

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0120S.08T
 Bill No.: Truly Agreed to and Finally Passed SS No. 2 for SB 4
 Subject: Energy; Federal - State Relations; Public Service Commission; Sewers and Sewer Districts; Tax Credits; Utilities
 Type: Original
 Date: June 11, 2025

Bill Summary: This proposal modifies and creates new provisions relating to utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	Up to \$1,240,257	Up to \$1,240,257	Up to \$1,240,257
Total Estimated Net Effect on General Revenue	Up to \$1,240,257	Up to \$1,240,257	Up to \$1,240,257

***Oversight** assumes that the net effect is from the administration cost savings from the Office of Public Council with the move to assessment funding.

*This bill could change 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 2026	FY 2027	FY 2028
Public Service Commission Fund (0607)	\$0	\$0	\$0
Blind Pension Fund (0621)	\$0	(Unknown)	(Unknown)
Office of Public Council Fund	\$0	\$0	\$0
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	\$0	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund (OPC)	5 FTE	5 FTE	5 FTE
Public Service Commission Fund (PSC)	23 FTE	23 FTE	23 FTE
Total Estimated Net Effect on FTE	28 FTE	28 FTE	28 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 2026	FY 2027	FY 2028
Local Government*	\$0 or Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

*Oversight assumes the revenue loss from the reduction in assessed value would exceed the revenue gain from fines and penalties.

FISCAL ANALYSIS

ASSUMPTION

§§137.010, 137.080, & 137.115 - Solar Energy Generation Systems as Tangible Personal Property

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would define solar equipment with a capacity of less than 12 megawatts as tangible personal property. This proposal then sets the assessment percentage for such property at 5% of market value.

B&P notes that the Blind Pension Trust Fund levies a statewide property tax of \$0.03 per \$100 valuation for all real and personal property within Missouri. Therefore, to the extent that this proposal changes the assessed value of qualifying commercial solar energy property, this proposal may impact revenues to the Blind Pension Trust Fund. This proposal may also impact local property tax revenues.

Officials from the **State Tax Commission (STC)** state that the STC has reviewed this portion of SB 4 has an unknown fiscal impact. Since the Missouri State Supreme Court ruling removes the property tax exemption for solar systems not for resale, solar systems will be assessed under current statute. This bill would grandfather in current solar systems with an assessment that is de minimis and a capped tax liability of 5% or \$500 per megawatt for the land and equipment. The amount would be less than assessing the property under current statute.

Officials from the **Callaway County SB 40 Board** state that a reduction in funding from personal and/or real property taxes would have significant consequences for critical support provided to individuals with intellectual and developmental disabilities (IDD), limiting access to essential services for those who rely on them. Senate Bill 40 organizations, such as Callaway County Special Services (CCSS), assess local needs and sustain a strong network of high-quality services that support more than 201 individuals and their families in Callaway County.

These services, funded through personal and real property tax revenues, include employment opportunities, inclusive community programs, and vital family resources. Beyond meeting immediate needs, they foster a stronger, more equitable, and inclusive community for everyone. As recent legislative changes, such as SB 4, modify property classifications and tax valuation methods, the long-term stability of these revenues may face increased pressure.

The broader implications for individuals, families, and community well-being must be carefully considered before altering funding mechanisms. If reductions in personal or real property taxes are pursued, it is imperative to establish a sustainable and equitable replacement to protect the integrity of services. Ensuring stable, long-term funding will allow Senate Bill 40 organizations to continue empowering individuals with IDD and strengthening the communities they call home.

Upon further discussion, the Callaway County SB 40 Board states that this section outlines the reassessment and classification of tangible personal property, including the establishment of new subclasses and reduced assessment percentages for items such as farm machinery, livestock, and solar energy systems.

In response to a previous version, officials from the **Cape Girardeau County Assessors** stated that the proposed 137.010 (6) & 137.080 (7) Converts “Solar panels, racking systems, inverters, and related solar equipment, components, materials, and supplies ...” to tangible personal property.

Proposed 137.115 (3.7) would assess “Solar panels, racking systems, inverters and related solar equipment, components, materials, and supplies installed at commercial solar photovoltaic energy systems,at five (5) percent.”

Using the proposed new assessment rate of 5% and MACRs depreciation schedule, it is estimated Cape Girardeau County could lose up to (if not more) \$17,000,000 in assessed valuation and an estimated annual tax revenue loss of \$600,000. The fiscal impact to local political subdivisions across the State of Missouri could be in the tens of millions if not hundreds of millions.

Oversight notes this provision will change the assessment method for equipment associated with a project that uses solar energy directly to generate electricity. Oversight assumes this provision could reduce the assessed value of solar energy properties relative to current law.

Oversight doesn't have enough information to estimate a fiscal impact to the Blind Pension Fund or to local political subdivisions from these changes. Therefore, Oversight will show an unknown loss in property tax revenue beginning in FY 2026.

Oversight notes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000. This would be approximately a 3.0% change in the assessed value of all commercial property. Therefore, Oversight assumes it is possible this proposal could impact the Blind Pension by an amount that could exceed \$250,000.

Officials from the **Department of Commerce and Insurance** and the **Department of Social Services** each assume the provision 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 this agency.

§§204.300 & 204.610 - Compensation of Trustees of Common Sewer Districts

Oversight will show a range of \$0 (no additional compensation paid) to an unknown negative amount to local political subdivisions for additional compensation paid to members as defined in these provisions

§386.572 - Natural Gas Safety Standards

Oversight assumes this proposal may increase the penalty for any person who violates federally mandated natural gas safety standards. According to the Department of Commerce and Insurance - Public Service Commission, there are typically 1-2 incidents each year. Secured penalties from these cases are distributed annually to the schools in Missouri.

Oversight notes that violations of section 386.572 could result in fines or penalties. Oversight also notes per Article IX Section 7 of the Missouri Constitution fines and penalties collected by counties are distributed to school districts. Fines vary widely from year to year and are distributed to the school district where the violation occurred. Oversight will reflect a positive fiscal impact of \$0 to Unknown to local school districts. For simplicity, Oversight will not reflect the possibility that fine revenue paid to school districts may act as a subtraction in the foundation formula.

Oversight notes current maximums (Section 386.572) are not greater than \$15,000 for each violation with a maximum not to exceed \$150,000 for continuing violation. This proposal changes that to an amount not to exceed 49 CFR Part 190.223(a), which states:

§ 190.223 Maximum penalties.

