

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1024H.01P  
Bill No.: Perfected HB 488  
Subject: Utilities; Political Subdivisions  
Type: Original  
Date: March 23, 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>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

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

\*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 this potential increase in utility costs would not reach the \$250,000 threshold.

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>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §393.125 – Restricting Utility Service based on the Source of Energy delivered

Officials from the **Department of Commerce and Insurance** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency for this section.

In response to a previous version, officials from the **City of Ballwin**, the **City of Kansas City**, the **City of O’Fallon**, **St. Louis City**, the **Cass County PWSD #2**, the **Glasgow Village Street Light District**, the **High Point Elementary School**, the **Little Blue Valley Sewer District**, the **Metropolitan St. Louis Sewer District**, the **Platte County PWSD #6** 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 for this section.

In response to similar legislation from 2020, HB 2697, officials from the **City of Springfield** assumed the proposal will have no fiscal impact on their organization.

#### House Amendment 1 - Section 386.895.2 – Renewable Natural Gas Program

Officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** state 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 through an increase in the assessment on Commission-regulated public utilities process.

In response to similar legislation 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 cost by a gas corporation to be recovered by means of an automatic adjustment clause. Oversight assumes any additional adjustments will be recouped from 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.

#### House Amendment 2

**Oversight** assumes House Amendment 2 will have no fiscal impact on state or local governments.

#### House Amendment 3

**Oversight** assumes House Amendment 3 will have no fiscal impact on state or local governments.

#### Responses regarding the proposed legislation as a whole

Officials from the **Department of Natural Resources**, the **Missouri Department of Agriculture**, the **Joint Committee on Administrative Rules** and the **Office of the Secretary of State** 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.

Officials from the **City of Claycomo**, the **City of Corder**, the **Corder Water/Wastewater Department**, the **Hancock Street Light District**, the **Lexington Water/Wastewater**

**Department**, the **Schell City Water Department**, the **South River Drainage District**, the **St. Charles County PWSD #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.

**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.

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

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost - Local Governments</u> Potential increase in electric utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	\$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.

#### FISCAL DESCRIPTION

This act requires the Public Service Commission to adopt by a rule a renewable natural gas program for gas corporations. The Commission shall establish reporting requirements and a process for gas corporations to fully recover prudently incurred costs associated with a renewable natural gas program.

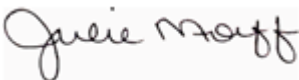
Any prudently incurred costs incurred by a gas corporation shall be recovered by means of an automatic adjustment clause. Such costs shall include costs to establish and maintain equipment and facilities deemed prudent at the time the initial investment was made.

An affiliate of a gas corporation shall not be prohibited from making a capital investment in a biogas production project if the affiliate is not a public utility as defined in statute.


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  
Missouri Department of Agriculture  
City of Ballwin  
City of Claycomo  
City of Corder  
City of Kansas City  
City of O'Fallon  
St. Louis City  
Cass County PWSD #2  
Glasgow Village Street Light District  
Hancock Street Light District  
High Point Elementary School  
Lexington Water/Wastewater  
Little Blue Valley Sewer District  
Metropolitan St. Louis Sewer District  
Platte County PWSD #6  
Schell City Water Department  
South River Drainage District  
Wayne County PWSD #2  
City of Springfield  
Corder Water/Wastewater Department  
St. Charles County PWSD #2



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March 23, 2021



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