

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1561S.01I
Bill No.: SB 334
Subject: Annexation; Cooperatives; Energy; Political Subdivisions; Public Service
Commission; Utilities
Type: Original
Date: February 25, 2021

Bill Summary: This proposal modifies provisions relating to service territories of retail electric service providers.

FISCAL SUMMARY

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

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

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.

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

Officials from the **City of Springfield** state 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).

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 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.

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 our office can sustain with our 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
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss – loss of exclusive right to service new structures</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECTO TO LOCAL POLITICAL SUBDIVISOINS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses that would no longer be required to use city utility if their structure was annexed would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to service territories of retail electric service providers. Throughout the act, the term "electric supplier" is changed to "electric service supplier". Under this act, at the time that a municipally owned utility applies to the Public Service Commission for an order assigning nonexclusive service territories, such utility shall concurrently provide written notice of the application to other electric service suppliers with electric facilities located within one mile outside of the boundaries of the proposed expanded service territory. In granting the applicant's request, the Commission shall consider territories previously granted to or served by other electric service suppliers and the duplication of electric service facilities.

Any municipally owned electric utility may extend pursuant to lawful annexation its electric service territory to include areas where another electric service supplier is not currently serving a structure but has existing electric service facilities located in or within one mile outside the boundaries of the area proposed to be annexed, provided it first notifies in writing the affected electric service supplier within 60 days prior to the effective date of the proposed annexation. If the affected electric service supplier objects, it shall follow procedures set forth in the act. Responsibility for payment of fees set by the Commission to carry out its duties related to determining service territories under the act shall be on the parties to the proceeding as ordered by the Commission in each case.

Nothing in the act shall give the Commission jurisdiction over the service, rates, financing, accounting, or management of any rural electric cooperative or municipally owned electric utility.

If an electrical corporation is providing electric service within a municipality and the corporation has previously received a certificate of convenience and necessity from the Commission to provide electric service in the annexed area or the area proposed to be annexed, certain provisions of the act shall apply equally to the electrical corporation as if it were a municipally owned utility.

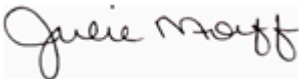
Nothing in the act shall be construed to preclude a municipality having a population of at least 1,500 inhabitants as of August 28, 2021, from requiring a rural electric cooperative to obtain a franchise to provide electric service, or to impose a sales tax, within the boundaries of the municipality.

Finally, the act modifies the definition of "rural area" as the term is used in provisions of law relating to rural electric cooperatives.

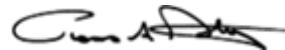
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Commerce and Insurance
Department of Natural Resources
Department of Revenue
Office of the Secretary of State
City of Springfield
Kansas City
City of O'Fallon
City of Puxico
St. Louis Budget Division
City of Sugar Creek
City of Tipton
Clarence Water/Wastewater District
High Point Elementary School District
Howard County C-Pwsd
Lexington Water/Wastewater District
Little Blue Valley Sewer District
Puxico Water/Wastewater District
Metropolitan St. Louis Sewer District
Schell City Water Department
Tipton Water/Wastewater District
Wayne County Pwsd



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