

HCS SS SCS SB 376 -- ENERGY

SPONSOR: Lager (Bivins)

COMMITTEE ACTION: Voted "do pass" by the Committee on Energy and Environment by a vote of 11 to 1.

This substitute establishes the Missouri Energy Efficiency Investment Act and changes the laws regarding the purchase of appliances with state funds, utility company rate adjustments, and energy assistance.

MISSOURI ENERGY EFFICIENCY INVESTMENT ACT

The Missouri Energy Efficiency Investment Act is established which requires the Missouri Public Service Commission to allow electric corporations to implement and recover costs related to commission-approved energy efficiency programs aimed at customers. In its main provisions, the substitute:

- (1) Requires the commission to develop cost recovery methods that value energy efficiency investments equal to or better than traditional supply-side investments by the company;
- (2) Requires any cost recovery method to take into account lost energy sales associated with energy efficiency;
- (3) Allows the commission to reduce or exempt energy efficiency costs for low-income customers and caps the amount that a customer of any rate class must pay at \$5,000 per month;
- (4) Requires the commission to establish rules to require any customer using more than 2,500 kilowatts seeking an exemption from the provisions of the act to demonstrate that the customer has a comprehensive energy efficiency initiative in place that is funded using financial criteria similar to the total resource cost test and to demonstrate an achievement of savings as determined by the commission;
- (5) Requires the commission to provide oversight and allows it to adopt rules and procedures and to approve certain settlements and tariff provisions to ensure that electric corporations achieve the goals of the substitute; and
- (6) Requires every electric corporation to submit an annual report to the commission on its energy efficiency programs in the previous year.

PURCHASE OF APPLIANCES WITH STATE FUNDS

The substitute requires any appliance purchased with state funds to have earned the Energy Star rating under the federally sponsored Energy Star Program. The Commissioner of the Office of Administration is allowed to exempt an appliance from the requirement if the cost of compliance is expected to exceed the projected energy cost savings.

UTILITY COMPANY RATE ADJUSTMENTS

Currently, rate adjustments in the purchase price of natural gas which have been approved by the Missouri Public Service Commission are exempt from certain provisions regarding business license taxation. The substitute allows any adjustments to include the gas cost portion of net write-offs incurred by a gas corporation in providing service to its customers. Any write-off may only be recovered once through the gas corporation's purchased gas adjustment rates. A true-up of the gas cost portion of net write-offs is required once every year, and the commission must annually review a gas corporation's records to ensure that it is prudently pursuing the moneys owed by its customers.

The substitute increases from three to five years the period of time that a gas corporation is able to collect an infrastructure system replacement surcharge without holding a general rate proceeding before the commission.

An electric corporation is allowed to file a petition and proposed rate schedule with the commission to establish or change infrastructure system replacement surcharges (ISRS) rate schedules that will allow for the adjustment of the corporation's rates and charges for the recovery of costs for eligible infrastructure system replacements. The commission cannot approve an ISRS if it would produce total annualized ISRS revenues below the lesser of \$1 million or 0.5% of the corporation's base revenue level approved by the commission in the corporation's most recent general rate proceeding or if it would produce total annualized ISRS revenues exceeding 10% of the corporation's base revenue level approved at the most recent general rate proceeding. The period of collection on an ISRS is limited to five years, but may be extended if the corporation has filed for or is the subject of a new general rate proceeding.

The substitute specifies the procedures for the application and hearing as well as the accounting methods and procedures to be used for the surcharges.

ENERGY ASSISTANCE

The substitute specifies that any qualified individual receiving

energy assistance through the Utilicare Program or the federal Low Income Energy Assistance Program will be eligible for an assessment of additional needs and must be encouraged to attend any appropriate energy efficiency workshop, financial management workshop, or any other educational program conducted by a community action agency or other specified public or nonprofit entity.

Energy providers must allow consumers who have an arrearage on their account during the cold weather rule period but have not yet been disconnected to retain service by paying one-third of the arrearage plus the current charges in the next three months.

The provisions regarding the purchase of appliances with state funds will expire August 28, 2011.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$125,715 in FY 2010, \$153,531 in FY 2011, and \$158,139 in FY 2012. Estimated Cost on Other State Funds of \$59,538 in FY 2010, \$69,631 in FY 2011, and \$71,720 in FY 2012.

PROPONENTS: Supporters say that the bill will lead to greater energy efficiency throughout the state, will result in less energy consumption and lower energy costs, and will extend or eliminate the need for additional energy production facilities.

Testifying for the bill were Senator Lager; Kansas City Power and Light; Anheuser Busch, Incorporated; Ford Motor Company; Diana Vuylsteke; AARP; Consumers Council of Missouri; Greater Kansas City Chamber of Commerce; Missouri Association for Social Welfare; Sierra Club; Office of Public Counsel; and Midwest Alliance for Renewable Energy.

OPPONENTS: Those who oppose the bill say that allowing the largest energy consumers in the state to seek exemption from the plan is unfair and problematic logistically and financially.

Testifying against the bill was Ameren UE.

OTHERS: Others testifying on the bill say that the exemption provision for some energy consumers should not be included in the bill.

Testifying on the bill was Missourians for a Balanced Energy Future.