COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2265H.01I
Bill No.: HB 963
Subject: Public Service Commission; Utilities
Type: Original
Date: January 27, 2025

Bill Summary: This proposal modifies provisions for electrical corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

*This bill could increase utility costs to state departments and local governments if rate changes are made as a result of these new standards. Oversight assumes this would be an indirect impact and therefore will not show the impact in the fiscal note.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Public Service Commission Fund (0607)*	($1,777,974)	($2,002,162)	($2,037,467)
Total Estimated Net Effect on Other State Funds	**($1,177,974)**	**($2,002,162)**	**($2,037,467)**

* Oversight assumes the fiscal impact will exceed $250,000 due to the Department of Commerce and Insurance – Public Service Commission requesting 15 FTE to complete the integrated resource planning.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Public Service Commission Fund (PSC)	15 FTE	15 FTE	15 FTE
Total Estimated Net Effect on FTE	**15 FTE**	**15 FTE**	**15 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 2026	FY 2027	FY 2028
Local Government*	**$0**	**$0**	**$0**

*This bill could increase utility costs to state departments and local governments if rate changes are made as a result of these new standards. Oversight assumes this would be an indirect impact and therefore will not show the impact in the fiscal note.

FISCAL ANALYSIS

ASSUMPTION

Section 393.135

Officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** assume that this bill could increase utility costs to all state departments and local governments if rate changes are made. Without additional information, FMDC is unable to accurately calculate the impact of this bill; therefore, the impact is $0 to unknown.

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Section 393.1090

Officials from **Department of Commerce and Insurance – Public Service Commission (PSC)** state that this section Requires the Public Service Commission, to complete an integrated resource planning proceeding for electrical corporations and publish a schedule for electrical corporations to file an integrated resource plan every four years.

The **PSC** further states that Missouri is facing a significant resource adequacy challenge, which roughly equates to "the ability of the power system, or the grid, to meet demand". As a result of this challenge, the Missouri Public Service Commission hosted a Resource Adequacy Summit called "PowerMO: Securing Missouri's Energy Future" in the Truman Building on August 13. The Summit brought together several stakeholders including utilities, reliability organizations, regional transmission organizations, regulators from other states, municipal and cooperative utilities, and others to discuss the current challenges and put forward proposed solutions.

The current challenges include anticipated load growth due to economic development opportunities (manufacturing and data centers/AI), extreme weather, federal regulations including those aimed at reducing the amount of dispatchable generation available, market forces, and ensuring a diverse generation resource mix. The solutions include:

(1) Fundamentally changing our Integrated Resource Planning Process to be more forward-looking and allow more stakeholder input (modeled after Michigan);

(2) Creating a new State Reliability Mechanism which helps ensure that our electrical corporations can meet their load obligations (also modeled after Michigan); and

(3) Modifying the accounting treatment of Construction Work in Progress (CWIP) for new gas plants (this legislation passed in Kansas last session)and for new generation that is approved by

the Public Service Commission through the new Integrated Resource Planning Process, which can reduce costs to ratepayers for building these new assets. Changing our processes to be able to meet the needs of everyday Missourians, and better situate the State of Missouri to increase economic development opportunities, will require additional personnel but will better position the State of Missouri to meet the moment.

PSC has requested 15 FTE for integrated resource planning as shown below:

- **2 Regulatory Compliance Managers** - These positions would generally be required if the IRP process is expanded. As contemplated, Staff will be required to work with stakeholders to determine what factors utilities should be considering when running their IRP models as well as running its own plans to provide the Commission with alternative scenarios. Staff will need to create additional departments to equitably spread out the additional work that would be expected. While not confirmed at this time, it is anticipated there would be departments that are focusing on load forecast modeling, RTO/transmission issues, and supply side resources.

- **5 Engineers** - Generally, these positions would be required to run the load forecast modeling, to evaluate supply side resources including renewable technologies, dispatchable technologies, storage technologies, and potential future generation technologies that have not reached economic feasibility but may over the planning horizons. Engineers would also be required to be involved with RTO and transmission issues that would be included in IRP analysis. As noted in the list above, the engineering positions would need to be broken down between senior level positions and junior level positions to deal with the varying level of complexity required.

- **1 Senior Project Manager** - With an IRP filing every year, as well as CCN (Certificates of Convenience and Necessity) filings as a result of the new IRP legislation, a senior project manager will be required to act as a coordinator for the various filings to ensure that all of the components of Staff requirements are performed within the timeframes that would be required under the legislation and Commission Order.

- **4 Economists** - The economist positions will look at economic assumptions under the IRP, including future purchased power costs, natural gas pricing, and economic growth, at a minimum, will require individuals with a solid background in economics and economic analysis.

- **3 Research/Data Analysts** - Analysts would be required to review potential environmental changes, federal and state regulatory changes and proposed changes, and assist in gathering data from the various stakeholders. Data analysts would also assist in reviewing utility filings to ensure that the utility provided the data necessary and providing feedback.

