

FIRST REGULAR SESSION

SENATE BILL NO. 13

100TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR WALLINGFORD.

Pre-filed December 1, 2018, and ordered printed.

ADRIANE D. CROUSE, Secretary.

0307S.011

AN ACT

To repeal section 393.1012, RSMo, and to enact in lieu thereof eleven new sections relating to ratemaking for gas corporations.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Section 393.1012, RSMo, is repealed and eleven new sections
2 enacted in lieu thereof, to be known as sections 393.1012, 393.1700, 393.1705,
3 393.1710, 393.1715, 393.1720, 393.1725, 393.1730, 393.1740, 393.1745, and
4 393.1750, to read as follows:

393.1012. 1. Notwithstanding any provisions of chapter 386 and this
2 chapter to the contrary, beginning August 28, 2003, a gas corporation providing
3 gas service may file a petition and proposed rate schedules with the commission
4 to establish or change ISRS rate schedules that will allow for the adjustment of
5 the gas corporation's rates and charges to provide for the recovery of costs for
6 eligible infrastructure system replacements. The commission may not approve
7 an ISRS to the extent it would produce total annualized ISRS revenues below the
8 lesser of one million dollars or one-half of one percent of the gas corporation's
9 base revenue level approved by the commission in the gas corporation's most
10 recent general rate proceeding. The commission may not approve an ISRS to the
11 extent it would produce total annualized ISRS revenues exceeding ten percent of
12 the gas corporation's base revenue level approved by the commission in the gas
13 corporation's most recent general rate proceeding. An ISRS and any future
14 changes thereto shall be calculated and implemented in accordance with the
15 provisions of sections 393.1009 to 393.1015. ISRS revenues shall be subject to a
16 refund based upon a finding and order of the commission to the extent provided
17 in subsections 5 and 8 of section 393.1009.

18 2. The commission shall not approve an ISRS for any gas corporation that

19 has not had a general rate proceeding decided or dismissed by issuance of a
20 commission order within the past three years, unless the gas corporation has filed
21 for or is the subject of a new general rate proceeding. **This subsection shall**
22 **not apply to a participating gas corporation whose rates are set under**
23 **sections 393.1700 to 393.1750.**

24 3. In no event shall a gas corporation collect an ISRS for a period
25 exceeding three years unless the gas corporation has filed for or is the subject of
26 a new general rate proceeding; provided that the ISRS may be collected until the
27 effective date of new rate schedules established as a result of the new general
28 rate proceeding, or until the subject general rate proceeding is otherwise decided
29 or dismissed by issuance of a commission order without new rates being
30 established. **This subsection shall not apply to a participating gas**
31 **corporation whose rates are set under sections 393.1700 to 393.1750.**

32 4. In order for a gas corporation to file a petition with the
33 commission to establish or change an ISRS, such corporation shall, by
34 July 1, 2019, develop and file with the commission a pre-qualification
35 process for contractors seeking to participate in competitive bidding
36 to install ISRS-eligible gas utility plant projects. Under the pre-
37 qualification process, the gas corporation may specify certain
38 eligibility requirements typically accepted by the industry, including
39 but not limited to, experience, performance criteria, safety policies, and
40 insurance or indemnification requirements to be met by any contractor
41 seeking to participate in competitive bidding to install ISRS-eligible
42 gas utility plant projects. Contractors that meet the pre-qualification
43 criteria set by the gas corporation shall be eligible to participate in the
44 competitive bidding process for installing ISRS-eligible gas utility plant
45 projects, with the winning bid awarded to the contractor making the
46 overall lowest and best bid, as defined in subsection 2 of section
47 34.010. The gas corporation shall file, by January 1, 2021, a verified
48 statement with the commission confirming that it has in place a pre-
49 qualification process for the competitive bidding of ISRS-eligible gas
50 utility plant projects, and that such process conforms with the
51 requirements of this section. The commission shall have the authority
52 to verify the statement to ensure compliance with this section. After
53 January 1, 2021, the gas corporation shall submit with each petition
54 filing to establish or change an ISRS a verified statement confirming
55 that it is using a competitive bidding process for no less than ten