Any person found to have violated a provision of [49 U.S.C. 60101](#), et seq., or any regulation in [49 CFR parts 190 through 199](#), or order issued pursuant to [49 U.S.C. 60101](#), et seq. or [49 CFR part 190](#), is subject to an administrative civil penalty not to exceed \$272,926 for each violation for each day the violation continues, with a maximum administrative civil penalty not to exceed \$2,729,245 for any related series of violations.

§386.720 – Duties of the Office of the Public Counsel

Officials from the **Office of the State Treasurer (STO)** assume they cannot absorb additional costs as a result of this proposal. STO will need one additional FTE (Treasury Coordinator) with an annual salary of \$43,000.

The STO further stated that the agency will need a fund administrator as noted. The FTE is only if the STO would be required to administer the fund.

Oversight assumes this proposal will not create the additional duties necessary for a new FTE for the STO. Therefore, Oversight will reflect no fiscal impact to the STO for fiscal note purposes. However, if this assumption is incorrect, the STO may request funding through the appropriations process.

Officials from **Office of Administration - Budget and Planning** state the Public Counsel shall estimate expenses incurred by their office for the fiscal year for each group of public utilities, then render a statement of the assessment of each public utility on or before July 1st of each year

and the amount so assessed to each public utility shall be paid by the utility to the Director of Revenue as described in the act. This may increase TSR by an unknown amount.

Officials from the **Department of Commerce and Insurance** assume the provision will have no fiscal impact on their respective organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Upon further inquiry, **OPC** stated that if the OPC moves to assessment funding the OPC would need to assume costs that the OPC currently does not pay for through the OPC budget such as fringe benefits and lease space. The OPC thinks that the collective assessment (for all utilities combined) would be somewhere between approximately \$2 million and the cap imposed by the legislation, which the OPC believes to be approximately \$4.5 million. The OPC does not have that calculation to be precise with it.

The **OPC** further stated to keep in mind that the impact on the utilities themselves would be mostly insignificant because they would pass this assessment along to their customers, just as the PSC does now.

Oversight assumes if the OPC moves to assessment funding there will be a savings to GR with the administration costs moving to the OPC Fund along as well as a revenue gain from assessment funding.

Officials from the **Department of Revenue (DOR)** state that currently the Office of Public Counsel determines the amount necessary to perform their duties and submits that amount to the appropriation committees. Then the appropriations committees give them the money to perform their duties.

This provision will require the Office of the Public Counsel to collect the money needed from the utility companies. The Office of Public Counsel is to apportion a piece of their total budget to each public utility in the state. This will be done through a special assessment of each public utility. This provision says the Office of the Public Counsel will assess the utilities and they will submit their payments to DOR for deposit.

The DOR notes that should the OPC collect and process the payments and bring them to DOR just for deposit then this process would be done like most payments made to state agencies. If this process were followed, then this provision will not require additional resources for DOR to handle.

However, should DOR be expected to collect and track what payments are received then DOR would need additional resources. A new computer tracking program as well as one Associate Customer Service Representative (\$37,020) would be needed for handling the payments. Additionally, the computer costs to set something up in their system could have one-time costs of \$100,000.

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

Officials from **Wayne County PWSD #2** assume the proposal will have a fiscal impact.

Oversight is unable to determine any direct fiscal impact to the Wayne County PWSD #2; therefore, Oversight will not reflect a fiscal impact for the organization in the fiscal note.

§§386.752, 386.754, 386.756, & 386.760 - The Fair Competition Law

Officials from the **Office of Administration - Budget and Planning** assume that this proposal creates more regulations for something that is associated with a civil penalty of up to \$12,500 for violation, which may increase TSR by an unknown amount.

In response to a previous version, officials from **Morgan County PWSD #2** assumed that the proposed legislation would have a fiscal impact but did not provide any additional information.

Oversight is unable to determine any direct fiscal impact to the Morgan County PWSD #2; therefore, Oversight will not reflect a fiscal impact to the organization in the fiscal note.

Officials from the **Department of Commerce and Insurance** and the **Wayne County PWSD #2** 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.

§386.820 – Advanced Meter Installations

Officials from the **Department of Commerce and Insurance** assume the provision will have no fiscal impact on their respective organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

§386.1100 - Time-of-Use Rates

Officials from the **Department of Commerce and Insurance** assume the provision 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.

In response to a previous version of this legislation, officials from the **Hancock Street Light District** assumed the provision will have no fiscal impact on the organization.

Oversight is unable to determine any direct fiscal impact to the Hancock Street Light District; therefore, Oversight will not reflect a fiscal impact for the organization in the fiscal note.

§§393.108 & 393.109 – Hot/Cold Weather Rule

Officials from the **Department of Commerce and Insurance** assume the provision 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.

§393.130 - An Electrical Corporation's Service Tariff

Officials from the **Department of Commerce and Insurance** assume the provision 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.

In response to a previous version, officials from **Morgan County PWSD #2** assumed that the proposed legislation would have a fiscal impact but did not provide any additional information.

Oversight is unable to determine any direct fiscal impact to the Morgan County PWSD #2; therefore, Oversight will not reflect a fiscal impact to the organization in the fiscal note.

Officials from the **Wayne County PWSD #2** state that most of their customers are low income and the district cannot afford to take a loss. If they do, they will have to default on their loan to Rural Development

Oversight is unable to determine any direct fiscal impact to the Wayne County PWSD #2; therefore, Oversight will not reflect a fiscal impact to the organization in the fiscal note.

§393.135 – Amounts Included in Construction Work in Progress (CWIP)

Officials from the **Department of Commerce and Insurance - Public Service Commission (PSC)** state that there will be a bit more work during the rate case to look at the progress of the project to determine how much of the dollars spent should be included in the rate base. With that, if the bill passes in total, the requested 15 FTE should cover the extra review.

Oversight notes that the PSC will be able to absorb the cost within this Section with the additional 15 FTE requested for Section 393.1900. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

§393.138 - Reduction to the Federal Income Tax Rates of Electrical Corporations

Officials from the **Department of Commerce and Insurance** assume the provision 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.

