

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0822H.12C
Bill No.: HCS for SS No. 2 for SCS for SB 202
Subject: Utilities
Type: Original
Date: May 5, 2021

Bill Summary: This proposal modifies provisions relating to the provision of electrical services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue Fund	\$0 to (Could exceed \$100,000)	\$0 to (Could exceed \$100,000)	\$0 to (Could exceed \$100,000)
Total Estimated Net Effect on General Revenue	\$0 to (Could exceed \$100,000)	\$0 to (Could exceed \$100,000)	\$0 to (Could exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Public Service Commission Fund (607)	\$0 or Unknown to (\$333,333)	\$0 or Unknown (\$410,000)	\$0 or Unknown (\$420,250)
Other State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Colleges and Universities	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Unknown to (Could be greater than \$333,333)	\$0 or Unknown to (Could be greater than \$410,000)	\$0 or Unknown to (Could be greater than \$420,250)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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 2022	FY 2023	FY 2024
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 91.025

In response to a similar proposal from 2020 (HB 2028), officials from the **Department of Commerce and Insurance (Public Service Commission and the Office of Public Counsel)**, the **Office of Administration**, the **Department of Transportation**, the **Missouri Department of Conservation** and the **City of Kansas City** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this section.

Section 386.370 – Public Utility Assessment Rates

In response to a previous version, officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** stated that by statute, the PSC assessment is simply the PSC actual costs, not to exceed .25% of aggregate regulated utility revenues. The assessment varies from year to year depending on PSC expenses. The .25% is the current statutory maximum that is allowed to assess, not the rate at which the PSC actually assess.

The PSC notes that recently, utility revenue has been flat and declining in some years, causing the PSC assessment to be close to the .25% cap. SB 280 proposes to change the maximum from .25% to .315%. By doing so, the PSC will be able to continue assessing PSC costs as required by statute. That doesn't mean the PSC will necessarily increase the assessment. In fact, PSC anticipates the assessment will decrease this year.

Oversight does not have any information to the contrary. Therefore, Oversight will assume this change may have a positive impact to the Public Service Commission Fund.

In response to a similar proposal from this year (SCS for SB 280), officials from the **Department of Commerce and Insurance**, the **Department of Revenue**, the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules** and utilities: **Lexington Water/Wastewater District**, **Little Blue Valley Sewer District**, **Metropolitan St. Louis Sewer District**, **Schell City Water Department**, **City of Springfield** and **Wayne County Pwsd** 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 for this provision of the proposal.

In response to a similar proposal from this year (SCS for SB 280), officials from the **Platte County Pwsd** and **High Point Elementary School** 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 for this provision of the proposal.

Section 386.800 & 394.020 – Service Territories of Retail Electric Service Providers

In response to a similar proposal from this year (SB 334), officials from the **City of Springfield** stated that the city anticipates a negative fiscal impact due to impact on City Utility (CU) (a utility company owned by the City of Springfield) service territory; however, it is not possible to estimate the amount.

The City states that under current law, if the city annexes an area being served by a rural electric cooperative, then CU would have the exclusive right to serve all new structures constructed in the newly annexed area. Under the proposed bill, CU would not have the exclusive right to serve those new structures in the annexed area, but which utility provides service would be determined by the Missouri Public Service Commission or the impacted owner of the structure. Therefore, there could be a negative impact on CU's service area, but it is not possible to determine the amount because it is unknown how many services in areas which CU currently has exclusive rights to serve would be provided by a rural electric cooperative instead.

Oversight assumes this legislation could affect all local political subdivisions that own a city utility company. Since it is unknown how many (if any) annexed areas will choose to continue service with a rural electric cooperative instead of using a City Utility or the PSC determines the new structure should be serviced by another utility company other than a City Utility, Oversight will reflect the fiscal impact to Local Political Subdivisions as \$0 or (Unknown).

In response to a similar proposal from this year (SB 334), officials from the **Department of Commerce and Insurance**, the **Department of Natural Resources**, the **Department of Revenue**, **Kansas City**, the **City of O'Fallon**, the **City of Puxico**, the **St. Louis Budget Division**, the **City of Sugar Creek** and the **City of Tipton**, the **Clarence Water/Wastewater District**, the **High Point Elementary School District**, the **Howard County C-Pwsd**, the **Lexington Water/Wastewater District**, the **Little Blue Valley Sewer District**, the **Metropolitan St. Louis Sewer District**, the **Puxico Water/Wastewater District**, the **Schell City Water Department**, the **Tipton Water/Wastewater District** and the **Wayne County Pwsd** 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 393.106 – Wholesale Electric Energy

In response to a previous version, officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** stated it is unknown what the impact on workload for various departments of the PSC will be. The PSC is funded by an assessment on Commission-regulated public utilities pursuant to Section 386.370 RSMo, and not by any state general appropriations. Depending on the cumulative effect of all PSC-impacting legislation passed in the current session and the associated increased costs associated with that legislation to the PSC,

the PSC may need to request an increase in their appropriation authority and/or FTE allocation as appropriate through the budget process.

