

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0975S.01I
 Bill No.: SB 6
 Subject: Energy; Public Service Commission; Utilities
 Type: Original
 Date: January 27, 2025

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

*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 this would be an indirect impact and therefore will not show the impact in the fiscal note.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Public Service Commission Fund (0607)*	\$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 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
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 2026	FY 2027	FY 2028
Local Government*	\$0	\$0	\$0

*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 this would be an indirect impact and therefore will not show the impact in the fiscal note.

FISCAL ANALYSIS

ASSUMPTION

Section 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.

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. FMDC assumes a \$0 to unknown impact.

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 be an indirect impact and therefore will not show the impact in the fiscal note.

Section 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 On the PSC for this section of the proposal.

Section 393.1400: Deferrals by Electrical Corporations

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

In response to similar legislation, HCS for HB 2541 (2024), officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** assumed 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 costs to state departments and local governments if rate changes are made as a result of these new standards. Oversight assumes this would be an indirect impact and therefore will not show the impact in the fiscal note.

In response to similar legislation, HCS for HB 2541 (2024), officials from the **City of Kansas City**, the **Metropolitan St. Louis Sewer District**, the **South River Drainage District** and the **St. Charles County PWS** each assumed 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.

Section 393.1700: Review of Financing Orders for Energy Transition Costs

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

Responses regarding the proposed legislation as a whole

Officials from the **Missouri Department of Conservation** and the **Missouri Department of Transportation** both 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 only reflects the responses received from state agencies and political subdivisions; however, other electric companies and coops were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025	FY 2026	FY 2027
PUBLIC SERVICE COMMISSION FUND			
<u>Cost – DCI-PSC §393.401</u> Potential certification review/approval – p. 3	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION FUND	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

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 replacement reliable electric generation as accredited power resources as defined by the regional transmission operator. 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. Such average accredited capacity shall equal or exceed average accredited capacity for the existing electric generating plant.

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 without 120 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, the electrical corporation shall install replacement reliable electric generation as soon as is practical. During any periods where the replacement reliable electric generation is not fully operational by the time of the closure of an existing power plant, the electrical corporation shall acquire additional available generation capacity through a firm purchase power contract as described in the act.

The average of the summer and winter accredited capacity of the replacement reliable electric generation under the act shall be equal to or greater than the average accredited capacity of the existing electric generation power plant recorded by the regional transmission operator as of the time construction begins on the replacement reliable electric generation. The Public Service Commission shall promulgate rules that the requirements under the act shall be met by the replacement reliable electric generation.

Reliable electric generation may be constructed outside the state if it is connected to the electric grid of the regional transmission operator of which the electrical corporation is a member.

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

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.

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".

Electrical corporations shall defer to a regulatory asset 90%, instead of 85% as provided in current law, of all depreciation expense and return associated with all qualifying electric plant recorded to plant-in-service on the utility's books.

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.

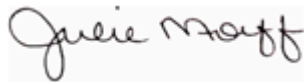
REVIEW OF FINANCING ORDERS FOR ENERGY TRANSITION COSTS (Section 393.1700)

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

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

SOURCES OF INFORMATION

Department of Commerce and Insurance
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
South River Drainage District - 7D Levee
St. Charles County PWSD #2 - 7A Water
Metropolitan St. Louis Sewer District
City of Kansas City



Julie Morff
Director
January 27, 2025



Jessica Harris
Assistant Director
January 27, 2025