§393.150 – Test Year for Rate Proceedings for Certain Utilities

Officials from the **Department of Commerce and Insurance – Office of Public Council (OPC)** state that last year, OPC anticipated one company would use the 393.150 changes, but OPC now knows that more than one company will be using those changes, requiring OPC to have more than one auditor and one engineer with future forecasting skills since these companies could file rate cases simultaneously. OPC has also spent more time studying the use of future test years and better understands the requirements it will place on regulators to respond to a company's forecasted costs and revenues, which also supports the need for more FTEs. OPC dropped the need for an additional attorney because it should not change the workload on the attorneys.

Oversight does not have any information to the contrary. Therefore, Oversight will show the fiscal impact (4 FTE) as estimated by the OPC to the Office of Public Council Fund (0101).

Officials from **Department of Commerce and Insurance – Public Service Commission (PSC)** state that they will need additional 3 FTE to evaluate the projections used in calculating future test year expenses and plant. Utilities may apply an index such as the consumer price index or other indices to the historical costs incurred to predict the future test year costs. Currently Staff reviews historical costs only. The review of the projections will be an additional scope to Staff's audit that is not currently occurring and will take additional man-hours to complete. Staff will not only need to evaluate the appropriateness of using such an index but will still need to review the historical costs.

Oversight does not have any information to the contrary. Therefore, Oversight will show the fiscal impact (3 FTE) as estimated by the PSC to the Public Service Commission Fund (0607).

§§393.320 & 393.1506 – A Large Water Public Utility Acquiring a Small Water Utility

Officials from the **Department of Commerce and Insurance – Office of Public Council (OPC)** anticipates it would need an increase in resources to respond to these changes in utility regulation. The changes proposed to 393.320.5(2) and the addition of a new 393.320.5(3), that would limit the PSC's ability to process an acquisition case to six months, with the potential for one additional 30-day extension, creates an expedited review and hearing schedule. This abbreviated timeframe would put a strain on the OPC's resources and threaten the OPC's ability to represent the public.

In addition, the change to 393.1506 would make Confluence Rivers eligible for a new surcharge and would cause additional single-issue rate cases. These additional and frequent cases, where large sums are included in rates, require substantial time to review. Accordingly, the proposed changes to 393.320 and 393.1506 will result in a reduction in public representation, absent an increase in OPC resources.

OPC anticipates that standing alone, 393.150 requires two auditors and two engineers, and

standing alone, 393.320/393.1506 requires an attorney, engineer, and auditor. However, OPC anticipates that the two auditors and two engineers for 393.150 could cover the needs for sections 393.320/393.1506. That still leaves the need for an additional attorney (the 5 FTEs). Therefore, rather than anticipating the need for 7 FTEs, OPC assumed that the two auditors and two engineers for 393.150 could cover the needs for 393.320/393.1506.

Oversight does not have any information to the contrary. Therefore, Oversight will show the fiscal impact (1 FTE) as estimated by the OPC to the Office of Public Council Fund (0101).

Officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** state that this 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. The Public Service Commission assumes this legislation will require an additional 5 FTE to process the applications in a six-month time frame.

The **PSC** assumes this provision 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. Therefore, Oversight will show the fiscal impact (5) FTE as estimated by the PSC to the Public Service Commission Fund (0607).

Oversight assumes Section 393.1506 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 2024 PSC Annual Report”, this legislation would allow one current additional combination water and sewer company (Liberty Utilities, LLC) 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.

§393.401 - Closure of Electric Power Plants

Officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** state this legislation does not describe what is supposed to be done with the certification requirement given to the PSC, General Assembly, and the Governor. If the PSC is to just receive certifications, then the work can be done within current FTE levels. However, if the PSC is to review and/or approve the certifications, that will require additional, substantial work.

Also, if the certification referenced in the bill requires a formal review, even if abbreviated, to determine the new generation supplants the old capacity amounts (as specified), there would be new cases before the PSC, but the number of cases is not known. It is uncertain how many electric generating power plants of over 100MWs are facing closure next, or how many cases for replacing capacity (solar, wind, other contracts) come through to replace electric generating power plant closures. Therefore, the fiscal impact to PSC is undeterminable at this time.

Oversight does not have any information to the contrary. Based on the PSC's response, Oversight will reflect the potential cost as \$0 or an unknown cost to the Public Service Commission Fund.

§393.1030 - Renewable Energy Standard

Oversight assumes PSC could absorb the costs related to this provision. If multiple bills pass which require additional staffing and duties at substantial costs, PSC could request funding through the appropriation process. Therefore, Oversight will reflect a zero impact in the fiscal note for the PSC within this section of the proposal.

§393.1080 - Electrical Corporation's Plan to Own Sufficient Capacity

Officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** state that there is no fiscal impact to the agency from this provision.

In response to a previous version, the PSC stated that the PSC does not believe that the PSC has ever found a utility imprudent as it relates to capacity. This is new language to help address concerns over future generation capacity.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

§393.1400 - Deferrals by Electrical Corporations

Officials from the **Department of Commerce and Insurance** assume the provision 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.

§393.1656 - Revenue Requirement Impact Cap

Officials from the **Department of Commerce and Insurance** assume the provision 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.

§393.1680 – Special Residential Customer Rates

Officials from the **Department of Commerce and Insurance** assume the provision 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.

§393.1700 - Securitized Utility Tariff

Oversight assumes the PSC could absorb the costs related to this provision. Therefore, Oversight will reflect a zero impact in the fiscal note.

§393.1900: Integrated Resource Planning

Officials from **Department of Commerce and Insurance – Public Service Commission (PSC)** state that this section requires the Public Service Commission, to complete an integrated resource planning proceeding for electrical corporations and publish a schedule for electrical corporations to file an integrated resource plan every four years.

The **PSC** further states that Missouri is facing a significant resource adequacy challenge, which roughly equates to "the ability of the power system, or the grid, to meet demand". As a result of this challenge, the Missouri Public Service Commission hosted a Resource Adequacy Summit called "PowerMO: Securing Missouri's Energy Future" in the Truman Building on August 13. The Summit brought together several stakeholders including utilities, reliability organizations, regional transmission organizations, regulators from other states, municipal and cooperative utilities, and others to discuss the current challenges and put forward proposed solutions.

