

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4470S.01I
 Bill No.: SB 1247
 Subject: Public Service Commission; Energy; Utilities
 Type: Original
 Date: February 1, 2024

Bill Summary: This proposal creates provisions relating to electric utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	(Could exceed \$611,925)	(Could exceed \$689,104)	(Could exceed \$701,384)
Total Estimated Net Effect on General Revenue	(Could exceed \$611,925)	(Could exceed \$689,104)	(Could exceed \$701,384)

*This bill could increase utility costs to state departments and local governments if rate changes are made as a result of these new standards.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Public Service Commission	(\$763,409)	(\$888,602)	(\$903,971)
Other State Funds*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Could exceed \$763,409)	(Could exceed \$888,602)	(Could exceed \$903,971)

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
General Revenue (OPC)	5 FTE	5 FTE	5 FTE
Public Service Commission (PSC)	8 FTE	8 FTE	8 FTE
Total Estimated Net Effect on FTE	13 FTE	13 FTE	13 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

Sections 393.2200 – Utility Provisions

Officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** assume this legislation contemplates a couple of changes to the review of potential new generation facilities. First it creates an expedited review process. In order to fully vet these applications in a rushed format, Staff will need additional engineers to assign to these cases. Further, the legislation contemplates a more thorough review of the IRP process. It will allow for the Commission to use IRP filings to approved future generation facilities. Currently, the IRP rule is more of a review of the process the utility undertook in its IRP, it does not allow for the Commission to indicate if the utilities' preferred is prudent or not. With the legislation, Staff will have to take a more in-depth review of the utilities IRP filing, and thus additional staff will need to be hired.

Further, the legislation contemplates the ability of the electric utilities to request additional rate mechanisms outside of the normal rate case process. There have been a handful of new rate mechanisms approved over the past few years, and with the potential addition of one or two more mechanisms, staff will need additional auditors and research analysts to review the utilities' filings.

In summary, PSC assumes this legislation would require an additional 8 FTE at cost of \$763,409 in FY 2025, \$888,602 in FY 2026 and \$903,971 in FY 2027 to the Public Service Commission Fund (0607) to provide for the implementation of the changes in this proposal.

Officials from the **Department of Commerce and Insurance – Office of Public Council (OPC)** anticipate that it would need a significant increase in resources to respond to this proposed change in utility regulation. Since this legislation would add rate case determinations before large projects are built and cut the review time in half for the largest expenses incurred by an electric corporation, the OPC will need a number of additional full-time employees in a variety of disciplines to process these new applications. The following is a conservative estimate of what the OPC would require to ensure the Office continues representing the public in the typical cases before the PSC, in addition to the new cases established by this legislation. OPC anticipates it would need five (5) additional full-time employees to process these cases. The disciplines necessary to process these applications would require, at a minimum, that the OPC hire an additional attorney, auditor, financial analyst, engineer, and policy analyst.

In summary, OPC assumes this legislation would require an additional 5 FTE at cost of \$611,926 in FY 2025, \$689,104 in FY 2026 and \$701,384 in FY 2027 to the General Revenue Fund to provide for the implementation of the changes in this proposal.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the impact as provided by DCI-PSC and DCI- OPC in the fiscal note.

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 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 (rate increases will not occur) to an unknown cost to the state and local political subdivisions for higher utility costs.

Officials from the **Missouri Department of Conservation, the Missouri Department of Transportation, Kansas City and the Hancock Street Light District** 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Cost - PSC</u>			
Personal Service	(\$330,000)	(\$403,920)	(\$411,998)
Fringe Benefits	(\$190,487)	(\$231,654)	(\$234,786)
Equipment & Expense	(\$91,438)	(\$53,530)	(\$54,600)
<u>Total Cost - PSC</u>	<u>(\$611,925)</u>	<u>(\$689,104)</u>	<u>(\$701,384)</u>
FTE Change – PSC	5 FTE	5 FTE	5 FTE
<u>Cost - Office of Administration</u> Potential increase in electric utility costs	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(Could exceed \$611,925)</u>	<u>(Could exceed \$689,104)</u>	<u>(Could exceed \$701,384)</u>
Estimated Net FTE Change to the General Revenue Fund	5 FTE	5 FTE	5 FTE

PUBLIC SERVICE COMMISSION			
<u>Cost - PSC</u>			
Personal Service	(\$427,903)	(\$523,754)	(\$534,229)
Fringe Benefits	(\$265,982)	(\$323,159)	(\$327,219)
Equipment & Expense	(\$69,524)	(\$41,689)	(\$42,523)
Total Cost - OPC	(\$763,409)	(\$888,602)	(\$903,971)
FTE Change – PSC	8 FTE	8 FTE	8 FTE
ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION	(\$763,409)	(\$888,602)	(\$903,971)
Estimated Net FTE change to the Public Service Commission Fund	8 FTE	8 FTE	8 FTE
VARIOUS STATE FUNDS			
<u>Cost - Various State Agencies</u>			
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 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<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

Under the act, prior to acquiring a stake, as defined in the act, in a transmission facility, an electrical corporation may file with the Public Service Commission an application for a determination of the rate-making principles and treatment as described in the act.

Unless the Commission determines that the electrical corporation's stake in the transmission facility is not reasonable, the Commission shall issue an order setting forth rate-making principles and treatment that will apply to the electrical corporation's stake in the transmission facility.

The Commission shall utilize the rate-making principles and treatment in all proceedings where the cost of the electrical corporation's stake in the transmission facility is considered.

If the Commission fails to issue a determination within 180 days of the date of an application for a determination of rate-making principles and treatment, the rate-making principles and treatment will be deemed to have been approved by the Commission and shall be binding. If the electrical corporation's acquisition of a stake in a transmission facility requires a certificate of convenience and necessity, the electrical corporation may request such certificate by filing an application in the same proceeding as the application for a determination of rate-making principles and treatment, as described in the act.

Prior to acquiring a stake or prior to retiring or abandoning a generating facility as described in the act, an electrical corporation may file with the Commission an application for a determination of the rate-making principles and treatment as proposed by the electrical corporation subject to certain conditions described in the act. Requirements for an order issued by the Commission in relation to the application, including a new rate adjustment mechanism and alternatives to the rate adjustment mechanism, are described in the act.

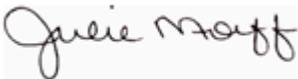
In making its determination as to whether acquiring the stake in the generating facility is reasonable and necessary or convenient for the public service, the Commission shall be guided by the fact that it is in the interest of the state for electrical corporations to ensure that they own and operate sufficient generating resources to serve their retail load without undue reliance on any power pool, regional transmission operator or independent system operator market, or other resources as described in the act.

The electrical corporation shall have one year from the effective date of the determination of the Commission to notify the Commission whether it will acquire a stake in the generating facility or transmission facility. Requirements for such notice are described in the act.

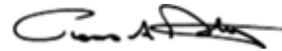
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Commerce and Insurance
Department of Natural Resources
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
February 1, 2024



Ross Strobe
Assistant Director
February 1, 2024