

HCS HB 1746 -- UTILITIES

SPONSOR: O'Donnell

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Utilities by a vote of 13 to 0, with 1 voting present. Voted "Do Pass" by the Standing Committee on Rules- Administrative Oversight by a vote of 9 to 0.

The following is a summary of the House Committee Substitute for HB 1746.

This bill modifies the laws relating to utilities.

SOLAR ENERGY ASSESSMENT (Sections 137.010, 137.080 and 137.115)

The bill provides that the definition of "tangible personal property", for the purposes of property taxation, includes solar panels, racking systems, inverters, and related solar equipment, components, materials, and supplies installed at commercial solar photovoltaic energy systems that were constructed and producing solar energy prior to August 9, 2022.

The bill also creates a new subclass of tangible personal property that includes solar panels, racking systems, inverters, and related solar equipment, components, materials, and supplies installed at commercial solar photovoltaic energy systems that were constructed and producing solar energy prior to August 9, 2022, and specifies that it be assessed at 5% of its true value in money.

DEPRECIATION OF REAL PROPERTY (Section 137.122)

Beginning January 1, 2025, the depreciation tables used to assess tangible personal property shall be used to assess real property that is used for the transportation or storage of liquid and gaseous products including water, sewage, and natural gas that is not propane or LP gas, but not including petroleum products.

SALES TAX EXEMPTION (Section 144.058)

The bill exempts from sales tax electrical energy and gas, whether natural, artificial, or propane; water, coal, and energy sources; chemicals, machinery, equipment, parts, and material used or consumed in connection with or to facilitate the generation, transmission, distribution, sale, or furnishing of electricity for light, heat, or power; and any conduits, ducts, or other devices, materials, apparatus, or property for containing, holding, or carrying conductors used or to be used for the transmission of electricity for light, heat, or power service to consumers.

COUNTY BOARD OF TRUSTEES COMPENSATION (Section 204.300)

The bill sets the rate of compensation for members of a County Board of Trustees. Each trustee of the Board may receive an attendance fee not to exceed \$100 for attending each regularly called board meeting, or special meeting, but shall not be paid for attending more than two meetings in any calendar month, except that in a county of the first classification, a trustee shall not be paid for attending more than four meetings in any calendar month. However, no trustee shall be paid more than one attendance fee if such trustee attends more than one board meeting in a calendar week. Each trustee of the Board shall be reimbursed for his or her actual expenditures in the performance of his or her duties on behalf of the district.

SEWER DISTRICT BOARD OF TRUSTEES COMPENSATION (Section 204.610)

The bill sets the rate of compensation for members of a Sewer District Board of Trustees. Each trustee of the Board may receive an attendance fee not to exceed \$100 for attending each regularly called board meeting, or special meeting, but shall not be paid for attending more than two meetings in any calendar month, except that in a county of the first classification, a trustee shall not be paid for attending more than four meetings in any calendar month. However, no trustee shall be paid more than one attendance fee if such trustee attends more than one board meeting in a calendar week. Each trustee of the Board shall be reimbursed for his or her actual expenditures in the performance of his or her duties on behalf of the district.

ACQUISITIONS OF SMALL WATER UTILITIES (Section 393.320)

The bill expands the definition of a "large water public utility" to state that such an entity will regularly provide sewer services to more than 8,000 customer connections, or regularly provide a combination of either to more than 8,000 customer connections. For any acquisition of a small water utility with an appraised value of \$5 million or less, the Public Service Commission must issue its decision within six months of the submission of the application by the large water public utility to acquire a small water utility. The Public Service Commission or the Office of Public Counsel may request an extension for approval of 30 days upon a showing of good cause.

RENEWABLE ENERGY STANDARDS (Section 393.1030)

This bill specifies that electric utilities with more than 250,000 but less than 1 million retail customers in Missouri as of the end of 2022 with energy that meets the criteria of the renewable energy

portfolio requirements and is contracted for by an accelerated renewable buyer must:

- (1) Have all associated renewable energy certificates retired by the accelerated renewable buyer and the certificates may not be used to meet the electric utility's portfolio requirements;
- (2) Be excluded from the total electric utility's sales used to determine the portfolio requirements; and
- (3) Be used to offset all or a portion of its electric load to determine compliance with the portfolio requirements.