56 percent of the combined external installation expenditures made by the
57 gas corporation's operating units in Missouri for installing ISRS-
58 eligible gas utility plant projects, and that such process conforms with
59 the requirements set forth in this section. The commission shall have
60 the authority to verify the statement to ensure compliance with this
61 section. Nothing in this section shall be construed as requiring any gas
62 corporation to use a pre-qualified contractor or competitive bidding
63 process in the case of an emergency project, or to terminate any
64 existing contract with a contractor prior to its expiration; provided
65 however, that the use of any preexisting contract for the installation of
66 ISRS-eligible gas utility plant projects shall not qualify as fulfilling the
67 ten percent requirement set forth in this section beyond December 31,
68 2021. For contractors not qualifying through the competitive bid
69 process, the gas corporation, upon request from the contractor, shall
70 provide information from the process in which the contractor can be
71 informed as to how to be better positioned to qualify for such bid
72 opportunities in the future.

73 5. By December 31, 2022, and annually thereafter, the commission
74 shall submit a report to the general assembly on the effects of
75 subsection 4 of this section, including gas corporation compliance,
76 potential legislative action regarding subsection 4 of this section, the
77 costs of installing ISRS-eligible gas utility plant projects prior to the
78 implementation of subsection 4 of this section compared to after the
79 implementation of subsection 4 of this section, and any other
80 information regarding the processes established under subsection 4 of
81 this section that the commission deems necessary.

82 6. Nothing in this section shall be construed as diminishing in
83 any way the current authority and rights of the commission, on its own
84 motion, the office of the public counsel, or other authorized entity to
85 file a complaint under section 386.390 alleging that the rates or charges
86 of the gas corporation are unreasonable or unlawful, provided that the
87 reasonableness and lawfulness of the rates of a participating gas
88 corporation, as defined in section 393.1710, shall be governed
89 exclusively by the processes and procedures set forth in sections
90 393.1700 to 393.1750.

393.1700. Sections 393.1700 to 393.1750 shall be known and cited
2 as the "Rate Case Modernization Act".

393.1705. It shall be the policy of this state to apply sections
2 393.1700 to 393.1750 to gas corporations that voluntarily choose to be
3 subject to such sections in a manner that builds upon and extends
4 traditional ratemaking elements and procedures to advance the
5 interests of both utilities and their customers while contributing to
6 economic growth within the state.

393.1710. 1. The provisions of section 386.020 defining words,
2 phrases, and terms shall apply to and determine the meaning of all
3 such words, phrases, or terms as used in sections 393.1700 to 393.1750.

4 2. As used in sections 393.1700 to 393.1750, the following terms
5 shall mean:

6 (1) "Annual rate cap", an annual limitation on the amount of rate
7 increase that may be made under the annual true-up provided for in
8 section 393.1725 equal to three percent of the gas corporation's
9 previous year's Missouri gross jurisdictional revenues, with excess
10 amounts deferred and booked to a regulatory asset account for
11 recovery in a later period;

12 (2) "Annual true-up", an annual filing made by a participating gas
13 corporation to reflect in rates various updated financial and
14 operational results, and utilizing the ratemaking and review process
15 described in section 393.1725;

16 (3) "Cost management accountability" or "CMA", an adjustment
17 mechanism used in the annual true-up to better hold a participating
18 gas corporation accountable for, and incentivize effective management
19 of, its costs by comparing the updated O&M expense to a performance
20 benchmark approved in the corporation's periodic rate proceeding
21 based on the normalized and annualized O&M expense in the then
22 concluding year, updated for increases in the Consumers Price
23 Index-For All Urban Consumers (CPI-U);

24 (4) "Cost stabilization reserve", a mechanism designed to
25 moderate the impacts of significant extraordinary or force majeure
26 expenses on the revenue requirement recovered through the annual
27 true-up by permitting such costs to be deferred and booked to a
28 regulatory asset account and amortized in rates beginning with the
29 next annual true-up and extending over a period of three to five years,
30 unless a longer period is otherwise determined by the commission to be
31 appropriate;

32 (5) "Earnings test", a mechanism that calculates the achieved
33 earnings level during the updated test year period to determine if a
34 rate change should be made as part of the annual true-up, based on any
35 over- or under-earnings beyond a basis point range above or below the
36 updated return on equity, subject to the annual rate cap and utilizing
37 a rate base calculated on a thirteen-month average balance for non-
38 ISRS investments and the ending balance for any ISRS or ISRS-eligible
39 investments;

40 (6) "Foundational elements", the ratemaking determinations and
41 methods approved or modified by the commission listed under
42 subsection 1 of section 393.1715, as updated or adjusted consistent with
43 the processes and mechanisms set forth in sections 393.1700 to 393.1750;