The current challenges include anticipated load growth due to economic development opportunities (manufacturing and data centers/AI), extreme weather, federal regulations including those aimed at reducing the amount of dispatchable generation available, market forces, and ensuring a diverse generation resource mix. The solutions include:

- (1) Fundamentally changing their Integrated Resource Planning Process to be more forward-looking and allow more stakeholder input (modeled after Michigan).
- (2) Creating a new State Reliability Mechanism which helps ensure that their electrical corporations can meet their load obligations (also modeled after Michigan); and
- (3) Modifying the accounting treatment of Construction Work in Progress (CWIP) for new gas plants (this legislation passed in Kansas last session) and for new generation that is approved by the Public Service Commission through the new Integrated Resource Planning Process, which can reduce costs to ratepayers for building these new assets. Changing their processes to be able to meet the needs of everyday Missourians and better situate the State of Missouri to increase economic development opportunities, will require additional personnel but will better position the State of Missouri to meet the moment.

The **PSC** evaluated how to best implement the new processes in the most cost-efficient way possible (as contracting is not feasible due to cost, and timeline constraints with the contracting processes coinciding with IRP filing and rate case statutorily required timeframes), and came up with the following staff needs (which would be funded by Commission assessment):

PSC has requested 15 FTE for integrated resource planning as shown below:

- **2 Regulatory Compliance Managers** - These positions would generally be required if the IRP process is expanded. As contemplated, Staff will be required to work with stakeholders to determine what factors utilities should be considering when running their IRP models as well as running its own plans to provide the Commission with alternative scenarios. Staff will need to create additional departments to equitably spread out the additional work that would be expected. While not confirmed at this time, it is anticipated there would be departments that are focusing on load forecast modeling, RTO/transmission issues, and supply side resources.
- **5 Engineers** - Generally these positions would be required to run the load forecast modeling, to evaluate supply side resources including renewable technologies, dispatchable technologies, storage technologies, and potential future generation technologies that have not reached economic feasibility but may over the planning horizons. Engineers would also be required to be involved with RTO and transmission issues that would be included in IRP analysis. As noted in the list above, the engineering positions would need to be broken down between senior level positions and junior level positions to deal with the varying levels of complexity required.
- **1 Senior Project Manager** - With an IRP filing every year, as well as CCN (Certificates of Convenience and Necessity) filings as a result of the new IRP legislation, a senior project manager will be required to act as a coordinator for the various filings to ensure that all of the components of Staff requirements are performed within the timeframes that would be required under the legislation and Commission Order.
- **4 Economists** - The economist positions will look at economic assumptions under the IRP, including future purchased power costs, natural gas pricing, and economic growth, at a minimum, will require individuals with a solid background in economics and economic analysis.
- **3 Research/Data Analysts** - Analysts would be required to review potential environmental changes, federal and state regulatory changes and proposed changes, and assist in gathering data from the various stakeholders. Data analysts would also assist in reviewing utility filings to ensure that the utility provided the data necessary and providing feedback.

Oversight does not have any information to the contrary. Therefore, Oversight will show the fiscal impact (15 FTE) as estimated by the PSC to the Public Service Commission Fund (0607).

Bill as a whole

Officials from the **Office of Attorney General (AGO)** assume any potential litigation costs arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation costs.

Oversight does not have any information to the contrary. Therefore, Oversight assumes the AGO will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the AGO for fiscal note purposes.

Officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** assume that this bill could increase utility costs to all state departments and local governments if rate changes are made. Without additional information, FMDC is unable to accurately calculate the impact of this bill; therefore, the impact is \$0 to unknown.

Oversight assumes this proposal could increase utility costs to state departments and local governments if rate changes are made as a result of these new standards. Oversight assumes this would have an indirect impact and therefore will not show the impact in the fiscal note.

Officials from the **City of Kansas City** assume this proposed legislation has a negative fiscal impact of an indeterminate amount.

In a previous version, officials from the **Howell County Assessors** assumed that the addition of the solar language at a 5% assessment rate is creating an assessment subclass that may not be constitutional as several of the components listed are not personal property assets but real property assets. It also provides preferential treatment to a power utility that charges a rate to consumers that exceeds other types of similar power supply.

Officials from the **Metropolitan St. Louis Sewer District (MSD)** state that the proposed legislation will impact MSD to the extent that it allows for higher rate adjustments.

Officials from the **Department of Natural Resources, the Department of Public Safety - Missouri Highway Patrol, the Missouri Department of Conservation, the Missouri Department of Transportation, the Missouri House of Representatives, the Missouri Senate, the Office of the State Courts Administrator, the Clay County Auditor, the Osceola Water/Wastewater, the South River Drainage District - 7D Levee, and the St. Charles County PWS #2 - 7A Water** 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 cannot determine the impact to utilities. Therefore, Oversight will show an unknown positive impact to an unknown negative impact.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political agencies 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.

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 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND (0101)			
<u>Savings</u> – Office of Public Council appropriations §386.720 – p.6	Up to <u>\$1,240,257</u>	Up to <u>\$1,240,257</u>	Up to <u>\$1,240,257</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	Up to <u>\$1,240,257</u>	Up to <u>\$1,240,257</u>	Up to <u>\$1,240,257</u>
PUBLIC SERVICE COMMISSION (0607)			
<u>Revenue</u> – From Public Service Commission assessment increases §386.370	Up to <u>\$2,598,077</u>	Up to <u>\$2,960,651</u>	Up to <u>\$3,012,597</u>
<u>Cost</u> - PSC §393.150, 393.320, 393.1506, & 393.1900- p. 9-12, 16-18			
Personnel Service	(\$1,445,006)	(\$1,768,688)	(\$1,804,060)
Fringe Benefits	(\$881,838)	(\$1,072,106)	(\$1,086,283)
Expense & Equipment	(\$271,233)	(\$119,857)	(\$122,254)
<u>Total Cost – PSC</u>	<u>(\$2,598,077)</u>	<u>(\$2,960,651)</u>	<u>(\$3,012,597)</u>
FTE Change - PSC	23 FTE	23 FTE	23 FTE
ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION (0607)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change to the Public Service Commission Fund	23 FTE	23 FTE	23 FTE
BLIND PENSION FUND (0621)			
Revenue (Loss) - §§137.010, 137.080, & 137.115 - Solar Property Assessment p.3-4	<u>\$0</u>	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	(Unknown)	(Unknown)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
OFFICE OF PUBLIC COUNCIL FUND			
<u>Revenue</u> – From special assessments of public utility companies §386.720.2&3	Could exceed \$2,083,561	Could exceed \$2,249,725	Could exceed \$2,268,335
<u>Cost</u> – OPC administration costs §386.720 - p.6	Could exceed (\$1,240,257)	Could exceed (\$1,240,257)	Could exceed (\$1,240,257)
<u>Cost</u> – OPC §393.150, 393.320 & 393.1506 – p. 9-12			
Personal Service	(\$383,333)	(\$469,200)	(\$478,584)
Fringe Benefits	(\$219,440)	(\$267,015)	(\$270,776)
Equipment and Expense	(\$240,531)	(\$273,253)	(\$278,718)
<u>Total Cost – OPC</u>	<u>(\$843,304)</u>	<u>(\$1,009,468)</u>	<u>(\$1,028,078)</u>
FTE Change – OPC	5 FTE	5 FTE	5 FTE
ESTIMATED NET EFFECT ON OFFICE OF PUBLIC COUNCIL FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change to the Office of Public Council Fund	5 FTE	5 FTE	5 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue (Loss)</u> - §§137.010, 137.080, & 137.115 - Solar Property Assessment p. 3-4	\$0	(Unknown)	(Unknown)
<u>Cost</u> - Local Governments - Potential increase in electric utility §386.720	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost</u> – §§204.300-204.610 - Potential additional compensation paid – p. 4	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<u>Revenue</u> - School Districts - §386.572 - Increased penalty for violating federally mandated natural gas safety standards p. 4-5	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Gain/Loss</u> – various provisions – impact of implementation	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

