COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1544H.04P
Bill No.: Perfected HCS for HB 835
Subject: Energy; Utilities
Type: Original
Date: April 21, 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 Fund*	(Could exceed $100,000)	(Could exceed $100,000)	(Could exceed $100,000)
Total Estimated Net Effect on General Revenue	**(Could exceed $100,000)**	**(Could exceed $100,000)**	**(Could exceed $100,000)**

*The state may pay higher utility cost if any prudent, just and reasonable 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 fiscal impact to the state government would not reach the threshold for Fiscal Review.

* OA-FMDC assumes a potential increase in water/sewer utility bills if companies apply for a WSIRA. A 15% increase in water and sewer costs would be approximately $417,852.99 in additional costs; however, since it is unknown what eligible projects these companies would engage in or what rate adjustments would be approved by the Public Service Commission (if any).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Public Service Commission Fund (607)	$0 to ($1,901,155)	$0 to ($1,941,598)	$0 to ($1,945,363)
Other State Funds	$0 or Unknown to (Unknown)	$0 or Unknown to (Unknown)	$0 or Unknown to (Unknown)
Colleges and Universities	$0 or Unknown to (Unknown)	$0 or Unknown to (Unknown)	$0 or Unknown to (Unknown)
Blind Pension Fund (0621)	$0	$0	(Unknown)
Total Estimated Net Effect on Other State Funds	**$0 or Unknown to (Could be greater than $1,901,155)**	**$0 or Unknown to (Could be greater than $1,941,598)**	**(Could exceed $1,945,363)**

Numbers within parentheses: () indicate costs or losses.
**The Public Service Commission assumes increasing the cap on the assessment percentage from .25% to .38% will not necessarily increase the assessment amount – it is dependent upon PSC anticipated expenses for the year.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Public Service Commission Fund	0 to 3.78 FTE	0 to 3.78 FTE	0 to 3.78 FTE
Total Estimated Net Effect on FTE	0 to 3.78 FTE	0 to 3.78 FTE	0 to 3.78 FTE

☒ 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 or Unknown to (Unknown)**	**$0 or Unknown to (Unknown)**	**(Unknown)**

*Political subdivisions may pay higher utility cost if any prudent, just and reasonable costs incurred by a gas corporation to establish and maintain renewable gas equipment and facilities are recovered by means of an automatic adjustment clause.

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 393.106 – Wholesale Electric Energy

Officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** state 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 its 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.

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 previous version, 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 **City of 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 for those organizations.

<u>House Amendment 2</u>

<u>Section 204.569 – Common Sewer Districts</u>

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 4/7th or 3/4th 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 for this provision of the proposal.

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 for this agency for this provision of the proposal.

Section 386.370 – Public Utility Assessment Rates

In response to a similar proposal from this year (SCS for SB 280), 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 .38%. 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 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.

<u>House Amendment 3 – Change in Assessment of Property Constructed using Chapter 100 Financing</u>

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

In response to a similar proposal from this year (Perfected 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 (Perfected 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 (Perfected 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 a similar proposal from this year (Perfected SCS for SB 92), 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 (Perfected 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 (Perfected 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 ((Total Assessed Value/100)*.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 due to this part of the proposal would be less than $250,000.

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).

<u>House Amendment 4 – Issuance of Bonds to Finance Energy Transition Costs</u>

<u>Sections 393.1700 - 393.1715 and 400.9-109</u>

In response to a similar proposal from this year (Perfected HCS for HB 734), officials from the **Department of Commerce and Insurance - Public Service Commission (PSC)** assumed this act could result in cases before the PSC that would be comparable to financing cases of other types. Examples of recently completed financing cases incurred costs to the PSC at a rate of up to $20,000 per case. This legislation, if enacted, is anticipated to result in up to two cases each year ($41,030).

Additionally, Section 393.1700.2(4)(2) states that certain Commission costs associated with approval of and issuance of Securitized Utility Tariff bonds, namely consulting costs, are to be recovered through the bond proceeds. The costs associated with specialty consulting services are accordingly not included in the cost estimates to the PSC of up to $40,000 a year.

