

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0679H.011  
 Bill No.: HB 417  
 Subject: Utilities; Public Service Commission  
 Type: Original  
 Date: February 10, 2025

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Bill Summary: This proposal creates provision for electrical choice and competition.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue**Fund (0101)	(Unknown, Greater than \$250,000)	(Unknown, Greater than \$250,000)	(Unknown, More or Less than \$250,000)
<b>Total Estimated Net Effect on General Revenue *</b>	<b>(Unknown, Greater than \$250,000)</b>	<b>(Unknown, Greater than \$250,000)</b>	<b>(Unknown, More or Less than \$250,000)</b>

\*Oversight assumes that the fiscal impact could exceed \$250,000 due to the Department of Commerce and Insurance – Office of Public Councils’ possible need of additional FTE and need to develop a robust customer education program.

\*\*This bill could increase utility costs to state departments and local governments. Oversight assumes this would be an indirect impact and therefore will not show the impact in the fiscal note.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Public Service Commission Fund (0607)	(Unknown, Greater than \$250,000)	(Unknown, Greater than \$250,000)	(Unknown, Greater than \$250,000)
State Facilities Maintenance & Operating Fund (0501)	(\$138,244)	(\$151,139)	(\$153,846)
<b>Total Estimated Net Effect on <u>Other</u> State Funds*</b>	<b>(Unknown, Greater than \$388,244)</b>	<b>(Unknown, Greater than \$401,139)</b>	<b>(Unknown, More or Less than \$403,846)</b>

\*Oversight assumes that the fiscal impact will exceed \$250,000 due to the Department of Commerce and Insurance – Public Service Commissions’ possible need of additional FTE and

need to develop a robust customer education program. The Office of Administration - Facilities Management, Design and Construction is also requesting 1 FTE.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</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 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
General Revenue Fund (0101)	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 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 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*This bill could increase utility costs to state departments and local governments. Oversight assumes this would be an indirect impact and therefore will not show the impact in the fiscal note.

## FISCAL ANALYSIS

### ASSUMPTION

#### Sections 393.2000 - 393.2130 – Electrical Choice and Competition

Officials from the **Department of Commerce and Insurance (DCI)** state that the fiscal impacts of these sections to DCI are indeterminable.

**Oversight** assumes this proposal requires the Department of Commerce and Insurance – Public Service Commission (PSC) and the Department of Commerce and Insurance – Office of Public Council (OPC) to develop and establish multiple new procedures and guidelines as well develop a robust customer education program. Oversight assumes PSC and OPC could initially require additional FTE to provide for the changes in this proposal, therefore, Oversight will range the fiscal impact as Unknown, possibly greater than \$250,000 to the General Revenue Fund (OPC) and the Public Service Commission Fund (PSC).

Officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** assume that this bill allows customers to select their electric utility provider. FMDC assumes that it would need to engage in a competitive bid/procurement process to select utility providers for state-owned, institution and leased locations to ensure that the state is receiving the best rates.

**FMDC** assumes that it will need to engage in a separate procurement process for each facility or a small subset of facilities, as it would not seem feasible, or in the state's best interest, to select only one provider for entire state. Given the volume of procurements that would need to occur in a relatively short period of time, FMDC assumes that it will need at least one new FTE to manage this process. However, depending on how the procurements are structured, additional FTE could be required. If FMDC is able to negotiate better utility rates for various locations as a result of this legislation than what the state is currently paying, there is the potential for some savings to help offset the additional costs. FMDC estimates that the impact of this bill is \$162,991 to unknown.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the need for an FTE to the State Facilities Maintenance and Operating Fund.

Officials from the **Department of Natural Resources**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation**, and the **City of Kansas City** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**Oversight** assumes this proposal could change utility costs to state departments and local governments.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, electric companies and coops were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE FUND (0101)</b>			
<u>Cost – DCI-OPC</u> (§§393.2000 - 393.2160) Increased job duties p. 3	(Unknown, Greater than \$250,000)	(Unknown, Greater than \$250,000)	(Unknown, Greater than \$250,000)
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(Unknown, Greater than \$250,000)</u></b>	<b><u>(Unknown, Greater than \$250,000)</u></b>	<b><u>(Unknown, Greater than \$250,000)</u></b>
<b>STATE FACILITIES MAINTENANCE AND OPERATING FUND (0501)</b>			
<u>Cost – OA (§§393.2000 - 393.2160) p.3</u>			
Salaries	(\$76,020)	(\$93,048)	(\$94,909)
Fringe Benefits	(\$43,629)	(\$53,086)	(\$53,831)
Equipment and Expense	(\$18,595)	(\$5,005)	(\$5,106)
<u>Total Cost – OA</u>	<u>(\$138,244)</u>	<u>(\$151,139)</u>	<u>(\$153,846)</u>
FTE Change - OA	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT TO THE STATE FACILITIES MAINTENANCE AND OPERATING FUND (0501)</b>	<b><u>(\$138,244)</u></b>	<b><u>(\$151,139)</u></b>	<b><u>(\$153,846)</u></b>
Estimated Net FTE Change to the State Facilities Maintenance and Operating Fund	1 FTE	1 FTE	1 FTE

