

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0736H.02C
Bill No.: HCS for HB 225
Subject: Utilities; Energy
Type: Original
Date: March 10, 2023

Bill Summary: This proposal allows electrical corporations to charge for services based on the costs of certain construction work in progress.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|-----------------------------|-----------------------------|-----------------------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| General Revenue* | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|-----------------------------|-----------------------------|-----------------------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| Other State Funds* | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |

*The State may pay higher initial utility costs if the Public Service Commission authorizes an electrical corporation to charge for additional amortization, however, **Oversight** assumes the potential additional amortization (if any) would be less than \$250,000 per year.

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

- ☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|-------------------------|-------------------------|-------------------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| | | | |
| Local Government | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |

FISCAL ANALYSIS

ASSUMPTION

Sections 393.135 and 393.1250 - Missouri Nuclear Clean Power Act

Officials from the **Department of Commerce and Insurance - Missouri Public Service Commission (PSC)** state that this legislation may require a rulemaking by the PSC in order to implement the provisions. Rulemakings generally result in an estimated cost of up to approximately \$4,700.

Oversight assumes the PSC 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 PSC.

Officials from the **Department of Commerce and Insurance - Office of the Public Counsel (OPC)** state that this legislation would likely result in additional costs to review rate cases, and potentially more frequent rate cases to review. The Office of the Public Counsel's resources are allocated where 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.

Officials from the **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** state 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 begin a project and therefore no increased rates) to an unknown cost to the state and local political subdivisions for higher utility costs, however, Oversight assumes any potential increase in utility cost (if any) would be under \$250,000 to the state government.

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.

In response to a previous version, officials from the **Missouri Department of Conservation** 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.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs.** However, the SOS also recognizes 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 the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

| <u>FISCAL IMPACT – State Government</u> | FY 2024 (10 Mo.) | FY 2025 | FY 2026 |
|--|-----------------------------|-----------------------------|-----------------------------|
| GENERAL REVENUE FUND | | | |
| <u>Cost</u> - Office of Administration Potential increase in electric utility costs | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| VARIOUS STATE FUNDS | | | |
| <u>Cost</u> - Various State Agencies Potential increase in electric utility costs | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |

| <u>FISCAL IMPACT – Local Government</u> | FY 2024 (10 Mo.) | FY 2025 | FY 2026 |
|---|-----------------------------|-----------------------------|-----------------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Cost</u> - Local Governments Potential increase in electric utility costs | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |

FISCAL IMPACT – Small Business

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

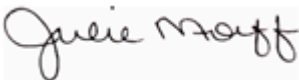
FISCAL DESCRIPTION

This bill establishes the "Missouri Nuclear Clean Power Act", which allows clean base load electric generating plants or facilities designed to be operated rated at 600 megawatts or less and is intended in whole or in part to serve retail customers of an electrical corporation in Missouri and was not in commercial operation as of August 28, 2023, 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 the corporation's financial ratios that will better allow it to cost-effectively construct a clean baseload generating plant or a renewable source generating facility.

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 the Public Counsel
Department of Natural Resources
Office of Administration
Department of Transportation
Missouri Department of Conservation
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
March 10, 2023



Ross Strobe
Assistant Director
March 10, 2023