application of a discounted rate is not adequate to cover the gas corporation's variable cost to serve the accounts in question and provide a positive contribution to fixed costs, then the Commission shall reduce the discount for those accounts prospectively to the extent necessary to do so.

In each general rate proceeding concluded after August 28, 2024, the difference in revenues with the discounts under the act and the revenues without such discounts shall not be imputed into the gas corporation's revenue requirement. Instead, such revenue requirement shall be set as described in the act. To qualify for discounted rates, customers shall meet the applicable criteria within 24 months of initially receiving discounts based on metering data for calendar months 13-24 and annually thereafter. If such data indicates that the customer did not meet the applicable criteria for any subsequent 12-month period, the customer shall no longer qualify for a discounted rate. Customer usage existing at the time the customer makes application for a discounted rate under the act shall not constitute incremental usage. The discounted rates under the act apply only for variable base-rate components, with charges or credits arising from any rate adjustment mechanism authorized by law to be applied to customers qualifying for discounted rates under the act in the same manner as such rate adjustments would apply in absence of these provisions. (Section 393.1645)

Under the act, the Public Service Commission may directly contract counsel, financial advisors or other consultants as necessary for the purpose of reviewing financing orders for energy transition costs. This provision shall not be subject to state purchasing provisions. However, the Commission shall establish a policy for the bid process. Such policy shall be publicly available and any information related to contracts under the established policy shall be included in publicly available rate case documents. (Section 393.1700)

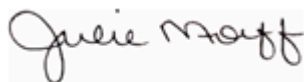
Any customer receiving electrical service under a Commission-approved market-based tariff with a load of at least 80 megawatts, where the servicing electrical corporation has a Commission-approved mark-based tariff as of the end of 2023, is exempt from any securitized utility tariff charges as described in the act. (Section 393.1700)

Currently, all community water systems are required to create a hydrant inspection program which includes annual testing of every hydrant of such community water systems. This act repeals the annual testing requirement of such hydrants and provides for a scheduled testing of such hydrants. (Section 640.144)


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
Department of Natural Resources
Department of Revenue
Office of the Governor
Office of the State Treasurer
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
Office of the Secretary of State
Joint Committee on Administrative Rules
Missouri Senate
Missouri House of Representatives
Kansas City
City of Osceola
South River Drainage District
St. Charles County Pwsd



Julie Morff
Director
January 16, 2024



Ross Strobe
Assistant Director
January 16, 2024