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Concerns on SB 4

Senate Substitute No. 2 for Senate Bill No. 4 (SS2 for SB4), a significant piece of legislation passed by the Missouri Senate, introduces sweeping changes to the state's utility regulations. While the bill aims to modernize utility operations and planning, it includes provisions that have notable downsides for consumers and small businesses, particularly through increased costs and reduced competition. At the same time, it offers several benefits to utility companies, enhancing their financial flexibility and operational capabilities. This article explores these potential impacts, highlighting specific sections of the legislation where these effects are outlined.

Potential Downsides for Consumers and Small Businesses

SS2 for SB4 introduces several changes that could lead to higher utility costs and fewer service options for consumers and small businesses. Below are the key areas of concern:

1. Increased Utility Assessments Leading to Higher Rates

What It Means: The bill raises the maximum assessment that the Public Service Commission (PSC) can impose on utilities (*excluding telecommunications*) from **0.315% to 0.45%** of their gross intrastate operating revenues. This increase funds the PSC's regulatory activities.

Impact: Utilities may pass these additional costs onto consumers through higher rates. Small businesses, especially those with high energy demands, could see ***significant increases*** in their utility bills, squeezing their profit margins.

Where to Find It: *Section 386.370 (Pages 21-22)* outlines this change, increasing the assessment cap to "*four hundred fifty thousandths of one percent*."

2. Higher Penalties for Safety Violations

What It Means: The bill adjusts penalties for natural gas safety violations, aligning them with federal standards set by the U.S. Secretary of Transportation (*49 CFR Part 190.223(a))* rather than fixed amounts, potentially leading to higher fines.

Impact: While this could improve safety, the increased costs from fines will likely be passed on to consumers. The emergency clause for this section means these costs could take effect immediately upon passage.

Where to Find It: *Section 386.572 (Pages 23-24)* details the penalty adjustment, with the emergency clause in Section B (*Page 133*).

3. New Assessments for the Office of the Public Counsel

What It Means: Starting in fiscal year 2026, a new section allows the public counsel to assess utilities up to 0.057% of their gross intrastate operating revenues to fund their operations.

Impact: This additional cost, like the PSC assessment, will trickle down to consumers and small businesses, further increasing utility rates.

Where to Find It: *Section 386.720 (Pages 26-27)* establishes this assessment, capping it at "*fifty-seven thousandths of one percent*."

4. Flexible Rate-Setting Processes

What It Means: The bill modifies the PSC's authority over rate changes, potentially allowing utilities more leeway in adjusting rates and altering suspension timelines for rate changes.

Impact: This flexibility could lead to more frequent or larger rate increases, affecting household budgets and small business operating costs without sufficient oversight to protect ratepayers.

Where to Find It: *Section 393.130 (Page 1)* and *Section 393.135 (Page 1)* address rate-setting and suspension authority, though specific amendments are not fully detailed in the excerpted text.

5. Securitized Utility Tariff Bonds

What It Means: Utilities can issue bonds to recover costs (*e.g., for infrastructure or energy transition*), with these costs passed on to consumers via "*securitized utility tariff charges*."

Impact: While this helps utilities manage finances, it could increase consumer bills in the short term, especially if bond financing is mismanaged or costs escalate.

Where to Find It: *Section 393.1400 (Pages 96-120)* details the framework for these bonds, including cost recovery mechanisms.

6. Construction Work in Progress in Rate Base (CWIP)

What It Means: Utilities can recover costs for construction projects before completion by including them in the rate base, a shift from waiting until projects are operational.

Impact: Consumers and small businesses may face higher rates sooner, paying for infrastructure improvements before benefiting from them. In essence, this allows the Utility companies to finance their expansions with interest free loans paid for on the backs of consumers and small businesses.

Where to Find It: *Section 393.1900, Subsection 5(3) (Pages 130-131)* permits this inclusion, specifying conditions for rate base adjustments.

7. Sewer District Costs

What It Means: Trustees of sewer districts can receive attendance fees and expense reimbursements, potentially increasing operational costs.

Impact: These costs could be passed on to ratepayers, adding to the financial burden on consumers and small businesses in these districts.

Where to Find It: *Sections 204.300 (Pages 14-18) and 204.610 (Pages 19-20)* outline trustee compensation provisions.

Future Test Rate Modeling

Future Test Rate Modeling enables utility companies to use forward-looking financial projections to estimate future expenses—such as infrastructure upgrades, fuel costs, or environmental compliance—and incorporate these into their rate-setting process. Instead of waiting to recover costs after they're incurred, utilities can adjust rates proactively to cover anticipated expenses.