*Oversight assumes the revenue loss from the reduction in assessed value would exceed the revenue gain from fines and penalties.

FISCAL IMPACT – Small Business

Oversight assumes small businesses could have a change in utility cost as a result of this proposal.

FISCAL DESCRIPTION

SOLAR ENERGY GENERATION SYSTEMS AS TANGIBLE PERSONAL PROPERTY (Sections 137.010, 137.080, and 137.115)

This act provides that the definition of "tangible personal property" shall, for the purposes of property taxation, include solar panels, racking systems, inverters, and related solar equipment, components, materials, and supplies installed in connection with solar photovoltaic energy systems that were constructed and producing solar energy prior to August 9, 2022. (Section 137.010)

This act also creates a new subclass of tangible personal property that includes solar panels, racking systems, inverters, and related solar equipment, components, materials, and supplies installed in connection with solar photovoltaic energy systems that were constructed and producing solar energy prior to August 9, 2022, and provides that such subclass shall be assessed at five percent of its true value in money. (Sections 137.080 and 137.115)

COMPENSATION OF TRUSTEES OF COMMON SEWER DISTRICTS (Sections 204.300 and 204.610)

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. The act repeals certain provisions relating to the compensation schedule and expenses incurred by the 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.

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.

ASSESSMENTS TO TELECOMMUNICATION CORPORATIONS (Section 386.370)

Under the act, the total amount assessed by the Commission to public utilities shall not exceed .45%, instead of .315% as currently provided, of the total gross intrastate operating revenues of all public utilities, except telecommunications corporations. The total amount to be assessed to all telecommunications corporations, including interconnected voice over internet protocol service providers, shall not exceed .25% of the total gross intrastate operating revenue of all telecommunications corporations and interconnected voice over internet protocol service providers.

NATURAL GAS SAFETY STANDARDS (Section 386.572)

The act repeals certain provisions relating to maximum penalties for violations of federally mandated natural gas safety standards and provides that the maximum penalties shall not exceed an amount as determined by the Secretary of Transportation of the United States.

ENFORCEMENT OF COMMISSION POWERS (Section 386.600)

Under the act, an action against a public utility may be prosecuted for certain violations involving HVAC services and may be brought by the Attorney General. No filing or docket fee shall be required of the Attorney General.

DUTIES OF THE OFFICE OF THE PUBLIC COUNSEL (Section 386.720)

Under the act, prior to the beginning of each fiscal year on or after July 1, 2026, the Public Counsel shall make an estimate of the expenses to be incurred by his or her office during such fiscal year reasonably attributable to the performance of his or her powers, duties, and functions, and shall separately estimate the amount of such expenses attributable to such duties for each group of public utilities as described in the act. Telephone and telegraph corporations shall be exempt from this provision.

The Public Counsel shall allocate to each group of public utilities the estimated expenses directly attributable to the regulation of each group of the public utilities as described in the act.

The Public Counsel shall render a statement of the assessment of each public utility on or before July 1st of each year and the amount so assessed to each public utility shall be paid by the utility to the Director of Revenue as described in the act. The total amount to be assessed shall not exceed .057%.

The State Treasurer shall credit such payment to a fund, known as "The Office of the Public Counsel Fund", or its successor fund. The Fund shall be used to pay expenditures incurred by the Public Counsel for the regulation of public utilities under the jurisdiction of the Public Service Commission. Any amount remaining in the Fund at the end of a fiscal year shall not revert to the general revenue fund, but shall be applicable by appropriation of the General Assembly to the payment of the expenditures of the Public Counsel as described in the act.

THE FAIR COMPETITION LAW (Section 386.752, 386.754, 386.756, 386.760)

The act creates the "Fair Competition Law."

The act modifies certain provisions relating to HVAC services.

Any utility that engages a utility contractor that provides HVAC services shall develop a qualification process and make the process open to all contractors seeking to provide HVAC services. Such contractors shall be able to register on the utility's vendor registration site and be evaluated for bid opportunities.

After receiving information that provisions of the Fair Competition Law have been violated by any person or entity subject to the Commission's jurisdiction, the Commission's staff shall investigate and report any findings to the Commission. If the Commission finds that a violation occurred, the Commission may open a case to abate the violation and seek penalties. Any person informing the Commission of any such violation may intervene into the proceeding before the Commission. The person and any other interested person shall be provided a copy of the final disposition of the complaint, but not the work-product or attorney client privileged documents of the Commission's staff or General Counsel or the Attorney General.

The Commission shall not adopt any rule, tariff, order, or any other action that purports to allow violations of the Fair Competition Law.

ADVANCED METERS (Section 386.820)

Under the act, the Public Service Commission shall promulgate commercially reasonable rules governing the opt-out process using an advanced or hub meter for customers no later than June 30, 2026. As of July 1, 2026, a residential utility customer may communicate with the utility that the customer would like to opt-out of using an advanced meter or hub meter.

