

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1660H.09S  
 Bill No.: CCS for SS for SCS for HCS for HB 734  
 Subject: Utilities  
 Type: Original  
 Date: May 12, 2021

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Bill Summary: This proposal modifies provisions relating to utilities.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
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)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to (Could exceed \$100,000)</b>	<b>\$0 to (Could exceed \$100,000)</b>	<b>\$0 to (Could exceed \$100,000)</b>

\*The (unknown) impact reflects the possibility of the state and local political subdivisions paying higher utility costs as a result of the changes in the proposal. Oversight assumes potential fiscal impact of higher utility costs would not reach the \$250,000 threshold.

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

\*The positive unknown is from §386.370, which raises the cap on the assessment that the Public Service Commission is allowed to levy utilities to fund their organization.  
 Numbers within parentheses: () indicate costs or losses.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

#### Section 67.309 – Connection or Re-connection of Utility Service

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.

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 (PWSD) #2, Clarence Water/Wastewater, Corder Water/Wastewater, Lexington Water/Wastewater**, the **Little Blue Valley Sewer District**, the **Macon County PWSD #1**, the **Metropolitan St. Louis Sewer District**, the **Platte County PWSD #6**, the **South River Drainage District**, the **Ste. Genevieve County PWSD #1**, the **Tri County Water Authority** and the **Wayne County PWSD #2** 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 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 for this 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 assume 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.

§137.123 – Assessment of Wind Energy Projects

In response to a similar proposal (SCS for SB 92), officials from the **State Tax Commission (STC)** have reviewed this proposal and determined school, fire districts and cities, counties in which the real and personal property of any public utility that utilizes Chapter 100 that has tax situs would realize an unknown positive fiscal impact with the inclusion of the entire value of the Chapter 100 real and personal property of the generation portion held by a utility (determined by depreciated cost) as part of their (local) tax base. The act proposes that said property will be valued locally and the value would stay with local taxing districts in which the property is located. School districts and other local taxing jurisdictions that may have miles of line within their district, but not the Chapter 100 assessment assets, would lose that valuation in their tax base. The fiscal impact would be unknown in both circumstances as it would be dependent on the amount of depreciation, size and scope of said Chapter 100 property. The proposed depreciation is based on the cost information for the generation portion from the Federal Energy Regulatory Commission filed report at transfer of ownership "and depreciate the costs provided in a manner similar to other commercial and industrial property".

In current law, property of electric companies (state centrally assessed) are categorized as "local property" and "distributable property" for ad valorem purposes. The value of all distributable is apportioned to the local taxing districts according to the number of miles of line in the counties and districts. All taxing districts with miles of line in a county that a centrally assessed company serves, shares the ad valorem valuation of all distributable property. In contrast, the value of local property stays with the local taxing districts in which the property is located.

In response to a similar proposal (SCS for SB 92), officials from the **Office of Administration - Budget and Planning (B&P)** assumed this provision may impact TSR. This provision may impact the calculation under Article X, Section 18(e).

This proposal states that if any public utility company has ownership of any property associated with a generation project that was constructed using public financing under Chapter 100, that property shall be taxed by a county assessor under Chapter 137.

Beginning January 1, 2022, any public utility company assessed under Chapter 153 that has property associated with a generation project that was constructed using public financing under Chapter 1000 shall be assessed using the following methodology:

- All qualifying property shall be assessed at the local level, and not by the State Tax Commission. The local assessor must use cost information from the public utility company and shall then depreciate the costs similar to other commercial and industrial property.
- Land and buildings related to the qualifying generation project shall be assessed under Chapter 137.

- All other business or personal property related to the generation project shall be assessed using Section 137.122.

B&P notes that the term “generation project” is not defined and could include: solar, thermal, coal, nuclear, hydroelectric, gas, or other forms of energy generation.

B&P notes that currently, public utilities are assessed property taxes under Chapter 153. In the event that a public utility was to purchase or build qualifying generation project property, the qualifying property would instead be assessed under Chapter 137. B&P further notes that the two methods are not identical and may have a significant positive or negative impact on local revenues depending on the physical location of the public utility’s property. In addition, if the assessed value of such property differs between the county assessor methodology under Chapter 137 and the STC methodology under Chapter 153, then this proposal may impact revenues to the Blind Pension Trust Fund.

