

SS SCS SB 179 -- COST RECOVERY FOR UTILITY COMPANIES

SPONSOR: Griesheimer (Rector)

COMMITTEE ACTION: Voted "do pass" by the Committee on Utilities by a vote of 13 to 0.

This substitute allows electrical, gas, or water corporations to apply to the Missouri Public Service Commission for approval to make rate adjustments in order to recover their costs. The commission has the power to approve, modify, or reject any adjustment mechanism after hearing and considering all the relevant factors. The commission may approve the rate schedules if the adjustment mechanism is reasonably designed to provide the utility an opportunity to earn a fair equity return; includes provisions for an annual true-up to remedy any over- or under-collections; includes provisions to require the utility to file a general rate case with an effective date of no later than four years after the effective date of the initial adjustment mechanism implementation; and includes provisions for prudence reviews of the costs subject to the adjustment mechanism.

The substitute will become effective on January 1, 2006.

FISCAL NOTE: Estimated Cost to General Revenue Fund of \$71,757 in FY 2006, \$35,801 in FY 2007, and \$36,571 in FY 2008. No impact on Other State Funds in FY 2006, FY 2007, and FY 2008.

PROPOSERS: Supporters say that the bill allows the Missouri Public Service Commission to consider environmental costs in a fuel adjustment and allows for a number of safeguards to ensure that consumers are not overcharged. Rate cases on both ends of the enabling process, prudence reviews, and price caps protect consumers.

Testifying for the bill were Senator Griesheimer; AmerenUE; SSM Healthcare; Missouri Energy Group; International Brotherhood of Electrical Workers; Missouri Association of Municipal Utilities; Aquila, Incorporated; Empire Electric; and LaClede Gas.

OPPOSERS: Those who oppose the bill say that it makes several exceptions to the general rule that changes to rates must not be made based solely on one factor. There is a concern that an environmental surcharge is certain to raise consumer rates and that costs will trickle down to the consumer.

Testifying against the bill were Office of the Public Counsel; and AARP.

Kristina Jenkins, Legislative Analyst