

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5356H.011  
 Bill No.: HB 2541  
 Subject: Utilities; Energy  
 Type: Original  
 Date: February 6, 2024

Bill Summary: This proposal creates provisions relating to electric utilities.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	(Could exceed \$611,925)	(Could exceed \$689,104)	(Could exceed \$701,384)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Could exceed \$611,925)</b>	<b>(Could exceed \$689,104)</b>	<b>(Could exceed \$701,384)</b>

\*This bill could increase utility costs to state departments and local governments if rate changes are made as a result of these new standards.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Public Service Commission	(\$763,409)	(\$888,602)	(\$903,971)
Other State Funds*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Could exceed \$763,409)</b>	<b>(Could exceed \$888,602)</b>	<b>(Could exceed \$903,971)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</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 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
General Revenue (OPC)	5 FTE	5 FTE	5 FTE
Public Service Commission (PSC)	8 FTE	8 FTE	8 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>13 FTE</b>	<b>13 FTE</b>	<b>13 FTE</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 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Sections 393.2022 – Utility Provisions

Officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** assume this legislation contemplates a couple of changes to the review of potential new generation facilities. First it creates an expedited review process. In order to fully vet these applications in a rushed format, Staff will need additional engineers to assign to these cases. Further, the legislation contemplates a more thorough review of the IRP process. It will allow for the Commission to use IRP filings to approved future generation facilities. Currently, the IRP rule is more of a review of the process the utility undertook in its IRP, it does not allow for the Commission to indicate if the utilities' preferred is prudent or not. With the legislation, Staff will have to take a more in-depth review of the utilities IRP filing, and thus additional staff will need to be hired.

Further, the legislation contemplates the ability of the electric utilities to request additional rate mechanisms outside of the normal rate case process. There have been a handful of new rate mechanisms approved over the past few years, and with the potential addition of one or two more mechanisms, staff will need additional auditors and research analysts to review the utilities' filings.

In summary, PSC assumes this legislation would require an additional 8 FTE (1 Professional Engineer, 1 Associate Engineer, 1 Economist, 1 Senior Research/Data Analyst, 2 Research/Data Analysts, 1 Senior Utility Regulatory Auditor and 1 Utility Regulator) at a total cost of \$763,409 in FY 2025, \$888,602 in FY 2026 and \$903,971 in FY 2027 to the Public Service Commission Fund (0607) to provide for the implementation of the changes in this proposal.

Officials from the **Department of Commerce and Insurance – Office of Public Council (OPC)** anticipate that it would need a significant increase in resources to respond to this proposed change in utility regulation. Since this legislation would add rate case determinations before large projects are built and cut the review time in half for the largest expenses incurred by an electric corporation, the OPC will need a number of additional full-time employees in a variety of disciplines to process these new applications. The following is a conservative estimate of what the OPC would require to ensure the Office continues representing the public in the typical cases before the PSC, in addition to the new cases established by this legislation. OPC anticipates it would need five (5) additional full-time employees (1 Senior Counsel, 1 Utility Regulatory Auditor, 1 Policy Analyst, 1 Financial Analyst, and 1 Engineer) to process these cases. The disciplines necessary to process these applications would require, at a minimum, that the OPC hire an additional attorney, auditor, financial analyst, engineer, and policy analyst.

In summary, OPC assumes this legislation would require an additional 5 FTE at cost of \$611,926 in FY 2025, \$689,104 in FY 2026 and \$701,384 in FY 2027 to the General Revenue Fund to provide for the implementation of the changes in this proposal.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the impact as provided by DCI-PSC and DCI- OPC in the fiscal note.

Officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** assumes there would be a fiscal impact to the State's utility costs. However, without more information FMDC is unable to calculate the impact this would have on statewide utility costs for consolidated facilities managed by FMDC; \$0 to unknown impact

**Oversight** assumes this proposal could potentially increase utility cost for the Office of Administration as well as other state agencies and local governments. Since it is unknown how much of a rate increase will be authorized (if any), Oversight will reflect a range from \$0 (rate increases will not occur) to an unknown cost to the state and local political subdivisions for higher utility costs.

