

FIRST REGULAR SESSION

# HOUSE BILL NO. 344

## 92ND GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVES RECTOR, BIVINS, WILLOUGHBY (Co-sponsors),  
COOPER (120), MYERS, QUINN AND MILLER.

Read 1<sup>st</sup> time January 30, 2003, and copies ordered printed.

STEPHEN S. DAVIS, Chief Clerk

1138L.011

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### AN ACT

To amend chapter 393, RSMo, by adding thereto four new sections relating to recovery of certain costs by utilities.

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

Section A. Chapter 393, RSMo, is amended by adding thereto four new sections, to be  
2 known as sections 393.1007, 393.1008, 393.1009, and 393.1010, to read as follows:

**393.1007. As used in sections 393.1007 to 393.1009, the following terms mean:**

2 **(1) "Appropriate pretax revenues", the revenues necessary to produce net**  
3 **operating income equal to:**

4 **(a) The gas corporation's weighted cost of capital multiplied by the net original cost**  
5 **of eligible infrastructure system replacements;**

6 **(b) Including state, federal, and local income or excise taxes applicable to such**  
7 **income;**

8 **(c) Including all other ISRSC costs; and**

9 **(d) Including, to the extent not already included in existing rates, recurring**  
10 **operating and maintenance expenses associated with expenditures for security measures**  
11 **reasonably required to protect the gas corporations facilities from terroristic threats;**

12 **(2) "Commission", the Missouri public service commission;**

13 **(3) "Eligible infrastructure system replacements", new gas utility plant projects**  
14 **that replace existing infrastructure and that are used and useful and that:**

15 **(a) Do not increase revenues by directly connecting the infrastructure replacement**  
16 **to new customers;**

17 **(b) Are in service;**

18 **(c) Were not included in the gas corporation's rate base in its most recent general**

19 rate case; and

20 (d) Replace, or extend the useful life of, or make more secure from terroristic  
21 threat, an existing infrastructure;

22 (4) "Gas corporation", every corporation, company, association, joint stock  
23 company or association, partnership and person, their lessees, trustees or receivers  
24 appointed by any court whatsoever, owning, operating, controlling, or managing any gas  
25 plant operating for public use under privilege, license, or franchise now or hereafter  
26 granted by the state or any political subdivision, county, or municipality thereof as defined  
27 in section 386.020, RSMo;

28 (5) "Gas utility plant projects", may consist of the following:

29 (a) Mains, valves, service lines, regulator stations, vaults, and other pipeline system  
30 components installed to comply with state or federal safety requirements as replacements  
31 for existing facilities that have worn out or are in deteriorated condition;

32 (b) Main relining projects, service line insertion projects, joint encapsulation  
33 projects, and other similar projects extending the useful life, or enhancing the integrity of  
34 pipeline system components undertaken to comply with state or federal safety  
35 requirements; and

36 (c) Unreimbursed funds related to capital projects for required relocations of  
37 company facilities due to construction or improvement of a highway, road, street, public  
38 way, or other public work by or on behalf of the United States, this state, a political  
39 subdivision of this state, or another entity having the power of eminent domain; and

40 (d) Expenditures for security measures reasonably required to protect the gas  
41 corporation's facilities from terroristic threats;

42 (6) "ISRSC", infrastructure system replacement and security charge;

43 (7) "ISRSC costs", depreciation expense, property taxes, and appropriate pretax  
44 revenues associated with eligible infrastructure system replacements;

45 (8) "ISRSC revenues", revenues produced through an ISRSC exclusive of revenues  
46 from all other rates and charges.

393.1008. 1. Notwithstanding any provisions of chapter 386, RSMo, and this  
2 chapter to the contrary, a gas corporation providing gas service may file a petition and  
3 proposed rate schedules with the commission to establish or change ISRSC rate schedules  
4 that will allow for the adjustment of the gas corporation's rates and charges to provide for  
5 the recovery of prudently incurred costs for eligible infrastructure system replacements.  
6 The commission shall not approve an ISRSC to the extent it would produce total ISRSC  
7 revenues exceeding ten percent of the gas corporation's base revenue level approved by the  
8 commission in the gas corporation's most recent general rate proceeding. Such charge and

9 any future changes shall be implemented in accordance with section 393.1009. The ISRSC  
10 shall be subject to a refund based upon a finding and order of the commission to the extent  
11 provided in subsection 5 of section 393.1009.

12 2. The commission shall not approve an ISRC for any gas corporation unless the  
13 gas corporation's most recent rate proceeding was within the past four years.

14 3. In no event shall an ISRSC be collected by a gas corporation for a period  
15 exceeding four years unless the gas corporation has filed for or is the subject of a new  
16 general rate proceeding.

393.1009. 1. The gas corporation shall serve the office of the public counsel with  
2 a copy of its petition and any associated proposed rate schedules at the time of its filing  
3 with the commission.