<b>PUBLIC SERVICE COMMISSION FUND (0607)</b>			
<u>Cost – DCI-PSC</u> (§§393.2000 - 393.2160) Increased job duties p.3	(Unknown, Greater than <u>\$250,000</u> )	(Unknown, Greater than <u>\$250,000</u> )	(Unknown, Greater than <u>\$250,000</u> )
<b>ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION</b>	<b>(Unknown, Greater than <u>\$250,000</u>)</b>	<b>(Unknown, Greater than <u>\$250,000</u>)</b>	<b>(Unknown, Greater than <u>\$250,000</u>)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small businesses could have a decrease in utility costs as a result of this proposal.

FISCAL DESCRIPTION

This bill creates the "Electrical Choice and Competition Law". In it's main provisions, the bill:

- (1) Specifies that the provisions of the bill, as they become effective, will govern the sale of electric energy and any provisions of law that conflict will be invalid and void;
- (2) Requires the Public Service Commission to develop a policy for the transition from a monopoly structure to a competitive market for the generation and sale or purchase of electricity;
- (3) Specifies that electric utilities, as defined in the bill, must provide open access over their transmission and distribution systems to all retail electric suppliers to sell electricity directly to customers;
- (4) Requires the commission, beginning August 28, 2027, to allow commercial and industrial customers of electric utilities to choose a retail electric supplier;
- (5) Requires the Commission, on a time frame set by the Commission but no later than January 1, 2029, to allow residential customers of electric utilities to choose a retail electric supplier;

- (6) Requires each electric utility to submit to the Commission a restructuring plan to implement direct access to a competitive market for the generation of electricity and specifies the content of the plan and the time line for submittal;
- (7) Specifies the procedure for and time line in which the Commission must review each restructuring plan;
- (8) Requires electric utilities to unbundle the rates charged for generation, transmission, and distribution services on the timeline specified in the bill. Following the unbundling of rates, the Commission will no longer regulate the generation of electricity, but will continue to regulation the transmission and distribution of electricity as a natural monopoly;
- (9) Specifies that an electric utility may recover under certain conditions transition or stranded costs traditionally recoverable in a regulated environment but not recoverable in a competitive electric generation market;
- (10) Requires electric utilities to, at any time prior to choosing a retail electric supplier, to divest their generation assets and specifies the options utilities may use to divest;
- (11) Prohibits an electric utility from using its own generation assets for providing retail service to its customers once a competitive market for electric generation service is implemented for that class of customers and from recovering the costs of generation from its sale of electricity to retail customers;
- (12) Specifies that once a competitive market is implemented for a class of customers, electric utilities must provide default service to customers that do not choose a retail electric supplier;
- (13) Establishes a rate structure for each class of customer as specified in the bill;
- (14) Authorizes the Commission to establish a separate process for the supply of electric supply service for energy assistance customers. The process must include the grouping of low income customers into an aggregation program as specified in the bill;
- (15) Specifies that electric utilities have an obligation to provide open and nondiscriminatory access to their systems for retail electric suppliers to provide service, including customer metering and other customer information so long as the retail electric supplier receives customer consent for the release of the data;
- (16) Authorizes the Commission to investigate and establish guidelines for additional programs designed to enhance a customer's experience in choosing a retail electric supplier and that allow a retail electric suppliers to offer competitive products and services to consumers;
- (17) Requires the Commission to develop a robust customer education program to ensure that consumers have access to accurate information about their ability to access the competitive

market and to explore the use of a website that enables consumers to compare products and services being offered by retail electric suppliers;

(18) Prohibits any entity from engaging in the business of electric supply services in this state unless it holds a license issued by the Commission as specified in the bill;

(19) Authorizes the commission to establish a licensing process for retail electric suppliers. The licensing requirements are specified in the bill;

(20) Authorizes the commission to impose civil penalties of not more than \$100,000 on entities that engage in prohibited conduct or anticompetitive or discriminatory conduct;

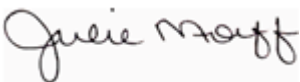
(21) Specifies that the bill does not affect the ability of residential customers to retain access to financial assistance benefits currently available to qualifying low-income customers or to receive safe and reliable electricity service; and

(22) Requires the Commission to establish an Office of Retail Market Development to actively seek input for interested parties and develop an understanding and critical analyses of the tools and techniques used to promote retail energy competition. The funding methods for and duties of the office are specified in the bill.

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 - Facilities Management, Design and Construction  
City of Kansas City



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