44 (7) "Grow and share", a provision of the CMA mechanism
45 recognizing significant growth in the gas corporation or its parent
46 corporation. If such growth occurs and the number of utility customers
47 acquired by the participating gas corporation is greater than ten
48 percent of the participating gas corporation's then current number of
49 customers, then the performance benchmark of the CMA shall not be
50 reset until six years after such customer acquisition or transaction
51 became effective. After such period, the benchmark used for the annual
52 true-up shall be reset based on the updated O&M expense in the then
53 preceding year;

54 (8) "ISRS", an infrastructure system replacement surcharge
55 authorized under sections 393.1009 to 393.1015;

56 (9) "Participating gas corporation", a gas corporation that elects
57 to file an initiating general rate proceeding to update rates using
58 annual true-up and periodic rate review proceedings under sections
59 393.1700 to 393.1750;

60 (10) "Performance measurement indicators", service and
61 operational metrics that may be approved by the commission to hold a
62 participating gas corporation accountable for managing satisfactory
63 levels of performance in key areas, including but not limited to safety,
64 reliability, customer satisfaction, service, and operations;

65 (11) "Periodic rate review proceeding", the process described in
66 section 393.1730 to review and, if necessary and appropriate, revise
67 foundational elements used to establish rates in the annual true-up;

68 (12) "Revenue requirement", the amount of revenues to be in

69 effect for the next annual period, as calculated in the annual true-up,
70 including any adjustments resulting from the application of the
71 earnings test, subject to the annual rate cap, and any adjustment
72 resulting from the application of the CMA, plus any adjustment
73 resulting from the application of the CMA and revenue stabilization
74 mechanism;

75 (13) "Revenue stabilization mechanism", a mechanism that
76 adjusts rates as part of the annual true-up to prevent an over- or under-
77 recovery of authorized distribution revenues due to changes in usage
78 by the participating gas corporation's residential customers and those
79 non-residential customers within the smallest general service class;

80 (14) "Updated cost of capital", a calculation used to set rates in
81 the annual true-up for the following annual period. "Updated cost of
82 capital" shall be the product of the updated rate base and the ending
83 pre-tax weighted average cost of capital of the participating gas
84 corporation, based on the updated return on equity and the updated
85 interest rate;

86 (15) "Updated distribution revenues", the distribution-related
87 revenues, annualized for changes in customer levels. Such revenues
88 shall reflect amounts billed by the participating gas corporation during
89 the updated test year, as adjusted to reflect the annualized revenues of
90 the participating gas corporation's then effective ISRS, and accruals
91 booked resulting from the application of the revenue stabilization
92 mechanism, but excluding revenues accounted for through the
93 participating gas corporation's purchased gas adjustment and actual
94 cost adjustment;

95 (16) "Updated ineligible expenses", the updated test year
96 operations and maintenance expenses of the same kind and character
97 as those commonly disallowed by the commission in the participating
98 gas corporation's initiating general rate proceeding or periodic rate
99 review proceeding. Such ineligible expenses shall be excluded from the
100 rates established in any annual true-up unless or until a reviewing
101 court or the commission subsequently determines that such costs were
102 properly includable in rates;

103 (17) "Updated interest rate", the weighted average interest rate
104 for the participating gas corporation's long term debt and preferred
105 stock outstanding as of the end of the updated test year which is used

106 to determine the updated cost of capital for purposes of setting rates
107 in the annual true-up;

108 (18) "Updated operations and maintenance expense" or "updated
109 O&M expense", the normalized and annualized distribution operations
110 and maintenance expense incurred by the participating gas corporation
111 during the updated test year, which shall be calculated by reflecting
112 the normalized and annualized net dollar amount in FERC Accounts
113 700 through 950 "Operation Expenses", less any updated ineligible
114 expenses in such accounts. Such updated O&M expense shall be used
115 for determining the participating gas corporation's performance under
116 the cost management accountability mechanism and making any
117 resulting rate adjustment as part of the corporation's annual true-up;

118 (19) "Updated other expenses", the normalized and annualized
119 depreciation and amortization expense, as well as all federal, state and
120 local taxes, other than gross-receipts, sales and other similar pass-
121 through taxes;