In response to a similar proposal from this year (HCS for HB 845), officials from the **Department of Social Services, Department of Commerce and Insurance (DCI), Department of Economic Development** and the **Office of the State Auditor** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** assumes the response submitted by DCI is related to the operations of the Public Service Commission only and does not contemplate any impact to public utilities. Any impact to utility rates would be considered an indirect impact.

In response to a similar proposal from this year (HCS for HB 845), officials from the **Lincoln County Assessor’s Office** stated they do not have any Wind Farms in their county and their county isn’t suitable for any future farms - so there is no immediate fiscal loss at this time.

In response to a similar proposal from this year (HCS for HB 845), officials from the **Howell County Assessor’s Office** stated they do not have a wind energy project at this time but the estimated fiscal impact of this legislation may be estimated as follows;

2022 \$100,000 to \$1,000,000 in lost revenue  
2023 \$100,000 to \$1,000,000 in lost revenue  
2024 \$100,000 to \$1,000,000 in lost revenue

Wording of this legislation appears to violate the equity clause of the Constitution and sets up a county for a discrimination suit. Residential property owners will be tasked with the burden of making up all the lost revenue and paying higher utility bills for the subsidy to support this power generation system.

In response to a similar proposal from this year (HCS for HB 845), officials from the **Barton County Assessor’s Office** assumed the proposal could have a fiscal impact on their

organization. They stated the 69 towers that are in Barton County were completed in 2020 and should be taxed in 2021.

**Oversight** assumes this proposal changes the depreciation schedule for tangible personal property. Oversight assumes this would result in an unknown impact (positive or negative) to the Blind Pension Fund and local political subdivisions.

In addition, **Oversight** assumes this proposal makes real property, excluding land, subject to a depreciation schedule. Oversight assumes this provision would have a negative fiscal impact on local taxing entities as real property generally does not depreciate.

**Oversight** assumes the magnitude of the impact from depreciating real property is likely to be greater than the change in the depreciable schedule.

**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. Below are sample of Wind Energy Projects in Missouri:

Project	Reported Cost	County
White Cloud	\$380 Million	Nodaway
Tenaska Clear Creek	\$300 Million	Nodaway
Rock Creek	\$500 Million	Atchison
Grain Belt Express (Proposed)	\$2.3 Billion	Multiple

**Oversight** assumes it is possible the depreciation of real property for wind energy projects could result in in a loss revenue to the Blind Pension Fund that would exceed \$250,000.

Additionally, **Oversight** notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, Oversight assumes this proposal could impact property tax levies.

**Oversight** received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

#### §§153.030 & 153.034 – Public Utility Property Assessment

In response to a similar proposal from this year (SCS for SB 92), officials from the **State Tax Commission (STC)** have reviewed this proposal and determined school, fire districts and cities, counties in which the real and personal property of any public utility that utilizes Chapter 100 that has tax situs would realize an unknown positive fiscal impact with the inclusion of the entire value of the Chapter 100 real and personal property of the generation portion held by a utility

(determined by depreciated cost) as part of their (local) tax base. The act proposes that said property will be valued locally and the value would stay with local taxing districts in which the property is located. School districts and other local taxing jurisdictions that may have miles of line within their district, but not the Chapter 100 assessment assets, would lose that valuation in their tax base. The fiscal impact would be unknown in both circumstances as it would be dependent on the amount of depreciation, size and scope of said Chapter 100 property. The proposed depreciation is based on the cost information for the generation portion from the Federal Energy Regulatory Commission filed report at transfer of ownership "and depreciate the costs provided in a manner similar to other commercial and industrial property".

In current law, property of electric companies (state centrally assessed) are categorized as "local property" and "distributable property" for ad valorem purposes. The value of all distributable is apportioned to the local taxing districts according to the number of miles of line in the counties and districts. All taxing districts with miles of line in a county that a centrally assessed company serves, shares the ad valorem valuation of all distributable property. In contrast, the value of local property stays with the local taxing districts in which the property is located.

In response to a similar proposal from this year (SCS for SB 92), officials from the **Office of Administration - Budget and Planning (B&P)** assumed this provision may impact TSR. This provision may impact the calculation under Article X, Section 18(e).