The legislation also contains various provisions that are not directly related to the Securitized Utility Tariff bond issuance process, and generally are not contained with similar bond issuance legislation enacted in other jurisdictions. These provisions include:

1) A requirement that the PSC "pre-approve" the prudence of certain renewable energy resources intended to replace retired coal generation facilities;

2) A requirement that the PSC approved "deferral accounting" for costs associated with retired coal facilities and replacement renewable resources;

3) A requirement that the PSC allow the recovery in rates of a "profit margin" for any purchased power agreements entered into by the electrical corporation to replace retired coal generation resources; and -

4) Allowing the utility to request the approval of certain ratemaking "principles" and treatment regarding the remaining undepreciated value of coal generating resources still in service.

The PSC is funded by an assessment on Commission regulated public utilities pursuant to Section 386.370 RSMo, and not by any state general revenue appropriations. Depending on the cumulative effect of PSC-impacting legislation passed in the current legislative session and the increased costs associated with that legislation to the PSC, the PSC may need to request an increase in its appropriation authority and/or FTE allocation as appropriate through the budget process.

The PSC estimates an additional .50 FTE at a cost of $41,030 in FY 2022, $49,718 in FY 2023 and $50,205 in FY 2024 to provide for the implementation of the changes in this proposal.

Oversight assumes Department of Commerce and Insurance - Public Service Commission could absorb some of the additional duties without adding an .50 FTE; It is unknown how many utility companies will apply to the Public Service Commission for a financing order authorization therefore, Oversight will range the cost from $0 (FTE can be absorbed and/or no companies apply) to the estimated provided by PSC (FTE is not absorbed) to the Public Service Commission Fund.

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

Officials from the **Department of Commerce and Insurance – Office of Public Council (OPC)** state that the OPC does not have the current staffing and resources to represent the public in the Public Service Commission bond financing cases that would be authorized by this legislation. Retaining an outside bond financing 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 does not have any information to the contrary. Therefore, Oversight will reflect cost estimate provided by OPC.

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 to the General Revenue Fund, Other State Funds, colleges and universities, and to political subdivisions.

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 with 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.

Officials from the **Department of Natural Resources**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation** and the **State Tax Commission** 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 for this provision of the proposal.

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 for this provision of the proposal.

<u>Section 393.355 (HA 8)</u>

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:

Facilities	FY 2019	FY 2020
State-Owned/Institutional	$ 7,971,639	$ 6,593,644
Leased	$ 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 costs 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 for this provision of the proposal.

Section 393.106 – Wholesale Electric Energy

Officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** state 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 its 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. Oversight assumes the potential impact would not reach the $250,000 threshold.

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 for this provision of the proposal.

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 for these agencies for this provision of the proposal.

<u>House Amendment 5</u>

<u>*Section 386.895.2 – Renewable Natural Gas Program*</u>

In response to a similar proposal from this year (HCS for HB 892), 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 its 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 (HCS for HB 892), 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 <u>$28,402 annually</u>.

Oversight assumes this proposal allows the Public Service Commission to authorize prudent, just and reasonably 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 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. Based on OA's estimate of a one percent increase cost of $28,402, Oversight assumes this proposal would result in an unknown cost of less than $250,000; however, 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 (HCS for HB 892), from the **Joint Committee on Administrative Rules** assumed this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a similar proposal from this year (HCS for HB 892), 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.

In response to a similar proposal from this year (HCS for HB 892), from 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 for this provision of the proposal.

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)** stated 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 its 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.

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 in 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 for this provision of the proposal.

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 **Joint Committee on Administrative Rules (JCAR)** assumed this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

In response to a similar proposal from this year (HB 261), 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 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 for this provision of the proposal.

<u>House Amendment 6 – Utility Rate Adjustments Due to Tax Rate Changes</u>

In response to a similar proposal from this year (HB 1415), officials from the **Department of Commerce and Insurance** and the **Office of Administration** each assumed the proposal would not fiscally impact their respective agencies.

In response to a similar proposal from this year (HB 1415), officials from the **Department of Revenue (DOR)** stated that under Missouri law, changes to a utility's "base rates" are approved by the Missouri Public Service Commission based, in part, on a "revenue requirement" which has an "income tax component." This proposal establishes procedures for utilities to adjust the base rate when there has been new tax legislation (Missouri or federal) that impacts the income tax component of the revenue requirement after a base rate is already established.

This bill's provisions are triggered by the passage of new tax legislation after a utility's base rates are already set. Since the bill applies only after action by the US Congress or the Missouri General Assembly, and governs procedures by utilities overseen by the Public Service Commission, this bill will have no impact on the Department of Revenue.