Key Feature: Utilities can charge customers for costs expected in the future, not just those already spent.

Purpose: This helps utilities fund large projects, like new power plants or grid improvements, by ensuring they have financial resources upfront or soon after costs begin.

Where to find: This method is embedded in SS2 for SB4, particularly in sections like Section *393.130 and Section 393.135 (Page 1),* which govern rate-setting flexibility, and *Section 393.1900 (Pages 121-132),* which ties future cost projections to integrated resource planning.

Potential Downsides for Consumers and Small Businesses

While Future Test Rate Modeling benefits utilities, it poses several risks for consumers and small businesses, primarily through higher and less predictable utility bills. Here's how:

1. Higher Utility Rates Based on Projections

Utilities can raise rates based on estimates of future costs, like inflation or construction expenses. If these projections are inaccurate or overly optimistic, customers may overpay.

Impact: Small businesses with tight budgets and households on fixed incomes could struggle with rising, unpredictable energy costs.

Relevant Section: For the framework allowing utilities to propose such rate changes, see *Section 393.130 (Page 1).*

2. Less Accountability for Utilities

Utilities might lack incentive to keep costs down if they can charge based on projections. If actual costs are lower than expected, they could still keep the higher rates unless challenged.

Impact: Ratepayers might end up funding utility profits rather than actual improvements.

Relevant Section: *Section 393.1400 (Pages 96-120)* ties into cost recovery mechanisms that could enable this.

3. Increased Financial Risk for Ratepayers

If a project is delayed, canceled, or costs less than projected, consumers may still pay for the anticipated expenses.

Impact: Small businesses face higher operational costs, and consumers see bills rise without immediate benefits.

Relevant Section: *Section 393.1900 (Pages 121-132)* includes future cost projections in resource planning that influence rates.

4. Limited Consumer Protections

The Public Service Commission (PSC) oversees rates, but SB4 may reduce review frequency or depth, limiting challenges to rate hikes.

Impact: Consumers and small businesses have fewer chances to contest unfair projections.

Relevant Section: *Section 393.135 (Page 1)* adjusts the PSC's rate suspension authority, potentially shortening review periods.

Benefits to Utility Companies

While these changes pose risks to consumers and small businesses, they provide significant advantages to utility companies, enhancing their operational and financial stability:

1. Financial Flexibility Through Securitization

Benefit: Utilities can use securitized utility tariff bonds to recover costs efficiently, improving cash flow and reducing financial strain from large projects.

Where to Find It: *Section 393.1400 (Pages 96-120)* outlines this mechanism, allowing cost recovery through customer charges.

2. Early Cost Recovery via Construction Work in Progress

Benefit: Including construction costs in the rate base before project completion allows utilities to recover investments sooner, stabilizing their finances during development.

Where to Find It: *Section 393.1900, Subsection 5(3) (Pages 130-131)* enables this early recovery.

3. Streamlined Infrastructure Approvals

Benefit: The integrated resource planning process and limited inquiry for certificates of convenience and necessity streamline approvals for new projects, reducing delays.

Where to Find It: *Section 393.1900, Subsection 5(1) (Page 128-129)* details the expedited process for approved resources.

4. Increased Assessments Fund Regulatory Oversight

Benefit: Higher assessments provide utilities with a more robust regulatory framework, potentially improving service reliability, though at consumer expense.

Where to Find It: *Section 386.370 (Pages 21-22)* increases the PSC assessment cap.

5. Enhanced Planning with Integrated Resource Plans

Benefit: Mandatory integrated resource planning every four years ensures utilities can strategically prepare for future energy needs, potentially reducing long-term costs.

Where to Find It: *Section 393.1900 (Pages 121-132)* establishes this planning requirement.

Conclusion

SS2 for SB4 is a very one-sided piece of legislation. While it offers utility companies tools to modernize and manage their operations effectively, these benefits come at the cost of consumers and small businesses. Higher utility rates and fewer service options will strain household budgets and small business finances—key sections like *386.370, 386.720, 393.1400, and 393.1900* highlight where these impacts originate. The estimated impact of these regulatory changes could result in rate increases as high as 20% for all utilities. While the bill does contain some protection from flex-rate electric plans and additional flexibility for consumers to opt out of smart meter requirements, these minor adjustments nowhere near make up for the significant burdens placed on consumers by this legislation. With the new administration in Washington shifting from inconsistent green energy sources and returning to reliable, inexpensive energy sources, the landscape is drastically changing, and our lawmakers will be in a much better position to address the infrastructure needs of the State in the next legislative session.

ACT4MO.ORG calls upon the House to KILL this legislation!