This proposal states that if any public utility company has ownership of any property associated with a generation project that was constructed using public financing under Chapter 100, that property shall be taxed by a county assessor under Chapter 137.

Beginning January 1, 2022, any public utility company assessed under Chapter 153 that has property associated with a generation project that was constructed using public financing under Chapter 1000 shall be assessed using the following methodology:

- All qualifying property shall be assessed at the local level, and not by the State Tax Commission. The local assessor must use cost information from the public utility company and shall then depreciate the costs similar to other commercial and industrial property.
- Land and buildings related to the qualifying generation project shall be assessed under Chapter 137.
- All other business or personal property related to the generation project shall be assessed using Section 137.122.

B&P notes that the term "generation project" is not defined and could include: solar, thermal, coal, nuclear, hydroelectric, gas, or other forms of energy generation.

B&P notes that currently, public utilities are assessed property taxes under Chapter 153. In the event that a public utility was to purchase or build qualifying generation project property, the qualifying property would instead be assessed under Chapter 137. B&P further notes that the two methods are not identical and may have a significant positive or negative impact on local

revenues depending on the physical location of the public utility's property. In addition, if the assessed value of such property differs between the county assessor methodology under Chapter 137 and the STC methodology under Chapter 153, then this proposal may impact revenues to the Blind Pension Trust Fund.

In response to a similar proposal from this year (SCS for SB 92), officials from the **Office of the State Auditor** and the **Department of Revenue** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from this year (SCS for SB 92), officials from the **Department of Commerce and Insurance** assumed the proposal will have no fiscal impact on their organization.

Upon further inquiry, the **Department of Commerce and Insurance** stated their response was related to the operations of the Public Service Commission only. It does not contemplate any impact to public utilities.

In response to a similar proposal from this year (SCS for SB 92), officials from the **City of Kansas City** stated this legislation provides that real and personal property tax of any public utility company that utilizes Chapter 100 financing be assessed only upon the county assessor's local tax rolls. As the City collects taxes from utilities directly, this would result in a negative fiscal impact.

In response to a similar proposal from this year (SCS for SB 92), officials from the **Boone County Assessor's Office** stated Boone County has not used Chapter 100 financing for any projects of this nature. Counties which have financed projects of this nature would benefit financially.

In response to the previous version, officials from the **City of Hale** and the **Metropolitan St. Louis Sewer District** each assumed the proposal would have a fiscal impact on their respective organizations.

In response to a similar proposal from this year (SCS for SB 92), officials from the **Lincoln County Assessor's Office**, **City of Springfield**, **City of Claycomo** and the **City of Corder** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from this year (SCS for SB 92), officials from the **City of Ballwin**, **City of Hughesville**, **City of O'Fallon**, **St. Louis Budget Division**, **Cass County PWSD #2**, **Hughesville Water & Wastewater**, **Lexington Water & Wastewater**, **Little Blue Valley Sewer District**, **Macon County PWSD #1**, **Platte County PWSD #6**, **South River Drainage District**, **City of Springfield Utilities**, **St. Charles County PWSD #2**, **Stone County PWSD #1** and the **Wayne County PWSD #2** each assumed the proposal would have no fiscal impact on their respective organizations.

**Oversight** assumes this proposal would change the way public utilities utilizing Chapter 100 financing are assessed. Currently, they are centrally assessed and distributable. This proposal would require these public utilities to be assessed at the local level and would no longer be distributable.

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property  $((\text{Total Assessed Value}/100) \cdot .03)$ . Oversight assumes this proposal could have an unknown impact (positive or negative) on tax revenues to the Blind Pension Fund if the locally assessed values differ from the centrally assessed values.

**Oversight** assumes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830 million. Oversight assumes it is unlikely the difference between the centrally assessed valuation and locally assessed valuation would differ to that degree. Therefore, Oversight assumes the impact on the Blind Pension Fund would be less than \$250,000 for these sections.

**Oversight** assumes local taxing entities with tax situs would experience an unknown positive impact while local taxing entities with property that is no longer centrally assessed and distributable would experience an unknown negative impact.

Additionally, **Oversight** notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, Oversight assumes this proposal could impact property tax levies.

**Oversight** assumes public utilities could experience an impact if the centrally assessed valuation and locally assessed valuation differ causing a change in the amount of property taxes owed. Oversight will show an unknown impact (positive or negative) for public utilities using Chapter 100 financing.