Within a commercially reasonable time after receiving a customer's request to remove an advanced meter from the customer's residence or business, a utility shall remove the advanced meter and replace it with a traditional meter. A utility may charge a one-time fee, not to exceed \$125, to remove the advanced meter and to provide a traditional meter. A utility may charge a monthly fee, not to exceed \$15, for the use of a traditional meter.

If a residential customer utilizes a traditional meter and desires to read his or her own meter, the customer shall report accurate electricity usage to the utility once per a billing cycle. A utility shall provide the customer with the detailed process to report meter readings as described in the act. At least once every 12 months, the utility shall obtain an actual meter reading of the customer's energy usage to verify the accuracy of readings reported. A representative of a utility may manually read the customer's meter once per a billing cycle and correct a reading as necessary. If the customer fails to report usage, inaccurately reports usage, or the utility does not receive the customer's usage report on time, the utility may manually read the customer's meter or charge the customer based on an estimate of prior energy use. The utility may charge the customer interest on any unpaid amount. Such interest rate shall be no greater than 5%. The Commission is authorized to approve charges to be assessed pursuant to an electrical corporation's rate schedule to be assessed on customers that intentionally report inaccurate electricity usage.

A utility shall not be liable for any injuries or other damages sustained by a customer or other individuals due to a customer's reading of the customer's energy usage unless such injuries or damages are caused by the willful misconduct or gross negligence of the utility.

TIME-OF-USE RATES (Section 386.1100)

If the Public Service Commission has ordered adoption of time-of-use rates on a mandatory basis for an electrical corporation's residential customers before the effective date of this provision, then within one year from the effective date of this provision, the Commission shall issue an order to allow mandated time-of-use rate customers to opt-out of participating in time-of-use rates and elect to participate in non-time-of-use rates. The transition to opt-out of time-of-use rates may occur in a general rate case or in a standalone tariff proceeding to allow for the transition to conclude no later than one year from the effective date of this provision.

HOT WEATHER RULE FOR UTILITIES (Section 393.108)

Under the act, it shall be prohibited for utilities to disconnect electric and gas service to residential customers for nonpayment of bills between June 1st to September 30th between 6 a.m. to 9 p.m. if the National Weather Service local forecast predicts for the following seventy-two hours, instead of twenty-four hours as currently provided, that the temperature shall rise between such times above 95 degrees Fahrenheit.

COLD WEATHER RULE FOR UTILITIES (Section 393.109)

Under the act, it shall be prohibited for utilities to disconnect gas and electric service to residential customers for nonpayment of bills between November 1st to March 31st between 6 a.m. and 9 p.m. for the following seventy-two hours if the National Weather Service local forecast predicts that the temperature shall fall during such times below 32 degrees Fahrenheit.

AN ELECTRICAL CORPORATION'S SERVICE TARIFF (Section 393.130)

Under the act, an electrical corporation with more than 250,000 customers shall develop and submit to the Public Service Commission schedules to include its service tariff applicable to customers who are projected to have above an annual peak demand of 100 megawatts or more. The schedules should ensure such customers' rates will reflect a representative share of the costs incurred to serve the customers and prevent other customer classes' rates from reflecting any unjust or unreasonable costs arising from service to such customers.

Each electrical corporation with 250,000 or fewer customers as of January 1, 2025, shall develop and submit to the Commission such schedules applicable to customers who are reasonably projected to have above an annual peak demand of 50 megawatts or more. The Commission may order an electrical corporation to submit similar tariffs to reasonably ensure that rates of customers who are reasonably projected to have annual peak demands below the above-referenced levels will reflect the customer's representative share of certain costs.

AMOUNTS INCLUDED IN CONSTRUCTION WORK IN PROGRESS (Section 393.135)

The act provides that, subject to certain limitations, an electrical corporation may be permitted to include construction work in progress for any new natural gas-generating unit in rate base. The inclusion of construction work in progress shall be in lieu of any applicable allowance for funds used during construction that would have accrued after the effective date of new base rates reflecting inclusion of the construction work in progress in rate base. The Public Service Commission shall determine the amount of construction work in progress that may be included in rate base. The amount shall be limited by the estimated cost of the project and project expenditures made within the estimated construction period for such project.

Base rate recoveries arising from inclusion of construction work in progress in rate base are subject to refund, as described in the act.

These provisions shall expire on December 31, 2035, unless the Commission determines, after a hearing as described in the act, that good cause exists to extend these provisions through December 31, 2045. The secretary of the Commission shall notify the Revisor of Statutes when the conditions for the extension have been met.

REDUCTION TO THE FEDERAL INCOME TAX RATES OF ELECTRICAL CORPORATIONS (Section 393.138)

If a reduction is made to the federal income tax rates of electrical corporations between January 20, 2025, and December 31, 2029, the Commission shall have one-time authority to adjust each electrical corporation's rates prospectively as described in the act. Beginning with the effective date of the federal corporate income tax reduction through the date the electrical corporation's

rates are adjusted on a one-time basis, the Commission shall require electrical corporations to defer to a regulatory asset the financial impact of such federal act. The amounts deferred shall be included in the revenue requirement used to set the electrical corporation's rates.

The Commission may alternatively allow a deferral of such federal act's financial impacts to a regulatory asset starting with the effective date of the federal corporate income tax reduction through the effective date of new rates. The deferred amounts shall be included in the revenue requirement used to set the electrical corporation's rates in its subsequent general rate proceeding through an amortization over a period determined by the Commission.

TEST YEAR FOR RATE PROCEEDINGS FOR CERTAIN UTILITIES (Section 393.150)

Under the act, beginning July 1, 2026, the test year for rate proceedings, if requested by certain utilities, shall be a future year consisting of the first 12 full calendar months after the operation of law date for schedules stating new base rates filed by the utilities, unless the Public Service Commission makes a determination that using a future test year is detrimental to the public interest. The projected total rate base at the end of the future test year shall be used to establish new base rates. New base rates shall not go into effect before the 1st day of the future test year.

Certain public utilities that elect to utilize a future test year within 45 days of the end of the future test year shall update their base rates as described in the act. The total ending rate base and expense items in the update shall not be greater than the total ending rate base and expense items approved by the Commission in its report and order establishing base rates. The Commission and parties to the case shall have 60 days to review the accuracy of the updated information provided by the utility. The Commission shall order the utility to file new tariff sheets reflecting the update, as described in the act.