Officials from the DOR 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 provision of the proposal.

In response to a similar proposal from this year (HB 1415), officials from the **Missouri Department of Conservation** stated this legislation could have an unknown fiscal impact on their organization.

Oversight assumes this legislation will have no fiscal impact on MDC and therefore will no reflect the unknown cost estimate provided.

In response to a similar proposal from this year (HB 1415), officials from the **Office of Administration - Budget and Planning**, the **Missouri Department of Transportation**, the **State Tax Commission** and the utilities: **Corder Water/Waste Water District**, **Little Blue Valley Sewer District**, **Metropolitan St. Louis Sewer District** and **Schell City Water**

Department 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.

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 or for the approval of merchant lines could have a large indirect impact on current and future utility projects.

House Amendment 7 – Assessment of Wind Energy Projects

In response to a similar proposal from this year (HCS for HB 845), officials from the **State Tax Commission (STC)** assumed the proposal would have an unknown fiscal impact on school districts and other local taxing jurisdictions (cities, counties and fire districts) who rely on property tax as a source of revenue which wind energy projects owned by a public utility has tax situs. In 2019, House Bill 220 was enacted which established that all wind generation real and personal property used to generate electricity owned by a public utility would be assessed locally by county assessors and the addition of the wind energy assessment assets created a positive fiscal impact for local taxing jurisdictions with tax situs for wind generation assets. The bill establishes that wind energy projects (all real and personal property excluding land) will be assessed using a depreciation methodology provided in Section 137.123. The fiscal impact for those taxing jurisdictions in which a wind energy facility has tax situs will be determined by the size, number and scope of the wind energy project.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this proposal may impact TSR. This proposal may impact the calculation under Article X, Section 18(e). **Sections 137.123 and 153.030** would require all real and tangible personal property, except land, associated with a wind energy project be depreciated at the rates established within the section. B&P notes that currently such property uses the depreciation schedule in Section 137.122. Therefore, B&P estimates that these sections may impact TSR and the Blind Pension Trust Fund if the use of the new depreciation schedule changes the assessed values of relevant property. In addition, these sections may impact the calculation under Article X, Section 18(e).

This proposal would also repeal **Section 393.1073** which established the "Task Force on Wind Energy". B&P notes that this section expired on December 31, 2019. This section will not impact TSR or the calculation under Article X, Section 18(e).

In response to a similar proposal from this year (HCS for HB 845), officials from **Department of Revenue (DOR)** stated the assessment of property tax is handled by the State Tax Commission. The Department assumes no direct fiscal impact from this proposal and defers to the State Tax Commission for a statewide fiscal impact.

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.

<u>House Amendment 9</u>

<u>Sections 393.1500 - 393.1509 - Missouri Water and Sewer Infrastructure Act</u>

In response to a similar proposal from this year (HB 397), officials from the **Department of Commerce and Insurance (DCI) - Public Service Commission (PSC)** assumed the proposed bill would allow all water or sewer companies to file a petition and proposed rate schedule with the Public Service Commission (PSC) to create or change Missouri Water and Sewer Infrastructure Rate Adjustments (WSIRA) between general rate cases, but no more than twice in a twelve month period.

If passed, the bill could potentially result in an estimated 4 to 8 cases each year. If this forecast is accurate, this will result in a significant incremental workload for the Commission. At this time, they estimate that enactment of this bill would require the addition of at least two FTE, one being a Utility Regulatory Engineer I at $65,899 annually and the other a Utility Regulatory Auditor III at $51,808 annually. Additionally, they anticipate workload increases for other existing staff, particularly for three specific positions: Regulatory Law Judge (.52 FTE), Chief Counsel (.42 FTE), and Legal Counsel (.34 FTE). However, the workload increases for those three positions does not exceed a full new FTE for each respective position.

Since it is unknown what eligible projects companies would engage in or what rate adjustments would be approved by the Public Service Commission (if any), **Oversight** will reflect a range of $0 to the estimate cost provided by the DCI-PSC of $282,309 in FY 2022, $334,064 in FY 2023 and $337,342 in FY 2024.

In response to a similar proposal from this year (HB 397), officials from the **Department of Commerce and Insurance – Office of Public Council** assumed this legislation would increase the workload of the OPC staff because it will require review of up to two additional annual filings for each large water company, with a greatly expanded base of eligible project costs to be reviewed in each petition. A fiscal impact on the OPC is not anticipated. However, should the extent of the work be more than anticipated, the department would request additional appropriation and/or FTE through the budget process.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for the Office of Public Council.

