

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5637S.02C
 Bill No.: SCS for SB 1422
 Subject: Utilities; Energy; Public Service Commission
 Type: Original
 Date: March 26, 2024

Bill Summary: This proposal modifies certain provisions relating to deferrals by electrical corporations.

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. Oversight assumes the \$250,000 threshold would not be met.

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)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

*Oversight assumes the \$250,000 threshold would not be met.

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
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 2025	FY 2026	FY 2027
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)** assume 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 potentially 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 **Department of Commerce and Insurance, the Missouri Department of Transportation, the State Tax Commission, Kansas City, the Metro St. Louis Sewer District, the Pulaski County Sewer District, the South River Drainage District** and the **Wayne 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.

In response to a similar proposal from this year (HCS for HB 2541), officials from the **Missouri Department of Conservation** 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.

<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	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>

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	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>

<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	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

The act modifies certain provisions relating to deferrals by electrical corporations.

The act removes "new natural gas units" from the definition of "qualifying electric plant". Electrical corporations shall defer to a regulatory asset 85% of all depreciation expense and return associated with all qualifying electric plant recorded to plant-in-service on the utility's books through August 27, 2024. The act repeals certain deadlines relating to such deferrals. Beginning August 28, 2024, an electrical corporations shall defer to a regulatory asset 85% of all depreciation expense and return as described in the act, except for a qualifying electric plant that consists of investment in new generating units for which the deferral shall be 90%.

The act excludes the cost of investments in new generating units and energy storage systems from the requirement that at least 25% of the cost of investments reflected in each year's capital investment plan shall be comprised of grid modernization projects.

The act extends the sunset date of certain provisions relating to deferrals by electrical corporations from December 31, 2028 to December 31, 2035. The deadline to file an application

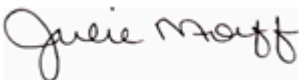
seeking permission from the Public Service Commission relating to deferrals shall be extended from December 31, 2026 to December 31, 2033.

Provisions relating to electrical corporations seeking deferrals shall expire on December 31, 2040, instead of on December 31, 2033.


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
Pulaski County Sewer District
Wayne County Pwsd
Kansas City
Metropolitan St. Louis Sewer District
South River Drainage District
Kansas City



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March 26, 2024



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