122 (20) "Updated rate base", the updated test year balances for the
123 participating gas corporation's investments in net utility property,
124 plant and equipment, including reset ISRS investment amounts,
125 adjusted for related accumulated deferred income taxes, plus cash
126 working capital and working capital, as adjusted consistent with the
127 methodology established for the participating gas corporation in its
128 initiating general rate proceeding or periodic rate review proceeding,
129 plus the ending balance of any cost stabilization reserve amount. The
130 updated rate base shall exclude investments being recovered through
131 the participating gas corporation's purchased gas adjustment and
132 actual cost adjustment;

133 (21) "Updated return on equity", the return on equity authorized
134 for the participating gas corporation in its initiating general rate
135 proceeding or periodic rate review proceeding, adjusted each year in
136 the annual true-up for results of the performance measurement
137 indicators and capital market changes, reflected in long-term United
138 States Treasury bond yield rates;

139 (22) "Updated test year", the historic annual period between the
140 effective dates of each annual true-up, which is used as the beginning
141 and ending point for establishing the revenue requirement in the
142 annual true-up process.

393.1715. 1. A gas corporation may elect to become a
2 participating gas corporation by filing with the commission an
3 initiating general rate proceeding in which it will provide notice of its
4 election to participate in the update process established under sections
5 393.1700 to 393.1750. Unless the commission determines within sixty
6 days of such filing that it would be detrimental to the public interest
7 to permit the gas corporation to participate in the process authorized
8 by sections 393.1700 to 393.1750, the gas corporation shall be permitted
9 to participate in such process. Such initiating general rate proceeding
10 shall be conducted in accordance with the procedures and
11 requirements established by the commission for general rate
12 proceedings. The commission shall, with the assistance of the parties
13 to the proceeding, prepare and approve a supplement to the detailed
14 reconciliation required to be filed under subsection 4 of section 386.420,
15 which shall include any additional information required for the
16 participating gas corporation's periodic rate review proceeding and the
17 foundational elements to be used in calculating rates for the annual
18 true-up. Such foundational elements shall include a full and complete
19 description or specification of:

20 (1) The calculation methods to be used to determine the cash
21 working capital requirement, including the revenue and expense lag for
22 each revenue and expense item to be considered in establishing such
23 revenue requirement component in the annual true-up;

24 (2) The calculation methods to be used to determine working
25 capital items, including regulatory assets or liabilities receiving rate
26 base treatment, as well as customer deposits, contributions in aid of
27 construction, other investments required for business purposes, such
28 as materials and supplies, inventories, and prepaid items;

29 (3) Each regulatory asset or liability to be included in rates,
30 including the ending balance of each regulatory asset or liability,
31 whether rate base treatment is afforded in working capital, and the
32 annual amortization amount to be included in rates in the annual true-
33 up;

34 (4) Each item in the cost stabilization reserve, including the
35 ending balance of each regulatory asset or liability, whether rate base
36 treatment is afforded, and the annual amortization amount to be
37 included in rates in the annual true-up;

38 **(5) The weighted capital structure to be included in rates in the**
39 **annual true-up including the weighting to be used for each component**
40 **consistent with the actual long-term capitalization of the participating**
41 **gas corporation, provided that the participating gas corporation is no**
42 **less than forty percent and no more than sixty percent of its total**
43 **capital structure and is within ten percentage points of the equity**
44 **component of its parent corporation's capital structure, if any;**

45 **(6) The return on equity to be used to calculate rates, including**
46 **the starting benchmark capital market rate to be used for the annual**
47 **true-up, as calculated based on the most recent twelve-month average**
48 **of the thirty-year United States Treasury bond yield of the then-longest**
49 **duration published by the board of governors in its weekly H.15**
50 **statistical release, or any successor publication;**

51 **(7) The performance measurement indicators, if any, to be used**
52 **to measure the participating gas corporation's performance, and**
53 **depending on actual results achieved, potentially adjust the**
54 **participating gas corporation's updated return on equity in the annual**
55 **true-up. Such performance measurement indicators should be**
56 **reasonably achievable and based on the participating gas corporation's**
57 **historical experience;**

58 **(8) The defined performance benchmark cost level for O&M**
59 **expense to be used for the CMA mechanism for the subsequent annual**
60 **true-ups to compare against the updated O&M expense. Such**
61 **benchmark shall be set based on the updated O&M expense in the then-**
62 **concluding updated test year, subject to the grow and share provision**
63 **of the CMA;**