In response to a similar proposal from this year (HB 397), officials from the **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assumed this bill creates the Missouri Water and Sewer Infrastructure Act, which specifies that a water or sewer corporation may file a petition and proposed rate schedules with the Public Service Commission to create or change a water and sewer infrastructure rate adjustment (WSIRA) that provides for the recovery of pretax revenues associated with eligible infrastructure projects.

Section 393.1506 states that the WSIRA individually, or when combined with an infrastructure system replacement surcharge shall not produce revenues in excess of fifteen percent of the water or sewer corporation's base revenue.

OA-FMDC assumes this proposal could increase utility costs for OA, other state agencies and for local governments. However, the amount of increase, if any, is unknown because OA-FMDC has no way of knowing what eligible projects companies would engage in or what rate adjustments would be approved by the Public Service Commission.

OA-FMDC assumes that the maximum possible increase in water and sewer costs that could occur because of this legislation would be 15% based on section 393.1506, although not directly applicable.

Using a three-year average (FY17 - FY19) and a 15% increase, the maximum potential increase in water and sewer costs to OA-FMDC is $417,852.99 (see below). OA-FMDC estimates the impact of this bill is $0 to $417,852.99.

	2017	**2018**	**2019**	**3 Year Total**	**3 Year Average**	**15% Increase**
Water	$ 1,036,487.97	$ 1,005,759.16	$ 1,176,095.41	$ 3,218,342.54	$ 1,072,780.85	$ 160,917.13
Sewer	$ 1,644,132.17	$ 1,731,695.02	$ 1,762,889.98	$ 5,138,717.17	$ 1,712,905.72	$ 256,935.86
Total	$ 2,680,620.14	$ 2,737,454.18	$ 2,938,985.39	$ 8,357,059.71	$ 2,785,686.57	$ 417,852.99

Oversight assumes this proposal allows a water or sewer corporation to file a petition and proposed rate schedules with the Public Service Commission to create or change a water and sewer infrastructure rate adjustment (WSIRA) that provides for the recovery of pretax revenues associated with eligible infrastructure projects. 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 what eligible projects companies would engage in or what rate adjustments would be approved by the Public Service Commission (if any), Oversight will reflect a range from $0 (no utility will increase rates) to an unknown cost to the General Revenue Fund, other state funds and local political subdivisions.

In response to a similar proposal from this year (HB 397), officials from the **Attorney General's Office**, the **Department of Natural Resources**, the **Missouri Department of Conservation**, the **Department of Transportation**, the **Metropolitan St. Louis Sewer District**, the **High Point Elementary School**, the **Lexington Water/Wastewater District**, the **Little Blue Valley Sewer District**, **the Platte County Pwsd**, the **Stone County Pwsd**, the **City of Springfield** and the **Wayne County Pwsd** 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 those organizations for this provision of the proposal.

<u>House Amendment 1 to House Amendment 9</u>

In response to a similar proposal from this year (HCS for HB 804), officials from the **City of St. Louis** and the **Little Blue Valley Sewer 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.

In response to a similar proposal from this year (HCS for HB 804), 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.

Oversight assumes this proposal is permissive in nature and would have no local fiscal impact without action by the governing body of the county to establish a compensation schedule by resolution, order, or ordinance in order to be compensated for reasonable expenditures by the district. Therefore, Oversight will reflect no direct fiscal impact for this proposal.

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

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
Cost – OPC Outside Counsel (HA 4)	($100,000)	($100,000)	($100,000)
Cost - Office of Administration Potential change in utility costs (HA 4, 5, 6 & 9)	$0 or Unknown to (Unknown)	$0 to Unknown to (Unknown)	$0 to Unknown to (Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**(Could exceed $100,000)**	**(Could exceed $100,000)**	**(Could exceed $100,000)**
BLIND PENSION FUND (0621)			
Revenue (Gain or Loss) - property owned by public utilities utilizing Chapter 100 financing is locally assessed (HA 7)	$0	$0	(Unknown) to Unknown
Revenue (Loss) - loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule (HA 7)	$0	$0	(Unknown)
Revenue - Gain or Loss - changes to the depreciation schedule for wind energy projects (HA 7)	$0	$0	Unknown to (Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	**$0**	**$0**	**(Unknown)**