Oversight assumes PSC is provided with core funding to handle a certain amount of activity each year. Oversight assumes PSC could absorb some of the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, PSC could request an increase in our appropriation authority and/or FTE allocation as appropriate through the budget process.

Oversight requested additional information from the PSC regarding the intent and impact of the legislation. PSC stated if language clarifications were included, HB 835 and SB 335 impact to customers would vary depending on the utility's rate structure and profile of its customer base. The impact would be unknown until the utility's subsequent general rate case where the PSC would have the opportunity to look at how qualifying customers who participated in HB 835's and SB 335's structure impacted revenues, energy usage, and other aspects significant to the "all relevant factors" analysis the PSC uses in general rate cases.

In response to a similar proposal from this year (SB 335), officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** state this bill allows electric energy to be provided and obtained on a wholesale basis at any electric generating facility over a transformation and transmission interconnect under applicable federal tariffs of a regional transmission organization instead of under retail service tariffs filed with the Public Service Commission. FMDC assumes that this bill has the potential to impact utility costs paid by FMDC for state facilities. However, FMDC assumes the amount of any increase would be dependent on the structure and decisions of individual utility companies and any rate increases approved by the Public Service Commission. Due to the uncertainty of the proposal, FMDC states that the impact of this bill is \$0 to Unknown.

Due to the uncertainty of the proposal, **Oversight** will reflect a range from \$0 to an unknown cost to the General Revenue Fund, Other State Funds, colleges and universities as well as local political subdivisions if utility rates are adversely impacted.

In response to a similar proposal from this year (SB 335), officials from the **Attorney General's Office**, the **Department of Natural Resources**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation**, the **University of Missouri**, the **City of Corder, Kansas City**, the **City of O'Fallon** and the **St. Louis Budget Division** 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 393.1620 – Customer Class Rates of Electrical Corporations

In response to a previous version, officials from the **Department of Commerce and Insurance** assumed the proposal will have no fiscal impact on their organizations. **Oversight** does not have

any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal from this year (SB 406), officials from the **Hancock Street Light District** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this organization.

Sections 393.1700 - 393-1715, 400.9-109 - Electrical Corporations Bond Provisions

In response to a previous version, officials from the **Department of Commerce and Insurance - Public Service Commission (PSC)** assumed this bill could result in cases before the PSC that would require outside financing and legal services by the Commission to ensure adequate review of the utility bond financing applications and protection of customer interests. Earlier versions of this act stated that the cost of outside consulting services for the PSC would be payable by the utility from bond proceeds and would not be an obligation of the state; however, this version of the act does not contain those provisions. While the PSC currently does not have direct experience with financing applications of the nature covered under the act, review of fiscal impact quantifications in other jurisdictions that have enacted similar legislation indicate that approximately \$200,000 per case of outside services per case may be a reasonable cost estimate. This legislation, if enacted, is anticipated to result in up to two cases each year.

Oversight assumes Department of Commerce and Insurance - Public Service Commission could absorb some of the additional duties without requiring outside financing and legal services. It is unknown how many utility bond financing applications will need to be reviewed therefore, Oversight will range the cost from \$0 to \$400,000 (the estimated provided by PSC) to the PSC fund each year.

Oversight notes the Public Service Commission Fund had a balance of \$6,710,395 as of January 31, 2021.

In response to a previous version, officials from the **Office of the Public Counsel (OPC)** stated that their agency does not have the current staffing and resources to represent the public in the Public Service Commission cases that would be authorized by this legislation. Retaining an outside consultant in this area could require at least \$100,000 or more from general revenue before the Office of the Public Counsel could adequately represent and protect the public.