Oversight does not have any information to the contrary. Therefore, Oversight will the show the fiscal impact (15 FTE) as estimated by the PSC to the Public Service Commission Fund (0607).

Bill as a Whole

Officials from the **Department of Natural Resources**, the **Missouri Department of Conservation** and the **Missouri Department of Transportation**, the **Missouri House of Representatives**, and the **Missouri Senate** all 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 only reflects the responses received from state agencies and political subdivisions; however, other electric companies and coops were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request

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.

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
PUBLIC SERVICE COMMISSION (0607)			
Costs - PCS §393.1090 - p. 4			
Personnel Service	($983,982)	($1,204,394)	($1,228,481)
Fringe Benefits	($591,780)	($719,601)	($729,255)
Expense & Equipment	($202,213)	($78,168)	($79,731)
Total Costs – PCS	($1,777,974)	($2,002,162)	($2,037,467)
FTE Change - PCS	15 FTE	15 FTE	15 FTE
ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION (0607)	**($1,777,974)**	**($2,002,162)**	**($2,037,467)**
Estimated Net FTE Change to the Public Service Commission Fund	15 FTE	15 FTE	15 FTE

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill authorizes an electrical corporation to include in the corporation's rate base any amounts recorded to construction work in progress for any new natural gas generating unit. The Public Service Commission will determine the amount of construction work in progress as specified in the bill. Base rate recoveries arising from the inclusion of construction work in progress in base rates are subject to refund.

These provisions will expire on December 31, 2035, unless the Commission determines that good cause exists to extend these provisions through December 31, 2045. The secretary of the Commission must notify the Revisor of Statutes if the conditions for the extension have been met.

The Public Service Commission may also require electrical corporations to provide documentation reflecting an electrical corporation's plan to own sufficient capacity to meet the electrical corporation's obligations for the upcoming and three subsequent planning years. An electrical corporation must submit documentation reflecting it's capacity position, as specified in the bill.

The Commission may require additional audits and reporting necessary to determine whether an electrical corporation's plan provides for its ownership or contractual rights to sufficient capacity.

If an electrical corporation fails to have sufficient capacity for the upcoming planning year and the Commission determines the failure is the result of the corporation's imprudence, the Commission may disallow any associated costs related to the failure. The Commission may also require submission of a plan by the electrical corporation within six months to resolve any expected capacity deficiency for the subsequent three planning years.

By August 28, 2026, the Public Service Commission, and every four years as needed thereafter, must complete an integrated resource planning proceeding for electrical corporations as specified in the bill.

No later than August 28, 2027, the Commission must publish a schedule for electrical corporations to file an integrated resource plan every four years. Each integrated resource plan must include an alternative resource plan meeting certain requirements. All alternative resource plans must cover a minimum 16-year planning horizon and must reflect projections of an electrical corporation's load obligations and how an electrical corporation would reliably meet its projected load obligations. Additional requirements are specified in the bill.

After a hearing and no later than 360 days after the electrical corporation files an integrated resource plan, the Commission must issue a report and order determining whether the electrical corporation has submitted sufficient documentation and selected a preferred resource plan representing a reasonable and prudent means of meeting the electrical corporation's load serving obligations at just and reasonable rates. In making this determination, the Commission must consider whether the plan appropriately balances factors specified in the bill. The Commission may grant itself an extension for good cause for the issuance of the report and order. Up to 150 days after an electrical corporation makes its initial integrated resource plan filing, it may file an update of the cost estimates if the cost estimates have materially changed.

If the Commission determines that the preferred resource plan is a reasonable and prudent means of meeting the electrical corporation's load serving obligations, the determination will constitute the Commission's permission for the electrical corporation to construct or acquire the specified supply-side resources that were reflected in the implementation plan. When the electrical corporation files an application for a certificate of convenience and necessity to authorize construction or acquisition of the resources, the Commission will be deemed to have determined that the resources are necessary or convenient for the public interest.

If the Commission determines that the preferred resource plan is not a reasonable and prudent means of meeting the electrical corporation's load serving obligations, the Commission will have the authority to specify in its report and order the deficiencies in the preferred resource plan. The procedures for an electrical corporation to cure the deficiencies is specified in the bill.

If approved in a proceeding granting permission and approval to construct an electric plant, an electrical corporation may in certain circumstances be permitted to include in its rate base any amounts recorded to construction work in progress for the investments for which permission is granted. The inclusion of construction work in progress will be in lieu of any applicable allowance for funds used during construction that would have accrued from the effective date of new base rates that reflect inclusion of the construction work in progress in rate base. The Commission must determine the amount of construction work in progress that may be included in rate base.

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
Office of the Secretary of State
Missouri House of Representatives
Joint Committee on Administrative Rules
Missouri Senate

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January 27, 2025

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January 27, 2025

MR:LR:OD