Certain utilities that request a test year shall not recover the costs of any plant investments made during the test year period under certain mechanisms described in current law.

For utilities that elected to use a future test year, a reconciliation of the rate base at the end of the future test year shall be provided to the Commission within 45 days of the end of the future test year. If the actual rate base is less than the rate base used to set base rates in the prior general rate proceeding, the portion of the annual revenue requirement reflecting the rate base difference shall be returned to customers. The revenue requirement calculations are described in the act. The difference in revenue requirement shall be placed into a regulatory liability to be returned to customers in the next general rate proceeding with such regulatory liability to accrue carrying costs at the utility's weighted average cost of capital.

The Commission may consider any change in business risk to the utility resulting from implementation of the adjustment mechanism in setting the utility's allowed return in any rate proceeding, in addition to any other changes in business risk experienced by the utility.

For a utility that elected to use a future test year, a reconciliation of payroll expense, certain employee benefits, and rate case expense at the end of the future test year shall be provided to the Commission within 45 days of the end of the future test year. If the actual amounts are less than the amounts used to calculate the revenue requirement in the prior general rate proceeding, the difference shall be returned to customers. The difference in revenue requirement shall be placed into a regulatory liability to be returned to customers in the next general rate case with such regulatory liability to accrue carrying costs at the utility's weighted average cost of capital.

The act creates definitions for "base rates" and "revenue requirement".

A LARGE WATER PUBLIC UTILITY ACQUIRING A SMALL WATER UTILITY (Sections 393.320 and 393.1506)

Under the act, if a large water public utility chooses certain provisions for the acquisition of a small water utility, the Public Service Commission shall use such procedures to establish the rate making rate base of a small water utility during the acquisition, provided that the Commission independently concludes that a certificate of convenience and necessity should be granted. In making such determination, the Commission may take into account rates that may result from such acquisition.

An appraisal of a small water utility shall be performed by no less than two appraisers, instead of three appraisers as currently provided. One appraiser shall be appointed by the small water utility, one appraiser shall be appointed by the large water public utility, and the third appraiser may be appointed by the Commission. The act repeals the provision that the third appraiser shall be appointed by the two appraisers so appointed. Duties of the appraisers are described in the act.

For any acquisition of a small water utility by a large public water utility with an appraised value of \$5,000,000 or less, the Public Service Commission shall issue a decision of such acquisition within six months from the submission of the application for such acquisition by the large public water utility. Prior to the expiration of the six-months period, the Commission staff or the office of the Public Counsel may request, upon a showing of good cause, from the Commission an extension for approval of the application for an additional 30 days.

A large water public utility's choice to comply with the provisions of this section does not ensure that the transaction is in the public interest. The Commission shall independently determine whether the acquisition is in the public interest, regardless of whether the matter has been put to a vote of the small water utility's ratepayers.

This act also modifies the definition of "large water public utility".

CLOSURE OF ELECTRIC POWER PLANTS (Section 393.401)

Under the act, prior to the closure of an existing electric generating power plant if the closure occurs on or after January 1, 2026, an electrical corporation, registered and doing business in

Missouri, shall first certify to the Public Service Commission that it has secured and placed on the electric grid an equal or greater amount of reliable electric generation as accredited power resources based on the regional transmission operator's resource accreditation. To determine if an equal or greater amount of reliable electric generation is being placed on the electric grid, the electrical corporation shall compare the relevant regional transmission operator's average of the summer and winter accredited capacity for the generation technology of the closing electric plant to the relevant regional transmission operator's average of the summer and winter accredited capacity of the replacement reliable electric generation, as described in the act. Dispatchable power resources shall comprise at least 80% of the average of the summer and winter capacity of the replacement reliable electric generation.

Adequate electric transmission lines shall be in place and the replacement reliable electric generation shall be fully operational concurrently with the closure of the existing electric generating plant, except where some or all of the replacement reliable electric generation utilizes interconnection facilities used by the existing electric generating power plant as described in the act. If replacement reliable electric generation utilizes interconnection facilities utilized by the existing electric power plant, the replacement facilities shall be fully operational within 180 days of the closure of the existing electric plant. If an existing electric power plant is closed as a result of an unexpected or unplanned cause or event, as defined in the act, an electrical corporation shall be required to follow a procedure as described in the act.

The average of the summer and winter accredited capacity of the replacement reliable electric generation shall be equal to or greater than the average summer and winter accredited capacity of the closing dispatchable existing electric generating power plant, as described in the act.

The Commission may consider information regarding anticipated loss of load submitted by the electrical corporation to the pertinent regional transmission operator for purposes of its long term resource plans. The Commission shall certify that the requirements under the act by the replacement reliable electric generation have been met.

If the information is submitted to the Commission that the electrical corporation has experienced a significant and long-term loss of load, the Commission, prior to a review of potential replacement reliable electric generation, shall determine if the acquisition or construction of full replacement generation is in the public interest. If the Commission determines that full replacement generation is not in the public interest, the provisions of this section shall not apply.

Reliable electric generation may be constructed in Missouri or in a state that neighbors Missouri if it is connected to the electric grid of the regional transmission operator of which the electrical corporation is a member or is located in a neighboring regional transmission operator which operates in the state and shares a seam with the member's regional transmission operator.

On or before the date that the new reliable electric generation is placed in service, the electrical corporation shall provide certification to the Commission, the General Assembly, and the Governor that it has met the requirements of the act.

The existing electric generating power plant capacity shall not be replaced with certain renewable energy replacement resources as defined in current law.

RENEWABLE ENERGY STANDARD (Section 393.1030)

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 the act 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 2024.

ELECTRICAL CORPORATION'S PLAN TO OWN SUFFICIENT CAPACITY (Section 393.1080)

The Public Service Commission may require an electrical corporation to provide documentation annually reflecting the corporation's plan to own or have rights to sufficient capacity to meet its capacity obligations for the upcoming planning year and each of the three subsequent planning years. An electrical corporation shall submit such documentation, which shall include its actual capacity position for the upcoming planning year and a reasonable forecast of its capacity position for the three subsequent planning years as described in the act.

The Commission may require any additional audits and reporting as the Commission considers necessary to determine if an electrical corporation's plan provides for electrical corporation ownership or contractual rights to sufficient capacity for the planning year beginning four years after the beginning of the current planning year.