64 **(9) The categories and types of ineligible operating expenses to**
65 **be excluded from rates in the annual true-up, including the associated**
66 **FERC accounts;**

67 **(10) The methodologies to be used to allocate joint and common**
68 **costs included in rates between the participating gas corporation and**
69 **its affiliates to the extent the methodologies differ from those in the**
70 **commission-approved cost allocation manual;**

71 **(11) The billing determinants to be used to establish rates, for**
72 **use in the annual true-up and revenue stabilization mechanism process;**

73 **(12) The class cost of service method to be used to allocate costs**
74 **between and within each customer class, including the rate design to**

75 be used for each class, together with a specification of the method to
76 be used to allocate any increase or decrease in revenue requirement for
77 the annual true-up;

78 (13) The depreciation rates to be used to establish rates included
79 in the annual true-up; and

80 (14) The templates to be used for the surveillance reports that
81 will be submitted on a quarterly basis to report current operating
82 expenses, rate base, revenues, and performance metrics used in the
83 annual true-up.

84 2. If the gas corporation has had new rates become effective in
85 the past two years as a result of a general rate proceeding, then the
86 commission shall, upon the filing of a notice by the gas corporation
87 requesting such action, make a determination within sixty days of the
88 filing of whether permitting the gas corporation to participate in the
89 process authorized by sections 393.1700 to 393.1750 would be
90 detrimental to the public interest. If the commission determines that
91 it would not be detrimental, it shall conduct a proceeding to consider
92 and determine only those foundational elements that were not
93 otherwise identified by agreement or by a commission order in the
94 general rate proceeding, provided that the commission, in its sole
95 discretion, may consider changes to the return on equity previously
96 established. Such proceeding shall be conducted and concluded within
97 five months and shall not result in any change in rates.

393.1720. 1. As part of the initiating general rate proceeding, the
2 commission shall approve a revenue stabilization mechanism for a
3 participating gas corporation to address the over- or under-recovery of
4 revenue due to changes in usage per customer by residential and non-
5 residential customers within the smallest general service class. The
6 adjustment shall utilize a deferral account, with interest applied at the
7 participating gas corporation's short term cost of debt, to track and
8 book as a regulatory liability or asset, as applicable, any excessive or
9 deficient revenue due to a change in the assumed commodity use per
10 customer established in the periodic rate review proceeding. Such
11 deferral account shall amortize the difference on an earnings-neutral
12 basis and be excluded from the earnings test. No adjustment shall be
13 made for a variance in the determinants based on number of customers.

14 2. Rates shall be adjusted by the amount necessary to return to,

15 or recover from, customers over the subsequent twelve-month period
16 the difference between the per customer revenues actually billed by the
17 participating gas corporation during the most recent updated test year
18 for the customers identified in subsection 1 of this section, and the per
19 customer revenues authorized in the participating gas corporation's
20 initiating general rate proceeding or periodic rate review proceeding
21 for such customers. The billing determinants used to set rates for such
22 customers in the initiating general rate proceeding or periodic rate
23 review proceeding shall be compared to the billing determinants
24 realized during the updated test year for those same customers to
25 determine the amount of the necessary adjustment. Revenue variations
26 accounted and adjusted for in the participating gas corporation's
27 purchased gas adjustment, actual cost adjustment, and ISRS shall not
28 be considered.

393.1725. 1. At least forty-five days prior to the end of each
2 updated test year, the participating gas corporation shall file tariffs,
3 rate schedules, and minimum filing requirements, including full and
4 complete schedules and supporting documentation, to be used to
5 establish and allocate the revenue requirement to be reflected in rates
6 in the corporation's annual true-up based on an application of the
7 foundational elements most recently determined by the commission to
8 actual results and application at the CMA, earnings test, and other
9 updates and adjustments authorized by sections 393.1700 to
10 393.1750. Any rate changes resulting from such filing shall be placed
11 into effect on an interim basis on the date following the end of the
12 current updated test year, subject to refund. The commission, at its
13 discretion, may implement a future test year for the annual update.

14 2. The participating gas corporation's annual true-up filing shall
15 be based upon the most recent three quarters of information on the
16 participating gas corporation's books and a pro forma forecast for the
17 remaining quarter. Such forecast shall be of sufficient line item detail
18 to permit adequate review by commission staff, and updated actual
19 results shall be filed at least thirty days before the commission staff's
20 recommendation is due. Any supporting information that is
21 proprietary or confidential may be submitted on a confidential basis
22 under the commission's rules governing such matters.