4 2. (1) When a petition, along with any associated proposed rate schedules, is filed  
5 pursuant to sections 393.1007 to 393.1009, the commission shall conduct an examination  
6 of the proposed rate.

7 (2) The staff of the commission may examine information of the gas corporation to  
8 confirm that the underlying costs are in accordance with this section, to confirm proper  
9 calculation of the proposed charge, and may submit a report to the commission not later  
10 than sixty days after the petition is filed. The staff of the commission shall not examine any  
11 other revenue requirement or ratemaking issues in its consideration of the petition or  
12 associated proposed rate schedules filed under the provisions of sections 393.1007 to  
13 393.1009.

14 (3) The commission may hold a hearing and shall issue an order to become effective  
15 not later than one hundred twenty days after the petition is filed.

16 (4) If the commission finds that a petition complies with the requirements of  
17 sections 393.1007 to 393.1009, the commission shall enter an order authorizing the  
18 corporation to impose a charge that is sufficient to recover appropriate pretax revenue, as  
19 determined by the commission pursuant to the provisions of sections 393.1007 to 393.1009.

20 3. A gas corporation shall not change its rate under this section more than two  
21 times every twelve months.

22 4. In determining the appropriate pretax revenue, the commission may consider the  
23 following factors:

24 (1) The current state, federal, and local income tax or excise rates;

25 (2) The gas corporation's actual regulatory capital structure as determined at the  
26 most recent general rate proceeding of the gas corporation;

27 (3) The actual cost rates for the gas corporation's debt and preferred stock as  
28 determined at the most recent general rate proceeding of the gas corporation;

29           **(4) The gas corporation's cost of common equity as determined at the most recent**  
30 **general rate proceeding of the gas corporation;**

31           **(5) The current property tax rate or rates applicable to the eligible infrastructure**  
32 **system replacements; and**

33           **(6) The current depreciation rates applicable to the eligible infrastructure system**  
34 **replacements.**

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36 **The commission shall not examine any other revenue requirement or ratemaking issues in**  
37 **its consideration of the petition or associated proposed rate schedules.**

38           **5. The monthly ISRSC charge may be calculated based on a reasonable estimate**  
39 **of billing units in the period in which the charge will be in effect, which shall be**  
40 **conclusively established by dividing the appropriate pretax revenues by the customer**  
41 **numbers reported by the gas corporation in the annual report it most recently filed with**  
42 **the commission pursuant to subdivision (6) of section 393.140, and then further dividing**  
43 **such quotient by twelve. At the end of each twelve-month calendar period the charge is in**  
44 **effect, the gas corporation shall reconcile the differences between the revenues resulting**  
45 **from the charge and the appropriate pretax revenues as found by the commission for that**  
46 **period and shall submit the reconciliation and adjustment to the commission for approval**  
47 **to recover or refund the difference, as appropriate, through adjustments of the charge.**

48           **6. A gas corporation that has implemented a charge pursuant to sections 393.1007**  
49 **to 393.1009 shall file revised rate schedules to adjust the charge when new base rates and**  
50 **charges become effective for the gas corporation following a commission order authorizing**  
51 **a general increase or decrease in rates and charges that includes in the utility's rate base**  
52 **eligible costs previously reflected in the charge.**

53           **7. The filing of a charge pursuant to this section and a change in such charge is not**  
54 **a general increase in base rates and charges.**

55           **8. The commission may adopt by order other procedures not inconsistent with**  
56 **sections 393.1007 to 393.1009 that the commission finds reasonable or necessary to**  
57 **administer these charges.**

**393.1010. 1. The public service commission, upon application, shall authorize an**  
2 **electric corporation to recover the utility's prudent expenditures for security measures and**  
3 **insurance reasonably required to protect the utility's electric generation, distribution, and**  
4 **transmission assets by periodic adjustment to the utility's customers bills. Recovery may**  
5 **include security measures for computer systems used in the generation, transmission, and**  
6 **distribution of electrical energy and other operations and control systems. The application**  
7 **shall be subject to such procedures and conditions, including review, in an expedited**

8 manner, of the prudence of the expenditures and the reasonableness of the measures, as  
9 the commission deems appropriate. Such application and request shall be confidential and  
10 subject to protective order of the commission.

11       2. The public service commission, upon application, shall authorize an electric  
12 corporation to recover unreimbursed costs for capital projects for required relocation of  
13 company facilities due to construction or improvement of a highway, road, street, public  
14 way, or other public work by or on behalf of the United States, this state, or any political  
15 subdivision of this state, or any entity having the power of eminent domain by periodic  
16 adjustment to the utility's customers bills. The application shall be subject to such  
17 procedures and conditions, including review, in an expedited manner, of the prudence of  
18 the reasonableness of the expenditures and as the commissions deems appropriate.