Oversight assumes Department of Commerce and Insurance – Office of Public Counsel (OPC) could absorb some of the additional duties without retaining an outside consultant. Therefore, Oversight will range the cost from \$0 to (Could exceed \$100,000) (the estimated provided by OPC) to the General Revenue Fund each year

In response to a previous version, officials from the **Office of Administration - Facilities Management Design and Construction** assumed this legislation provides for the use of ratepayer-backed bond financing by Missouri electric companies, a lower-cost financing option

than financing typically used by electric companies. The intent of the legislation is to reduce Missouri electricity bills by reducing electric company financing costs. However, the financing costs (principal and interest payments, etc.) of ratepayer-backed bond financing are passed on to ratepayers and are "non-bypassable". This legislation has an unknown fiscal impact to FMDC in that it is uncertain and impossible to predict the level of net fiscal impact incurred by FMDC by the net effect of the increased cost of financing costs paid by FMDC versus the possible cost avoidance of a reduction in electricity rates paid by FMDC.

Since it is unknown how many utility companies will apply to the Public Service Commission (if any), **Oversight** will reflect a range from \$0 (no change in utility rates) to an unknown cost to the General Revenue Fund, Other State Funds, colleges and universities, and to political subdivisions.

Section 394.120 – Rural Electric Cooperatives meetings:

In response to a previous version, officials from the **Department of Commerce and Insurance** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this section.

Oversight assumes this part of the proposal is permissive to rural electric cooperatives and would not have a fiscal impact on state agencies or on local political subdivisions.

Sections 394.315 – replacement of demolished structure

Oversight assumes this change would not create a material fiscal impact to the state or local political subdivisions.

Bill as a whole:

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **Office of the Secretary of State** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize 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 their office can sustain within their core budget. Therefore, they reserve 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.

In response to a previous version, officials from the **Attorney General's Office**, the **Department of Natural Resources**, the **Department of Revenue**, the **Office of the State Courts Administrator**, the **Missouri Office of Prosecution Services**, the **Office of the State Public Defender** the **Missouri Department of Transportation** and the **State Tax Commission** 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.

In response to a previous version, officials from the **Missouri Department of Conservation** and the **City of Springfield** each assume the proposal will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this section.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Cost – OPC</u> Retaining an outside consultant costs (§§393.1700 - 393-1715, 400.9-109) p. 6, 7	\$0 to (Could exceed \$100,000)	\$0 to (Could exceed \$100,000)	\$0 to (Could exceed \$100,000)
<u>Cost - Office of Administration</u> Potential increase in utility costs (§§393.106, 393.1700 - 393-1715, 400.9-109) p. 4 & 6, 7	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 to (Could exceed \$100,000)</u>	<u>\$0 to (Could exceed \$100,000)</u>	<u>\$0 to (Could exceed \$100,000)</u>
PUBLIC SERVICE COMMISSION FUND (0607)			
<u>Revenue – Potential additional funding by increasing the assessment rate ceiling from .25% to .315% (§386.370) p. 3</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost - DCI-PSC</u> Outside financing and legal services (§§393.1700 - 393-1715, 40.9-109) p. 6, 7	<u>\$0 or Unknown to (\$333,333)</u>	<u>\$0 or Unknown to (\$410,000)</u>	<u>\$0 or Unknown to (\$420,250)</u>
ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION FUND	<u>\$0 or Unknown to (\$333,333)</u>	<u>\$0 or Unknown to (\$410,000)</u>	<u>\$0 or Unknown to (\$420,250)</u>

OTHER STATE FUNDS			
Costs - potential increase in utility costs (§§393.106, 393.1700 - 393-1715, 400.9-109) p. 4 & 6, 7	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
COLLEGES AND UNIVERSITIES			
Costs - potential increase in utility costs (§§393.106, 393.1700 - 393-1715, 400.9-109) p. 4 & 6	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT TO COLLEGES AND UNIVERSITIES	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> - Local Governments Potential increase in utility costs (\$393.106) p. 4	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Loss</u> – loss of exclusive right to service new structures (§§386.800 & 394.020) p. 4	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This proposal modifies provisions relating to the provision of electrical services.

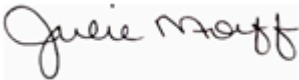
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

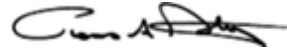
Department of Commerce and Insurance
 Department of Natural Resources
 Attorney General’s Office
 Office of Administration
 Department of Revenue
 Office of the Secretary of State

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Joint Committee on Administrative Rules
Department of Transportation
Missouri Department of Conservation
State Tax Commission
City of Springfield

A handwritten signature in black ink, appearing to read "Julie Morff", written over a light gray rectangular background.

Julie Morff
Director
May 5, 2021

A handwritten signature in black ink, appearing to read "Ross Strobe", written in a cursive style.

Ross Strobe
Assistant Director
May 5, 2021