

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1070H.07C
Bill No.: HCS for SS for SB 141
Subject: Utilities; Energy; Political Subdivisions
Type: Original
Date: April 27, 2021

Bill Summary: This proposal modifies provisions relating to utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Various State Funds*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

*The state may pay higher utility cost if any prudently incurred costs incurred by a gas corporation to establish and maintain renewable gas equipment and facilities are recovered by means of an automatic adjustment clause. Oversight assumes the potential increase in utility costs to the state would not reach the \$250,000 threshold.

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 386.895.2 – Renewable Natural Gas Program

In response to a previous version, officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** stated this legislation requires a rulemaking by the PSC in order to implement the provisions. Rulemakings generally result in an estimated cost of up to approximately \$4,700. 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 our appropriation authority and/or FTE allocation as appropriate through the budget process.

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

In response to a previous version, officials from **Office of Administration - Facilities Management, Design and Construction (FMDC)** assumed his bill requires the Public Service Commission to adopt by rule a renewable natural gas program for gas corporations. It provides that any prudently incurred costs incurred by a gas corporation to establish and maintain renewable gas equipment and facilities shall be recovered by means of an automatic adjustment clause.

FMDC assumes that this bill will cause an increase in gas utility rates for state facilities. However, FMDC cannot determine the amount of any increase because it is unknown whether gas corporations would utilize this program or what amount of costs would be incurred by gas corporations and passed on to consumers in any given year. Therefore, the impact of this bill is \$0 to unknown.

For reference, FMDC's average annual expenditure for natural gas for the past three fiscal years is \$2,840,156; therefore, a one percent increase in gas prices would cost FMDC \$28,402 annually.

Oversight assumes this proposal allows the Public Service Commission to authorize a prudently incurred costs incurred by a gas corporation to be recovered by means of an automatic adjustment clause. Oversight assumes any additional adjustments will be recouped by various customer classes by rate increases.

Oversight assumes this proposal could increase utility costs for the Office of Administration as well as other state agencies and local governments. Since it is unknown how many additional amortizations will be authorized (if any), Oversight will reflect a range from \$0 (no utility will increase rates) to an unknown cost to the state and local political subdivisions for higher utility costs.

In response to a similar proposal from this year (SB 230), officials from the **Department of Natural Resources** and the **Department of Commerce and Insurance** 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 67.309 – Source Energy Prohibiting

In response to a similar proposal from this year (SB 230), officials from the cities of **Ballwin, Corder, Kansas City, O’Fallon, Springfield** and **St. Louis**, the **Cass County Public Water Supply District (PWS) #2**, **Clarence Water/Wastewater, Corder Water/Wastewater, Lexington Water/Wastewater**, the **Little Blue Valley Sewer District**, the **Macon County PWS #1**, the **Metropolitan St. Louis Sewer District**, the **Platte County PWS #6**, the **South River Drainage District**, the **Ste. Genevieve County PWS #1**, the **Tri County Water Authority** and the **Wayne County PWS #2** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to similar legislation from 2020, SB 1048, officials from the **Glasgow Village Street Lighting 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.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, and utilities 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.

Sections 393.135 and 393.1250 - Missouri Nuclear Clean Power Act

In response to a similar proposal from this year (HB 261), officials from the **Department of Commerce and Insurance - Missouri Public Service Commission (PSC)** state that 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 our appropriation authority and/or FTE allocation as appropriate through the budget process.

Oversight notes that the PSC has stated this individual 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 to PSC on the fiscal note for these sections.

In response to a similar proposal from this year (HB 261), officials from the **Department of Commerce and Insurance - Office of the Public Counsel** stated that this legislation would likely result in additional costs to review rate cases, and potentially more frequent rate cases to review. The Office of the Public Counsel's resources are allocated where we are best able to represent the interests of customers. While this legislation would not necessarily increase OPC's expenses because it may not create enough additional work to necessitate another FTE, it could have the impact of diverting resources from other important cases and issues.

Oversight assumes the OPC will be able to perform any additional duties required by this proposal with current staff and resources and will not reflect a fiscal impact to the OPC.

In response to a similar proposal from this year (HB 261), officials from the **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** stated that this proposal establishes the Missouri Nuclear Clean Power Act. It would allow costs of Construction Work in Progress (CWIP) to be passed on to retail customers of an electrical corporation in Missouri in order to finance the construction project.

It is assumed that there could be an increase in costs incurred by leased, state owned or institutional facilities managed by FMDC. However, there is no way to know which buildings/facilities could be within the service area of the generating plant/facility that would be able to increase rates in order to cover CWIP. FMDC believes the impact to be \$0 to unknown.

Oversight assumes this proposal allows the Public Service Commission to authorize an electrical corporation to charge for additional amortization to maintain the corporation's financial ratios in order to provide a utility company the opportunity to maintain healthy financial ratios during a major construction project. Oversight assumes the additional amortization will be recouped by various customer classes by rate increases.