PUBLIC SERVICE COMMISSION FUND (0607)			
Revenue – Potential additional funding by increasing the assessment rate ceiling from .25% to .38% HA 2 §386.370	$0 or Unknown	$0 or Unknown	$0 or Unknown
Cost - DCI-PSC (HA 4 & 9)			
Salary	$0 to ($193,264)	$0 to ($234,237)	$0 to ($236,579)
Fringe Benefit	$0 to ($102,838)	$0 to ($124,189)	$0 to ($124,978)
Equipment and Expense	$0 to ($27,237)	$0 to ($25,356)	$0 to ($51,346)
Total Cost - DCI-PSC	$0 to ($323,339)	$0 to ($383,782)	$0 to ($387,547)
Total FTE Change - DCI-PSC	0 to 3.78 FTE	0 to 3.78 FTE	0 to 3.78 FTE
Cost – OPC New Funding Source (HA2)	($1,557,816)	($1,557,816)	($1,557,816)
ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION FUND	**$0 to ($1,901,155)**	**$0 to ($1,941,598)**	**$0 to ($1,945,363)**
Estimated Net FTE Change to the PSC	0 to 3.78 FTE	0 to 3.78 FTE	0 to 3.78 FTE
OTHER STATE FUNDS			
Costs - potential change in utility costs (HA 4, 5, 6 & 9)	$0 or Unknown to (Unknown)	$0 to Unknown to (Unknown)	$0 to Unknown to (Unknown)
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	**$0 to Unknown to (Unknown)**	**$0 to Unknown to (Unknown)**	**$0 to Unknown to (Unknown)**

COLLEGES AND UNIVERSITIES			
Costs - potential change in utility costs (HA 4, 5, 6 & 9)	$0 or Unknown to (Unknown)	$0 to Unknown to (Unknown)	$0 to Unknown to (Unknown)
ESTIMATED NET EFFECT TO COLLEGES AND UNIVERSITIES	**$0 to Unknown to (Unknown)**	**$0 to Unknown to (Unknown)**	**$0 to Unknown to (Unknown)**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Cost - Local Governments Potential change in utility costs (HA 4, 5 & 6)	$0 or Unknown to (Unknown)	$0 to Unknown to (Unknown)	$0 to Unknown to (Unknown)
Cost or Savings - Public Utilities - from a change in the assessed valuation of property and subsequent property taxes due (HA 3)	$0	$0	(Unknown) to Unknown
Revenue Gain - for taxing entities with tax situs for public utilities using Chapter 100 financing (HA 3)	$0	$0	Unknown
Revenue (Loss) - for taxing entities with property owned by public utilities using Chapter 100 financing that is no longer distributable (HA 3)	$0	$0	(Unknown)
Revenue (Loss) - loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule (HA 7)	$0	$0	(Unknown)

Revenue - Gain or Loss - changes to the assessment of wind energy projects (HA 7)	$0	$0	Unknown to (Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	**$0 to Unknown to (Unknown)**	**$0 to Unknown to (Unknown)**	**(Unknown)**

FISCAL IMPACT – Small Business

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

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

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

FISCAL DESCRIPTION

This proposal creates provisions allowing electrical corporations to issue bonds to finance energy transition costs.

This act would modify provisions concerning electric generation facilities located in Cass County.

Currently, the Public Service Commission may approve a special rate, outside of a general rate proceeding, not based on the cost of service for electrical services provided to certain facilities if the Commission determines that but for the special rate the facility would not commence operations and that the special rate is in the best interest of the state. This bill changes the facilities that qualify for the special rates to include a facility whose primary industry is the processing of primary metals.

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 certain costs associated with a renewable natural gas program.

Any prudent, just and reasonable 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 bill creates the "Missouri Nuclear Clean Power Act", which allows clean base load electric generating plants or facilities rated at 200 megawatts or more that utilize renewable sources to produce energy not in commercial operation as of August 28, 2021, to charge for costs associated with construction work in progress before the facility is operational. The costs recovered by an electrical corporation are subject to inclusion or exclusion in a ratemaking proceeding under the authority of the Public Service Commission. The Commission may also authorize an electrical corporation to charge for additional amortization to maintain a corporation's financial ratios that will better allow to cost-effectively construct a clean baseload generating plant or a renewable source generating facility.

This bill modifies several provisions related to property that uses wind energy to generate electricity.

