Policy Analyses

Provisions in SB 4 That Exacerbate the Detrimental Impacts of SB 564 on Missouri Citizens

Senate Bill 4 (SB 4), enacted in 2025 as Senate Substitute No. 2 for Senate Bill No. 4 during the 103rd General Assembly, constitutes a significant expansion of Missouri's utility regulations, amending various sections in Chapters 386 and 393 of the Revised Statutes of Missouri. This legislation intensifies several problematic elements originating from Senate Bill 564 (SB 564), enacted in 2018, which prioritized utility infrastructure investments, rate increases, mandatory renewable integrations, and economic subsidies at the expense of ratepayer affordability and long-term consumer protections. SB 564 established mechanisms such as Plant-in-Service Accounting (PISA), rate adjustment thresholds, solar requirements, and business incentives, which deferred immediate costs but ultimately shifted financial burdens onto citizens through higher future rates and reduced regulatory oversight, favoring utility profits over public interest.

SB 4 exacerbates these issues by prolonging timelines, introducing additional cost-recovery instruments, and addressing utility challenges, such as plant retirements and taxation, in ways that further disadvantage Missouri citizens. The following analysis details key areas where SB 4 amplifies or alters provisions from SB 564, drawing from the bill text and legislative reviews. These linkages demonstrate a troubling escalation toward greater utility dominance, with SB 4 drawing on SB 564's flawed implementation to broaden scope (*e.g., to gas utilities and securitization*), resulting in increased rate volatility and diminished consumer safeguards. References to sections pertain to the Revised Statutes of Missouri, as modified by each bill.

1. Extension and Modification of Plant-in-Service Accounting (PISA) – Section 393.1400

- Detriments in SB 564: This legislation implemented PISA, permitting electrical corporations to defer 85% of depreciation expenses and returns on infrastructure investments to a regulatory asset recoverable over 20 years. It mandated five-year capital plans with a 25% allocation to grid modernization, restricted smart meter expenditures, and set an expiration of December 31, 2028 (*with ongoing amortization*). This approach delayed rate hikes but burdened future ratepayers with accumulated costs, prioritizing utility investments over immediate accountability and affordability.
- Exacerbations in SB 4: SB 4 prolongs PISA's deferral until December 31, 2035 (*from 2028*), with the section expiring December 31, 2040 (*from 2033*). It adjusts the weighted average cost of capital baseline to December 31, 2023 (*from 2021*) and revises capital plan stipulations to omit new generating units and energy storage from the 25% grid modernization requirement. This extension perpetuates SB 564's deferral system, allowing utilities to accumulate larger debts that are passed on to citizens amid escalating energy demands and regulations. Meanwhile, prudence reviews offer insufficient protection against overinvestment and rate escalation, as highlighted in legislative critiques.

2. Renewable Energy Standards and Solar Incentives – Section 393.1030

- Detriments in SB 564: SB 564 strengthened the Renewable Energy Standard (RES) by requiring 15% renewable portfolio achievement by 2021 (*including 2% solar*), with cost recovery through the Renewable Energy Standard Rate Adjustment Mechanism (RESRAM). It imposed solar investments ($*3.5M–$14M by 2023*) and rebates *($0.25–$0.50 per watt through 2023*), which were deferrable if exceeding a 1% rate cap. This inflated utility expenses and passed compliance costs to ratepayers without providing commensurate benefits in terms of affordability or choice.
- Exacerbations in SB 4: SB 4 alters the RES for utilities serving 250,000–1 million customers, designating "*accelerated renewable buyers*" (*customers exceeding 80 average megawatts*) who may contract renewables directly and gain exemptions from compliance costs based on retired certificates. It retains RESRAM but imposes additional reporting on savings and exemptions. Furthermore, SB 4 grants tax exemptions for certain pre-2022 solar photovoltaic systems from tangible personal property taxes (*Sections 137.010, 137.080, 137.115*), intensifying SB 564's mandates by creating fiscal loopholes that subsidize corporate solar adoption at taxpayer expense, fostering a less equitable, market-skewed system that disadvantages residential citizens through higher embedded costs.