Although the effective date of this proposal, if passed, would be FY 2022 (August 2021), the next re-assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

#### §204.569 - Common Sewer District Provisions

In response to a similar proposal from this year (SB 558), officials from the **Little Blue Valley Sewer District** assumed a direct impact on their ability to issue bonds for expansion of their sewer plant. The sewer district is a very small portion of the county and a vote in the county to allow for additional debt could have an adverse outcome. Due to the growth of the County in the area they serve, they are in need of expanding their sewer treatment plant. In order to complete the expansion, they need to issue debt. This gives them the ability to go directly to their customers for approval.

**Oversight** assumes this proposal modifies the provisions for subdistricts which are part of a common sewer district in certain counties (Jackson and Cass) to issue bonds for the subdistrict. This proposal changes the percentage of voters required to assent from 4/7<sup>th</sup> or 3/4<sup>th</sup> of the customers of the subdistrict as defined in §204.370. Oversight assumes §204.569 is codifying statute to reflect the same percentage as §204.370 and will have no direct fiscal impact.

In response to a similar proposal from this year (SB 558), officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** 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 similar proposal from this year (SB 558), officials from the **Metropolitan St. Louis Sewer 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.

#### Section 386.370 – Public Utility Assessment Rates

In response to a similar proposal from this year (SCS for SB 202), 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. This bill 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, depending upon the assessment levied.

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.

§§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** 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).

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 386.895 – Renewable Natural Gas Program

In response to a similar proposal from this year (SB 141), 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 their 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 through the appropriation process.

In response to a similar proposal from this year (SB 141), officials from **Office of Administration - Facilities Management, Design and Construction (FMDC)** assumed his bill requires the Public Service Commission to adopt by a 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 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.

#### 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 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 their 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 (HCS for HB 835), officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** stated 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 (HCS for HB 835), officials from the **Attorney General's Office**, the **Missouri Department of Conservation**, the **Department of Natural Resources**, 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.

In response to a similar proposal from this year (SB 335), officials from the **University of Missouri** and the **Kansas City** each 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 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.

Section 393.355 – Modifies Provisions for Utility Ratemaking

In response to a similar proposal from this year (HB 154), officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** assumed there would be a fiscal impact to any State facilities in the territory served by an electrical provider that provides a special rate to a facility whose primary industry is the processing of primary metals. It is understood that the special rate portion of this legislation is intended to apply primarily to Ameren Missouri, which provides electrical service for a number of State facilities. Without knowing the special rate that would be provided to the facilities by Ameren, FMDC is unable to calculate the impact on its utility costs. They have included their electrical cost from Ameren for the past two years for facilities that are owned and leased by FMDC:

<b>Facilities</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>State-Owned/Institutional</b>	\$ 7,971,639	\$ 6,593,644
<b>Leased</b>	\$ 1,724,865	\$ 1,558,946

Using a two year average of the costs listed above for the “State-Owned/Institutional Facilities, a 5% rate increase (for example), would result in a cost of \$364,132 to the General Revenue Fund. If there were a 10% rate increase (for example), the fiscal impact would be a cost of \$782,264.

**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 or what special rate be approved (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.

Officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** state that currently there would be no customers under the special rate in this proposal; therefore, Oversight assumes the unknown cost would be less than \$250,000.

In response to a similar proposal from this year (HB 154), from the **Department of Commerce and Insurance**, the **Department of Natural Resources**, the **Department of Corrections**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation**, the **University of Missouri**, the **Missouri Southern State University**, the **Missouri State University**, the **Northwest Missouri State University**, the **Southeast Missouri State University**, the **State Technical College of Missouri** and the **University of Central Missouri** 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** only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges and universities 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.

Section 393.1620 – Customer Class Rates of Electrical Corporations

In response to a similar proposal from this year (SB 406), officials from the **Department of Commerce and Insurance** and the **Hancock Street Light District** 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 393.1700 - 393.1715 and 400.9-109 – Bonds to Finance Energy Transition Costs

Officials from the **Department of Commerce and Insurance - Public Service Commission (PSC)** assume 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.

