

HCS HB 1746 -- UTILITIES (O'Donnell)

COMMITTEE OF ORIGIN: Standing Committee on Utilities

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 by a public utility or rural electric cooperative 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.

#### RENEWABLE NATURAL GAS PROGRAM (Section 386.895)

The bill requires the Public Service Commission to adopt rules no later than July 1, 2025, allowing gas corporations to voluntarily institute a renewable natural gas program. The rules must be limited to establishing a process for gas corporations to submit filings pursuant to the renewable natural gas program. The bill also repeals the provision giving the Commission general rule-making authority and provides for limited rulemaking authority relating to the renewable natural gas program.

The bill specifies that an investment must be deemed prudent when the aggregate investment does not exceed certain thresholds based upon the size of the gas company.

A filing by a gas corporation must include a timeline for the investment and completion of the proposed renewable natural gas infrastructure. For any filing for a project with an aggregate cost of less than \$5 million, the Commission must issue a decision on any filing by a gas corporation within 90 days of submission, but can extend the review period for up to an additional 60 days for good cause.

By January 1, 2026, the Division of Energy within the Department of Natural Resources is required to provide a report on the renewable

natural gas program to the chairman of the commission, the Speaker of the House of Representatives, the President Pro Tem of the Senate, and the chairs of certain legislative committees.

The provisions of this bill and any rule enacted under this bill expire nine years from the date the Commission promulgates rules to implement the renewable natural gas program.

#### 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.

## DEFERRALS BY ELECTRICAL CORPORATIONS (Section 393.1400)

This bill removes "new natural gas units" from the definition of "qualifying electric plant" for the purposes of certain deferrals by electrical corporations.

Currently an electrical corporations must defer to a regulatory asset 85% of all depreciation expense and return associated with all qualifying electric plant recorded to plant-in-service on the utility's books. Beginning August 28, 2024, the bill requires an electrical corporation to defer 90% of a qualifying electric plant consisting of investment in new generating units including new energy storage systems.

The cost of investments in new generating units and energy storage systems are excluded from the total investments reflected in each year's capital investment plan for which required investments in grid modernization projects are determined.

The bill extends the sunset date of certain provisions relating to deferrals by electrical corporations from December 31, 2028 to December 31, 2035. The deadline to file an application seeking permission from the Public Service Commission relating to deferrals shall be extended from December 31, 2026 to December 31, 2033.

Provisions relating to electrical corporations seeking deferrals will expire on December 31, 2040, instead of on December 31, 2033.

## 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.

WORKFORCE DEVELOPMENT INVESTMENTS OF PUBLIC UTILITIES (Section 393.1750)

The bill requires the Public Service Commission to permit electrical, water, and gas corporations to recover workforce development investments.

An electrical, water, or gas corporation is entitled to defer to a regulatory asset such corporation's workforce development investments made between August 28, 2024, and December 31, 2034, up to .55% of the corporation's total operating revenues as reported to the Commission for calendar year 2022.

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.

SMALL WIRELESS FACILITIES (Repeal of Section 67.5122)

Currently the Small Wireless Facility Deployment Act expires on January, 1, 2025. This bill repeals the expiration date for the Act.