The bill specifies that the accelerated renewable buyer is exempt from any renewable energy standard compliance costs as established by the utility and approved by the Public Service Commission. Each electric utility must certify, and verify as necessary, to the Commission that the accelerated renewable buyer has satisfied the exemption requirements as specified in the bill. The accelerated renewable buyer may also certify the exemption requirements to the Commission individually.

WATER AND SEWER INFRASTRUCTURE RATE ADJUSTMENT (WSIRA) (Section 393.1506)

The bill allows a public utility with sewer service to more than 8,000 customer connections, or a combination of either water and sewer to more than 8,000 customer connections to file a petition and proposed rate schedules with the Public Service Commission to establish or change a WSIRA that will provide for the recovery of the appropriate pretax revenues associated with the eligible infrastructure system projects.

GAS CUSTOMER DISCOUNTS (Section 393.1645)

The bill makes adjustments to the way in which a gas corporation may apply certain discounts to its customers in their use of the service. The way in which a customer may qualify for one of the discounts is set forth as follows:

- (1) When the customer is a new customer and the new load is reasonably projected to be at least 270,000 ccf annually, the discount shall equal up to 25% subject to the limiting provisions of this section and shall apply for four years; or
- (2) When the customer is an existing customer and the new load is reasonably projected to be at least 135,000 ccf annually, the

discount shall equal 25% subject to the limiting provisions of this section and shall apply for four years.

To obtain the discount, the customer's load must be incremental; receive local, regional, or state economic development incentives; and meet the criteria set in the gas corporation's economic development rider tariff sheets.

In each general rate proceeding, the difference in revenues generated by applying the discounted rates and the revenues that would have been generated without such discounts will not be imputed into the gas corporation's revenue requirement. Instead, the revenue requirement should be set using the revenues generated by the discounted rates and allocated to all customer classes as specified in the bill.

CONTRACTING AUTHORITY OF THE PUBLIC SERVICE COMMISSION (Section 393.1700)

The bill authorizes the Public Service Commission to directly contract counsel, financial advisors, or other consultants necessary to implement the provisions of the law allowing for the Commission to approve the issuance of securitized utility tariff bonds by an electrical corporation. The Commission must establish a process for bidding such contracts and make the policy and rate case-specific contract information publicly available.

HYDRANT VALVE INSPECTIONS (Section 640.144)

The bill changes the frequency of inspections done to water hydrants from annually to a time at which such an inspection can be scheduled by the parties.

This bill is similar to SB 275 (2023).

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPOSERS: Supporters say that this bill contains many provisions to ensure Missouri has adequate and affordable utilities across the state. Some supporters said that entities that built solar systems prior to the 2022 Missouri Supreme Court's ruling made business decisions based on being exempt from taxation. This bill would grandfather such systems in with a de minimus tax rate. In addition, the economic development rate for gas would allow incentives for new and expanding businesses and would help economic

development in Missouri. Utility rates are one of the factors considered by companies when looking at siting a new or expanding business.

Testifying in person for the bill were Representative O'Donnell; , Renew Missouri; City Utilities of Springfield; Mo Association of Sewer Districts; Associated Industries of Missouri; Meta Platforms; Evergy; Confluence Rivers; Missouri Association of Municipal Utilities; Strata Solar; Missouri American Water; Missouri Chamber of Commerce; Association of Missouri Electric Cooperatives; Ameren Missouri; Missouri Natural Gas Association; Missouri Solar Energy Industries Association; and Spire Missouri Natural Gas.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that they have concerns with the methods for assessment of solar arrays and gas distribution systems in the bill. If implemented, some counties will lose millions of dollars in tax revenue, especially due to the accelerated depreciation table for gas distribution systems.

Testifying in person on the bill was Kenneth Mohr.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.