Officials from the **Office of the Public Counsel (OPC)** state 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 for a financing order authorizing the issuance of MO-EBRA bonds (if any), **Oversight** will reflect a range from \$0 (no change in utility rates) to an unknown cost (less than \$250,000) to the General Revenue Fund, Other State Funds, colleges and universities, and to political subdivisions.

In response to a previous version, officials from the **Department of Natural Resources**, the **Missouri Department of Conservation**, 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 **Attorney General's Office**, the **City of O'Fallon** and the **St. Louis Budget Division** each 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 those agencies.

**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.

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.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE</b>			
<u>Cost – OPC</u> Outside Counsel (§§393.1700 - 393.1715 and 400.9-109) p.14	\$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 change in utility costs (§§393.106, 393.355, 386.895, 393.1700-393.1715 & 400.9-109) p.12-15	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE</b>	<b><u>\$0 to (Could exceed \$100,000)</u></b>	<b><u>\$0 to (Could exceed \$100,000)</u></b>	<b><u>\$0 to (Could exceed \$100,000)</u></b>
<b>BLIND PENSION FUND (0621)</b>			
<u>Revenue - Gain or Loss - changes to the depreciation schedule for wind energy projects (§137.123) p. 3-6</u>	\$0	\$0	Unknown to (Unknown)
<u>Revenue (Gain or Loss) - property owned by public utilities utilizing Chapter 100 financing is locally assessed (§§153.030 &amp; 153.034) p. 6-9</u>	<u>\$0</u>	<u>\$0</u>	(Unknown) to <u>Unknown</u>
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b>(Unknown) to <u>Unknown</u></b>

<b>PUBLIC SERVICE COMMISSION FUND (0607)</b>			
Revenue – Potential additional funding by increasing the assessment rate ceiling from .25% to .315% (§386.370) p. 3-4	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Cost - DCI-PSC Outside financing and legal services (§§ 393.1700-393.1715 & 400.9-109) p.14	\$0 to (\$333,333)	\$0 to (\$410,000)	\$0 to (\$420,250)
<b>ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION FUND</b>	<b><u>Unknown to (\$333,333)</u></b>	<b><u>Unknown to (\$410,000)</u></b>	<b><u>Unknown to (\$420,250)</u></b>
<b>OTHER STATE FUNDS</b>			
Costs - potential change in utility costs (§§393.106, 393.355, 386.895, 393.1700-393.1715 & 400.9-109) p.12-14	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT TO OTHER STATE FUNDS</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>
<b>COLLEGES AND UNIVERSITIES</b>			
Costs - potential change in utility costs (§§393.106, 393.355, 386.895, 393.1700-393.1715 & 400.9-109) p.12-14	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT TO COLLEGES AND UNIVERSITIES</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue - Gain or Loss - changes to the assessment of wind energy projects  (§137.123) p. 3-6</u>	\$0	\$0	Unknown to (Unknown)
<u>Cost or Savings - Public Utilities - from a change in the assessed valuation of property and subsequent property taxes due (§§153.030 &amp; 153.034) p. 6-9</u>	\$0	\$0	(Unknown) to Unknown
<u>Revenue Gain - for taxing entities with tax situs for public utilities using Chapter 100 financing  (§§153.030 &amp; 153.034) p. 6-9</u>	\$0	\$0	Unknown
<u>Revenue (Loss) - for taxing entities with property owned by public utilities using Chapter 100 financing that is no longer distributable (§§153.030 &amp; 153.034) p. 6-9</u>	\$0	\$0	(Unknown)
<u>Cost - Local Governments Potential change in utility costs (§§393.106, 393.355, 386.895, 393.1700-393.1715 &amp; 400.9-109) p.3-9</u>	\$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. 10-11	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<u><b>Unknown to (Unknown)</b></u>	<u><b>Unknown to (Unknown)</b></u>	<u><b>Unknown to (Unknown)</b></u>

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value.

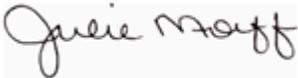
FISCAL DESCRIPTION

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  
Department of Natural Resources  
Attorney General's Office  
Office of Administration  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
Department of Transportation  
Missouri Department of Conservation  
State Tax Commission  
City of O'Fallon  
St. Louis Budget Division  
University of Missouri  
Kansas City



Julie Morff  
Director  
May 12, 2021



Ross Strobe  
Assistant Director  
May 12, 2021