If an electrical corporation fails to have sufficient capacity for the upcoming planning year and it is determined by the Commission to be the result of the electrical corporation's imprudence, the Commission may disallow any associated costs related to the failure in a future proceeding. The Commission may require submission of a plan within six months to resolve any expected capacity deficiency for the subsequent three planning years.

DEFERRALS BY ELECTRICAL CORPORATIONS (Section 393.1400)

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" and modifies the definition of "weighted average cost of capital".

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.

DISCOUNTS BY GAS CORPORATIONS (Section 393.1645)

Under the act, subject to certain limitations, a new or an existing gas corporation account meeting the criteria under the act shall qualify for one of 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, 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 relating to 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 as described in the act. 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 annual consumption to determine continued qualification for the discount as described in the act. 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 as necessary.

In each general rate proceeding concluded after August 28, 2025, the difference in revenues with the discounts and the revenues without such discounts shall not be imputed into the gas corporation's revenue requirement. Instead, such revenue requirement shall be set using the revenues by the discounted rates 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 shall not constitute incremental usage. The discounted rates 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 in the same manner as such rate adjustments would apply in the absence of these provisions.

The act creates a definition for "variable base-rate components".

REVENUE REQUIREMENT IMPACT CAP (Section 393.1656)

Under the act, "revenue requirement impact cap" means the product of one-twelfth of two and one-quarter percent, instead of two and one-half percent as currently provided, multiplied by the number of months that have elapsed from the effective date of new base rates in the electrical corporation's most recently completed general rate proceeding as provided in current law.

SPECIAL RESIDENTIAL CUSTOMER RATES (Section 393.1680)

Under the act, the Public Service Commission may approve a special alternative residential customer rate or discount from a utility company, based on household utility burden, as defined in the act. The rate or discount shall incorporate a Commission authorized discount from the appropriate base residential rate. Any eligibility verification needed to implement the alternative rate shall be done by an independent third party as described in the act.

SECURITIZED UTILITY TARIFF (Section 393.1700)

Under the act, if an electrical corporation has a Commission-approved market-based tariff as of 2022, any customer receiving electrical service under the market-based tariff with a load of at

least 80 megawatts is exempt from any securitized utility tariff charges if the charge was approved by the Commission prior to customer energization and from any future securitized utility tariff charges as described in the act. No such exemption shall apply for electrical service that is not received by the customer under a Commission-approved market-based tariff.

REVIEW OF FINANCING ORDERS FOR ENERGY TRANSITION COSTS (Section 393.1700)

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.

INTEGRATED RESOURCE PLANNING (Section 393.1900)

Under the act, by August 28, 2027, the Public Service Commission, and every four years as needed thereafter, shall commence an integrated resource planning proceeding for electrical corporations. The Commission's responsibilities pursuant to the integrated resource planning proceeding are described in the act.

No later than August 28, 2027, the Commission shall publish a schedule for electrical corporations to file an integrated resource plan every four years. Each integrated resource plan shall include an alternative resource plan meeting the requirements under the act. All alternative resource plans shall cover a minimum 16-year planning horizon. All such plans shall reflect projections of an electrical corporation's load obligations and how an electrical corporation under such plan would reliably meet its projected load obligations. Other requirements to be included in the plan are described in the act.

After a hearing, the Commission shall issue a report and order no later than 360 days after the electrical corporation files an integrated resource plan, unless the Commission grants itself an extension for good cause for the issuance of the report and order. Up to 150 days after an electrical corporation makes its initial integrated resource plan filing, the electrical corporation may file an update of the cost estimates if the cost estimates have materially changed. The Commission's report and order shall determine whether the electrical corporation has submitted sufficient documentation and selected a preferred resource plan representing a reasonable and prudent means of meeting the electrical corporation's load serving obligations at just and reasonable rates. In making this determination, the Commission shall consider whether the plan appropriately balances specific factors described in the act.

If the Commission determines that the preferred resource plan is a reasonable and prudent means of meeting the electrical corporation's load serving obligations, such determination shall constitute the Commission's permission for the electrical corporation to construct or acquire the specified supply-side resources, identified by the Commission, that were reflected in the

implementation plan, as described in the act. When the electrical corporation files an application for a certificate of convenience and necessity to authorize construction or acquisition of such resources, the Commission shall be deemed to have determined that the supply-side resources are necessary or convenient for the public interest. In the certificate of convenience and necessity proceeding, the Commission's inquiry shall be limited, as described in the act.

If the Commission determines that the preferred resource plan is not a reasonable and prudent means of meeting the electrical corporation's load serving obligations, the Commission shall have the authority to specify in its report and order the deficiencies in the preferred resource plan. Procedures to cure the deficiencies as described in the act.

If approved in a proceeding granting permission and approval to construct an electric plant, an electrical corporation may, subject to certain limitations, be permitted to include in its rate base any amounts recorded to construction work in progress for the investments for which permission is granted. The inclusion of construction work in progress shall be in lieu of any applicable allowance for funds used during construction that would have accrued from the effective date of new base rates that reflect inclusion of the construction work in progress in rate base. The Commission shall determine the amount of construction work in progress that may be included in rate base, as described in the act. The amount shall be limited by specifics 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

Attorney General's Office

Department of Social Services

Office of Administration

- Budget and Planning

Office of Administration

- Facilities Management, Design and Construction

Department of Commerce and Insurance

- Office of Public Council

- Public Service Commission

Department of Natural Resources

Department of Public Safety

- Missouri Highway Patrol

Department of Revenue

Missouri Department of Conservation

Missouri Department of Transportation

Office of the Secretary of State

Joint Committee on Administrative Rules

State Tax Commission

Office of the State Treasurer

Office of the State Courts Administrator

L.R. No. 0120S.08T
Bill No. Truly Agreed to and Finally Passed SS No. 2 for SB 4
Page **31** of **31**
June 11, 2025

Missouri Senate
Missouri House of Representatives
City of Kansas City
City of O'Fallon
Cape Girardeau County Assessor
Howell County Assessor
Clay County Auditor
Callaway County SB 40 Board
Hancock Street Light District
Howell County Assessor
Metropolitan St. Louis Sewer District - 7B Sewer
Morgan County PWSD #2
Osceola Water/Wastewater
St. Charles County PWSD #2 - 7A Water
South River Drainage District - 7D Levee
Wayne County PWSD #2



Julie Morff
Director
June 11, 2025



Jessica Harris
Assistant Director
June 11, 2025