23 3. Minimum filing requirements shall include the following, or

24 such other requirements as the commission may deem appropriate:

25 (1) Financial reports for the participating gas corporation's
26 regulated Missouri utility operations for the updated test year as such
27 financial reports are finalized based on actual results, including the
28 income statement, balance sheet, and cash flow statement with line-
29 item detail matching the level of the FERC Form 2 or the annual
30 distribution utility report provided to the commission. The financials
31 should be adjusted to reflect the application of the foundational
32 elements approved in the initiating general rate proceeding or the most
33 recently concluded periodic rate review proceeding;

34 (2) Accounting schedules of the type normally provided in a
35 general rate case proceeding showing updated rate base amounts,
36 including ending balances for regulatory assets and liabilities and cost
37 stabilization reserve amounts, as well as annual amortization amounts
38 to be included in rates, updated ineligible operating expenses that are
39 consistent with the determinations made by the commission in the
40 initiating general rate proceeding or most recently concluded periodic
41 rate review proceeding;

42 (3) A full and complete set of cost of service schedules normally
43 provided in a general rate proceeding along with any detailed
44 schedules used to annualize, normalize, or otherwise adjust each
45 updated distribution revenue, updated O&M expense, updated other
46 expense, and updated cost of capital item for ratemaking purposes;

47 (4) A full and complete schedule for the earnings test performed
48 using the schedules and amounts prepared under this subdivision. If
49 the return achieved in the updated test year exceeds or falls below
50 twenty-five basis points of the updated return on equity, such test shall
51 determine the increase or decrease to the revenue requirement
52 necessary to bring the return back to within twenty-five basis points
53 above or below the updated return on equity, subject to the annual rate
54 cap. For purposes of making such a determination, the rate base used
55 for the earnings test shall be determined using a thirteen-month
56 average balance for non-ISRS investments and the ending balance for
57 any ISRS or ISRS-eligible investments. The updated return on equity
58 shall first apply adjustments based on the results of the performance
59 measurement indicators and capital market changes as follows:

60 (a) Any performance measurement indicator adjustments to the

61 updated return on equity authorized by the commission in the
62 initiating general rate proceeding or periodic rate review proceeding;

63 (b) The updated return on equity used for the earnings test in
64 the current annual true-up shall be adjusted for capital market changes
65 by comparing the starting benchmark capital market rate determined
66 in the initiating general rate proceeding or periodic rate review
67 proceeding to any increase or decrease in the twelve-month average of
68 the thirty-year United States Treasury bond yield during the applicable
69 updated test year, and the difference shall be applied to adjust the
70 updated return on equity;

71 (5) A full and complete calculation of the CMA, comparing
72 achieved updated O&M expense during the updated test year to the
73 performance benchmark O&M expense level determined at the
74 initiating general rate proceeding or the most recently completed
75 periodic rate review proceeding. An update to that benchmark shall be
76 applied using an inflation factor equal to the CPI-U factor for the
77 updated test year, or one percent, whichever is greater. To the extent
78 the updated O&M expense exceeds or falls below the updated
79 performance benchmark by more than one percent, then half of that
80 difference shall be credited or charged to customers with such credits
81 or charges excluded from the earnings test.

82 4. Within four months of the annual true-up filing, the
83 commission staff shall submit its recommendation verifying that the
84 revenue requirement was calculated and implemented in conformity
85 with this section and based on prudently incurred and just and
86 reasonable costs or identifying with specificity any ways in which the
87 update filing was not in conformity with the requirements of this
88 section.

89 5. If the parties to the annual true-up are unable to jointly
90 recommend a revenue requirement to the commission within twenty
91 days of the filing of commission staff's report, the commission shall
92 establish a procedural schedule so that any contested issues may be
93 adjudicated by the commission with a report and order resolving such
94 differences issued within five months after the filing of the commission
95 staff's report. The commission shall, in such report and order, make
96 permanent the interim rates filed by the participating gas corporation
97 to the extent such rates have been calculated in compliance with the

98 requirements of sections 393.1700 to 393.1750. Any adjustments made
99 by the commission to the revenue requirement shall be reflected in the
100 next annual true-up filing made by the participating gas corporation,
101 subject to judicial review.