Oversight assumes this proposal could increase utility cost for the Office of Administration as well as other state agencies and local governments. Since it is unknown how many additional amortizations will be authorized (if any), Oversight will reflect a range from \$0 (no utility will increase rates) to an unknown cost to the state and local political subdivisions for higher utility costs.

In response to a similar proposal from this year (HB 261), officials from the **Department of Natural Resource** and the **Missouri Department of Transportation** 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.

Sections 393.170 & 523.262 – Eminent Domain Provisions

In response to a similar proposal from this year (HCS for HB 527), officials from the **Office of Administration**, the **Department of Commerce and Insurance**, the **Attorney General's Office**, the **Department of Natural Resources** and the **Missouri Department of Transportation** each assumed the proposal would have no fiscal impact on their respective organizations.

In response to a similar proposal from this year (HCS for HB 527), officials from the **Missouri Department of Conservation** assumed the proposal will have no fiscal impact on their organization.

In response to a similar proposal from this year (HCS for HB 527), officials from the **Cass County Pwsd**, the **Corder Water/Wastewater District**, the **Festus Water Department**, the **Glasgow Village Sld**, the **High Point Elementary School District**, the **Hughesville Water/Wastewater District**, the **Lexington Water/Wastewater District**, the **Little Blue Valley Sewer District**, the **Schell City Water Department**, the **South River Drainage District** and the **Tri County Water Authority** 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.

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

Oversight assumes this proposal could impact the Grain Belt Express project in northern Missouri. According to a report by the Public Service Commission (File No. EM-2019-0150), the Grain Belt Express Project line is “sited to traverse Buchanan, Clinton Caldwell, Carroll, Chariton, Randolph, Monroe and Ralls Counties, Missouri. The Grain Belt Express Project covers approximately 780 miles, and the project will primarily use a pole design which has a smaller footprint than traditional alternating current transmission lines. The structures will occupy ten acres for the entire state of Missouri.” The Joint Application of Invenergy Transmission LLC, Invenergy Investment Company LLC, Grain Belt Express Clean Line LLC and Grain Belt Express Holding LLC for an Order Approving the Acquisition by Invenergy Transmission LLC of Grain Belt Express Clean Line LLC was approved by the PSC effective June 30, 2019.

Oversight notes that while there may be no direct impact to the state or local governments as a result of this proposal, modifying provisions relating to the power of eminent domain for utility purposes could have a large indirect impact on current and future utility projects.

Section 393.1025 – Renewable Energy Resources

In response to a similar proposal from this year (HB 159), officials from the **Office of Administration - Facilities Management, Design and Construction (OA-FMDC)** assumed that this proposal could increase energy costs for OA and other state agencies, though the amount of the increase, if any, is unknown as it would depend on a number of factors including whether or not retail rate increases would be passed on to customers as necessary for enforcement of the renewable energy act. Additional information would be required to provide an estimate of the range of this potential increase; therefore, the impact is \$0 to unknown.

In response to a similar proposal from this year (HB 159), officials from the **Department of Commerce and Insurance**, the **Department of Natural Resources**, the **Missouri Department of Transportation** and the **Missouri Department of Conservation** 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.

Oversight assumes this proposal could increase utility cost for the Office of Administration as well as other state agencies and local governments. Since additional information is unknown, such as whether retail rate increases would be passed onto customers, **Oversight** will reflect a range from \$0 (no utility will increase rates) to an unknown cost to the state and local political subdivisions for higher utility costs.

Section 394.120 – Rural Electric Cooperatives meetings

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.

Bill as a whole:

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** notes 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Cost - Office of Administration</u> Potential increase in electric utility costs (§§386.895, 393.135, 393.1250, 393.1025) p. 4, 6, 7	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
VARIOUS STATE FUNDS			
<u>Cost - Various State Agencies</u> Potential increase in electric utility costs (§§386.895, 393.135, 393.1250, 393.1025) p. 4, 6, 7	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost - Local Governments</u> Potential increase in electric utility costs (§§386.895, 393.135, 393.1250, 393.1025) p. 4, 6, 7	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

FISCAL IMPACT – Small Business

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

Small utility businesses and/or small businesses that are impacted by eminent domain could be impacted by this proposal.

FISCAL DESCRIPTION

This proposal modifies provisions relating to utilities.

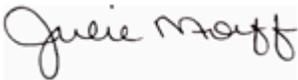
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Commerce and Insurance
 Public Service Commission
 Office of Administration
 Office of the Secretary of State
 Joint Committee on Administrative Rules
 Department of Natural Resources

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City of Kansas City
City of O'Fallon
City of Springfield
City of St. Louis
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Clarence Water/Wastewater
Corder Water/Wastewater
Lexington Water/Wastewater
Little Blue Valley Sewer District
Macon County PWSD #1
Metropolitan St. Louis Sewer District
Platte County PWSD #6
South River Drainage District
Ste. Genevieve County PWSD #1
Tri County Water Authority
Wayne County PWSD #2
Glasgow Village Street Lighting District



Julie Morff
Director
April 27, 2021



Ross Strobe
Assistant Director
April 27, 2021