Officials from the **Missouri Department of Conservation**, the **Missouri Department of Transportation** and **Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from this year, officials from the **Missouri Department of Conservation** and the **Hancock Street Light 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 these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>GENERAL REVENUE FUND</b>			
<u>Cost - PSC</u>			
Personal Service	(\$330,000)	(\$403,920)	(\$411,998)
Fringe Benefits	(\$190,487)	(\$231,654)	(\$234,786)
Equipment & Expense	(\$91,438)	(\$53,530)	(\$54,600)
<u>Total Cost - PSC</u>	<u>(\$611,925)</u>	<u>(\$689,104)</u>	<u>(\$701,384)</u>
FTE Change – PSC	5 FTE	5 FTE	5 FTE
<u>Cost - Office of Administration</u>			
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><u>(Could exceed \$611,925)</u></b>	<b><u>(Could exceed \$689,104)</u></b>	<b><u>(Could exceed \$701,384)</u></b>
Estimated Net FTE Change to the General Revenue Fund	5 FTE	5 FTE	5 FTE
<b>PUBLIC SERVICE COMMISSION</b>			
<u>Cost - PSC</u>			
Personal Service	(\$427,903)	(\$523,754)	(\$534,229)
Fringe Benefits	(\$265,982)	(\$323,159)	(\$327,219)
Equipment & Expense	(\$69,524)	(\$41,689)	(\$42,523)
<u>Total Cost - OPC</u>	<u>(\$763,409)</u>	<u>(\$888,602)</u>	<u>(\$903,971)</u>
FTE Change – PSC	8 FTE	8 FTE	8 FTE
<b>ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION</b>	<b><u>(\$763,409)</u></b>	<b><u>(\$888,602)</u></b>	<b><u>(\$903,971)</u></b>
Estimated Net FTE change to the Public Service Commission Fund	8 FTE	8 FTE	8 FTE

<b>VARIOUS STATE FUNDS</b>			
<u>Cost - Various State Agencies</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 VARIOUS STATE FUNDS</b>	<b>\$0 to <u>(Unknown)</u></b>	<b>\$0 to <u>(Unknown)</u></b>	<b>\$0 to <u>(Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<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>	<b>\$0 to <u>(Unknown)</u></b>	<b>\$0 to <u>(Unknown)</u></b>	<b>\$0 to <u>(Unknown)</u></b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Under the act, prior to acquiring a stake, as defined in the act, in a transmission facility, an electrical corporation may file with the Public Service Commission an application for a determination of the rate-making principles and treatment as described in the act.

Unless the Commission determines that the electrical corporation's stake in the transmission facility is not reasonable, the Commission shall issue an order setting forth rate-making principles and treatment that will apply to the electrical corporation's stake in the transmission facility.

The Commission shall utilize the rate-making principles and treatment in all proceedings where the cost of the electrical corporation's stake in the transmission facility is considered.

If the Commission fails to issue a determination within 180 days of the date of an application for a determination of rate-making principles and treatment, the rate-making principles and treatment will be deemed to have been approved by the Commission and shall be binding. If the electrical corporation's acquisition of a stake in a transmission facility requires a certificate of convenience and necessity, the electrical corporation may request such certificate by filing an application in the same proceeding as the application for a determination of rate-making principles and treatment, as described in the act.

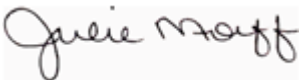
Prior to acquiring a stake or prior to retiring or abandoning a generating facility as described in the act, an electrical corporation may file with the Commission an application for a determination of the rate-making principles and treatment as proposed by the electrical corporation subject to certain conditions described in the act. Requirements for an order issued by the Commission in relation to the application, including a new rate adjustment mechanism and alternatives to the rate adjustment mechanism, are described in the act.

The electrical corporation shall have one year from the effective date of the determination of the Commission to notify the Commission whether it will acquire a stake in the generating facility or transmission facility. Requirements for such notice are described in the act.

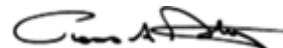
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Commerce and Insurance  
Department of Natural Resources  
Missouri Department of Conservation  
Missouri Department of Transportation  
Office of Administration  
Office of the Secretary of State  
Joint Committee on Administrative Rules



Julie Morff  
Director  
February 6, 2024



Ross Strobe  
Assistant Director  
February 6, 2024