102 **6. The revenue requirement to be in effect for the next annual**
103 **period shall include a rebasing of all ISRS costs implemented and in**
104 **effect during the updated test period. Any participating gas**
105 **corporation shall be permitted to make filings under sections 393.1009**
106 **to 393.1015 and shall submit a schedule reflecting its estimated capital**
107 **expenditures for ISRS-eligible projects for the annual period, provided**
108 **that the annual rate cap, timing, periodic rate review proceeding**
109 **requirements, and rebasing of ISRS charges set forth in this subsection**
110 **shall be substituted for any similar rate caps, ISRS rebasing, or general**
111 **rate proceeding requirements under sections 393.1009 to 393.1015.**

112 **7. Any annual rate adjustment resulting from the application of**
113 **the earnings test shall not, when combined with any ISRS charges reset**
114 **in the annual true-up during the same annual period, exceed an annual**
115 **increase to the revenue requirement amount equal to three percent of**
116 **the prior year's Missouri gross jurisdictional revenues. In addition to**
117 **the rate adjustment, the participating gas corporation shall be**
118 **permitted to collect any applicable gross receipts tax, sales tax, or**
119 **other similar pass-through taxes, and such taxes shall not be counted**
120 **against the annual rate cap. Any costs not recovered as a result of the**
121 **annual rate cap limitation on rate adjustments shall be deferred, at a**
122 **carrying cost each month equal to the participating gas corporation's**
123 **net of tax, long-term cost of capital, for recovery in a subsequent year's**
124 **annual true-up or periodic rate review proceeding.**

393.1730. 1. After each third rate year effectuating an annual
2 **true-up, the participating gas corporation shall file a periodic rate**
3 **review proceeding at least six months prior to the participating gas**
4 **corporation's next annual true-up filing. Such filing shall include the**
5 **participating gas corporation's proposed positions and supporting**
6 **documentation on each of the foundational elements identified in**
7 **subsection 1 of section 393.1715.**

8 **2. The commission shall have the authority to set interim**
9 **deadlines for interested stakeholders and the gas corporation to make**
10 **their respective filings and to specify other matters to ensure that any**

11 other issues common to a traditional general rate proceeding can also
12 be examined, but the commission shall issue an order presenting its
13 determinations and finding within five months of the filing date of the
14 periodic rate review proceeding. Such determinations shall be used to
15 set rates in subsequent annual true-ups, subject to the right of the
16 participating gas corporation and other parties to seek judicial review
17 of the determinations in accordance with applicable law. The existence
18 of a judicial review proceeding shall not preclude a participating gas
19 corporation from filing, or the commission from processing, any
20 subsequent initiating general rate proceeding, annual true-up, or
21 periodic rate review proceeding.

393.1740. A participating gas corporation may voluntarily
2 terminate its participation in the update process at the conclusion of
3 any updated test year. Upon termination, whether such termination
4 occurs by operation of law, by voluntary action of a participating gas
5 corporation, or for any other reason, the then current rates established
6 under sections 393.1700 to 393.1750 shall remain in effect until such
7 time as new rates are set under section 393.150, subject to any
8 adjustment that may be made to such rates based on the commission
9 staff's audit of the last updated test year.

393.1745. On or after December 31, 2026, the commission shall
2 prepare and file with the general assembly a report on the impact of
3 sections 393.1700 to 393.1750 on participating gas corporations and
4 their customers, including an assessment of whether a continuation of
5 such sections would be detrimental to the public interest. Participating
6 gas corporations shall cooperate in good faith to provide the data
7 necessary for the preparation of the report required by this section.

393.1750. The commission shall have the authority to promulgate
2 rules and regulations to implement the provisions of sections 393.1700
3 to 393.1745, but only to the extent such rules are consistent with and do
4 not delay the implementation of sections 393.1700 to 393.1745. Any rule
5 or portion of a rule, as that term is defined in section 536.010 that is
6 created under the authority delegated in this section shall become
7 effective only if it complies with and is subject to all of the provisions
8 of chapter 536, and, if applicable, section 536.028. This section and
9 chapter 536 are nonseverable and if any of the powers vested with the
10 general assembly pursuant to chapter 536, to review, to delay the

11 **effective date, or to disapprove and annul a rule are subsequently held**
12 **unconstitutional, then the grant of rulemaking authority and any rule**
13 **proposed or adopted after August 28, 2019, shall be invalid and void.**

✓

Unofficial

Bill

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