Beginning January 1, 2022, this bill develops a depreciation table, as described in the bill, for the purpose of assessing all real property, excluding land, or tangible personal property associated with a project that uses wind energy to generate electricity (Section 137.123, RSMo).

Additionally, this bill requires that any public utility company which has ownership of any real or personal property associated with a project that directly uses wind energy to generate electricity will be taxed using a standardized methodology of:

(1) Any wind energy property of such company will be assessed on the county assessor's local tax rolls; and

(2) All other real property, excluding land, or personal property related to the wind energy project will be assessed using the methodology provided under the depreciation table in this bill (Section 153.030).

This act creates provisions relating to water and sewer infrastructure.

COMPETITIVE BIDDING (Section 393.358): Currently, water corporations with more than 1,000 customers are required to use a competitive bidding process for no less than 10% of the corporation's external expenditures for planned infrastructure projects on the water corporation's distribution system. Under this act, such competitive bidding process shall be used for 20% of the corporation's external expenditures for such projects.

WATER AND SEWER INFRASTRUCTURE RATE ADJUSTMENT (Sections 393.1500-393.1509):

The act establishes the Missouri Water and Infrastructure Act, which specifies that a water or sewer corporation that provides water or sewer service to more than 8,000 customer connections may file a petition and proposed rate schedules with the Public Service Commission to create or change a water and sewer infrastructure rate adjustment (WSIRA) that provides for the recovery of pretax revenues associated with eligible infrastructure system projects. The WSIRA and any future changes must meet specific requirements set forth in the act.

The Commission shall not approve a WSIRA for a water or sewer corporation that has not had a general rate proceeding decided or dismissed in the 3 years before the filing of a WSIRA petition unless the water or sewer corporation has filed for or is the subject of a new general rate proceeding.

At the time the water or sewer corporation files a petition for a WSIRA, it shall submit proposed WSIRA rate schedules and supporting documentation, and the corporation shall also serve the Office of Public Counsel with a copy of the petition, rate schedules, and documentation. Upon the filing of a petition, the Commission shall conduct an examination of the proposed WSIRA, as specified in the act. The Commission may hold a hearing on the petition and any associated WSIRA rate schedules. If the Commission finds that a petition complies with the requirements set forth in the act, the Commission shall enter an order authorizing the water or sewer corporation to implement the WSIRA. A corporation may petition the Commission for a change in its WSIRA no more than two times in every 12-month period.

The act lists what information the Commission may consider in determining the appropriate pretax revenues and how the WSIRA is calculated. If this information is unavailable and the Commission is not provided such information on an agreed-upon basis, the Commission shall use the last authorized overall pretax weighted average cost of capital in a general rate proceeding for the water or sewer corporation. At the end of each 12-month calendar year that a WSIRA is in effect, the corporation shall reconcile the differences between the revenues from a WSIRA and the appropriate pretax revenues found by the Commission for that period and submit the reconciliation and proposed WSIRA to the Commission for approval to recover or credit the difference.

A water or sewer corporation that has a WSIRA shall file revised WSIRA schedules when new base rates and charges become effective following a general rate proceeding that includes the WSIRA eligible costs in the base rates. Once the eligible costs are included in the water or sewer corporation's base rates, the corporation shall reconcile any previously unreconciled WSIRA revenues to ensure that revenues resulting from the WSIRA match as closely as possible the appropriate pretax revenues.

A water or sewer corporation's filing of a petition to establish or change a WSIRA is not considered a request for a general increase in the corporation's base rates and charges.

Commission approval of a petition to establish or change a WSIRA shall in no way be binding upon the Commission in determining the ratemaking treatment to be applied to eligible infrastructure system projects during a subsequent general rate proceeding when the Commission may undertake to review the prudence of such costs. If, during a subsequent general rate proceeding, the Commission disallows recovery of costs associated with eligible infrastructure system projects previously included in a WSIRA, the water or sewer corporation shall offset its WSIRA in the future as necessary to recognize and account for any such over collections.

Nothing in the act impairs the authority of the Commission to review the reasonableness of the rates or charges of a water or sewer corporation, including review of the prudence of eligible infrastructure system replacements made by a water or sewer corporation.

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
City of St. Louis
Little Blue Valley Sewer District
Metropolitan St. Louis Sewer District

Julie Morff
Director
April 21, 2021

Ross Strope
Assistant Director
April 21, 2021