3. Rate Adjustment Mechanisms and Cost Recovery – Sections 393.135, 393.150, and 393.1656

- Detriments in SB 564: SB 564 introduced periodic rate adjustments (*up to 2.5% annually*) for infrastructure, weather variances, and tax shifts (*e.g., deferrals from 2017 federal tax reductions under Section 393.137*). It applied compound annual growth rate (CAGR) limits (*2.85–3%)* to rates, with overages deemed unrecoverable or deferred to PISA, allowing for frequent increases that eroded consumer protections and predictability.
- Exacerbations in SB 4: SB 4 incorporates future test years for gas, water, and sewer utilities in rate cases (*Section 393.150*), permitting rate base projections with reconciliations and refunds for excesses. It allows construction work in progress (CWIP) in rate base for utilities infrastructure (*Section 393.135*), capped by estimates and expiring in 2035 (*extendable to 2045*). A new regulatory asset limit (*Section 393.1656*) restricts PISA deferrals to 10% of revenue if the impact exceeds 2.5%, with penalties for violations. SB 4 also enables one-time adjustments for federal tax cuts through 2029 (*Section 393.138*), echoing SB 564's provisions. These changes compound SB 564's mechanisms, extending them to more utilities and introducing predictive tools that heighten regulatory lag risks, ultimately leading to sustained rate pressures on citizens.

4. Economic Development Incentives – Section 393.1645

- Detriments in SB 564: SB 564 provided discounts (*average 40% over five years*) on base rates for new or expanded electric loads (*minimum 300 kW*), distributed across customer classes, ostensibly to draw businesses but effectively subsidizing them via higher rates for other consumers (*Section 393.1640*).
- Exacerbations in SB 4: SB 4 extends comparable incentives to gas corporations (*Section 393.1645*), offering discounts for incremental loads meeting economic criteria, targeted at variable base-rate elements. It demands positive variable cost coverage and yearly qualifications. This mirrors SB 564's electric structure, expanding it to gas utilities and imposing additional burdens on residential and small-business ratepayers to fund industrial subsidies, thereby perpetuating inequities in cost allocation.

5. Utility Contractor Qualification and Bidding – Sections 386.752–386.764

- Detriments in SB 564: SB 564 required qualification for competitive bidding on electric distribution projects (*at least 10% of expenditures*), neutral regarding unions, with annual Public Service Commission (PSC) reports (*Section 393.1650*), adding bureaucratic layers that limited true competition and increased administrative costs passed to consumers.
- Exacerbations in SB 4: SB 4 establishes the *"Fair Competition Law"* (*Sections 386.752–386.764*), barring utilities and affiliates from HVAC services and mandating open contractor qualifications, including bidding and fines up to $12,500 per infraction. It amplifies SB 564's electric-focused rules by enforcing similar restrictions across broader services, introducing penalties and oversight that stifle market efficiency and elevate compliance costs, ultimately borne by Missouri citizens through inflated rates.

The consumer protections embedded in these provisions—such as prudence reviews, refunds for over-earnings, and rate impact caps—rely almost entirely on the Missouri Public Service Commission's (PSC) discretion and enforcement authority. However, historical patterns in PSC rulings indicate a tendency to approve utility requests in some form, rather than rejecting them outright. While the PSC may scale back proposed amounts or impose conditions to moderate rate increases, it rarely denies requests completely, often aligning with utilities' core objectives. This dynamic underscores the importance of robust stakeholder participation in PSC proceedings to ensure balanced outcomes, as the effectiveness of these safeguards depends on the Commission's rigorous application of public interest standards. Readers should consider this context when evaluating the potential for meaningful ratepayer protections in practice.

6. Plant Retirements, Securitization, and Resource Planning – Sections 393.401, 393.1700, and 393.1715

- Detriments in SB 564: SB 564 stressed infrastructure via PISA and capital plans, indirectly facilitating aging plant transitions through deferrals and modernization, which deferred but did not mitigate the financial strain on ratepayers from inefficient assets.
- Exacerbations in SB 4: SB 4 mandates replacement with equal or greater dispatchable capacity prior to post-2026 retirements (*Section 393.401*), including certifications and schedules. It authorizes securitized bonds (*Section 393.1700*) to recover undepreciated retirement costs via non-bypassable charges.

> Enhanced integrated resource planning (IRP) (*Section 393.1715*) requires triennial submissions with alternatives, metrics, and PSC approvals, extending SB 564's plans to 20-year horizons tied to certificates. Capacity mandates (*Section 393.1080*) enforce reserves with disallowances for imprudence. These elements intensify SB 564's focus, imposing costly mandates for plant replacements and securitization that lock in higher rates for citizens during transitions to renewables.

In conclusion, SB 4 exacerbates the adverse effects of SB 564's utility-centric reforms, prolonging timelines, incorporating financial instruments such as securitization and CWIP, and extending flawed concepts (e.g., incentives, bidding) to a broader range of utilities. This trajectory undermines the interests of Missouri citizens by prioritizing utility financial stability over rate affordability and robust consumer protections, as evidenced in legislative evaluations.