

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4238H.03C
Bill No.: HCS for HB 1734
Subject: Utilities
Type: Original
Date: March 17, 2022

Bill Summary: This proposal modifies provisions for public utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	\$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)

*Oversight assumes the fiscal impact to the state (if any) would not reach the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Various 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)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
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 2023	FY 2024	FY 2025
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

In response to a similar version, officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** stated this bill contains a number of provisions that FMDC assumes have the potential to impact utility costs for FMDC and other state and local government entities. However, FMDC is unable to determine the amount of such impact as it depends on a number of factors including the actions of utility companies and decisions of the Public Service Commission. Therefore, the impact of this bill is unknown.

Oversight assumes this proposal modifies accounting practices of electrical, gas, sewer and water corporations. Oversight assumes rate changes through amortization could be made as a result of this proposal that will be passed onto various customer classes.

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 much of a rate increase will be authorized (if any), Oversight will reflect a range from \$0 (no utility will increase rates) to an unknown cost to the state and local political subdivisions for higher utility costs, however, Oversight assumes the potential increase in utility cost will be less than \$250,000 in a given fiscal year.

Officials from the **Department of Commerce and Insurance (DCI)** state this bill is anticipated to have no fiscal impact to the department. However, should the extent of the work be more than anticipated, the department would request additional appropriation and/or FTE through the budget process.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for the DCI.

Officials from the **Missouri Department of Transportation**, cities: **Kansas City, O'Fallon**, and the utilities: **Metropolitan St. Louis Sewer District, South River Drainage District** and **St. Charles County Pwsd** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Missouri Department of Conservation, Springfield, St. Louis-Jefferson Swmd, Hancock Street Light District, Clarence Water/Wastewater** and **Wayne County Pwsd** 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 entities.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these entities.

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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and utilities 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.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Cost</u> - Office of Administration Potential increase in electric utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
VARIOUS STATE FUNDS			
<u>Cost</u> - Various State Agencies Potential increase in electric utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> - Local Governments Potential increase in electric utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

ACCOUNTING PRACTICES OF ELECTRICAL CORPORATIONS (Section 393.1275)
 Electrical corporations must defer to a regulatory asset or liability account any difference in state or local property tax expenses actually incurred, and those on which the revenue requirement

used to set rates in the corporation's most recently completed general rate proceeding were based. The regulatory asset or liability account balances must be included in the revenue requirement used to set rates through an amortization over a reasonable period of time in such corporation's subsequent general rate proceedings, without any offset.

PLANT-IN-SERVICE ACCOUNTING (Section 393.1400)

The bill modifies the definition of "weighted average cost of capital" for a provision relating to plant-in-service accounting.

CAPITAL INVESTMENT PLAN (Section 393.1400)

The bill also repeals a provision stating that an electrical corporation's election to defer depreciation expense must allow it to make such deferrals until December 31, 2023, or if approved by the Public Service Commission, continue to make such deferrals from January 1, 2024, through December 31, 2028.

DISCOUNTED ELECTRIC RATES (Section 393.1640)

The bill changes the criteria for electric customers to be considered for a discounted electric rate. In order to obtain one of the discounts established in the bill, the customer's load must be incremental, the customer must receive an economic development incentive from the local, regional, state, or federal government, and the customer must meet criteria set forth in the electrical corporation's economic development rider tariff sheet. The electrical corporation must verify the customer's incremental demand annually to determine continued qualification for the applicable discount. In each general rate proceeding concluded after August 28, 2022, the difference in revenues generated by applying the discounted rates and the revenue that would have been generated without such discounts shall not be imputed into the electrical corporation's revenue requirement but instead such revenue requirement is to be set as provided for in the bill. The bill also repeals the sunset date for the discounted electric rates.

REVENUE REQUIREMENT (Section 393.1656) Beginning January 1, 2024, that part of an electrical corporation's retail revenue requirement used to set the electrical corporation's base rates in each of the electrical corporation's general rate proceedings that are concluded on or after August 31, 2023, that consists of revenue requirement arising from inclusion in rate base of certain regulatory asset balances cannot exceed the revenue requirement impact cap.

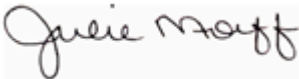
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

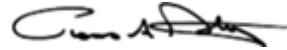
Department of Commerce and Insurance
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
Office of the Secretary of State

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Joint Committee on Administrative Rules
Kansas City
City of O'Fallon
City of Springfield
Metropolitan St. Louis Sewer District
South River Drainage District
St. Louis-Jefferson Swmd
Hancock Street Light District
Clarence Water/Wastewater
Wayne County Pwsd

A handwritten signature in black ink, appearing to read "Julie Morff", written over a light gray rectangular background.

Julie Morff
Director
March 17, 2022

A handwritten signature in black ink, appearing to read "Ross Strobe", written over a light gray rectangular background.

Ross Strobe
Assistant Director
March 17, 2022