

SECOND REGULAR SESSION

HOUSE BILL NO. 2204

97TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES BARNES (Sponsor), RICHARDSON AND DIEHL (Co-sponsors).

6212H.011

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To amend chapter 393, RSMo, by adding thereto one new section relating to cost recovery for electrical corporations.

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

Section A. Chapter 393, RSMo, is amended by adding thereto one new section, to be known as section 393.1400, to read as follows:

393.1400. 1. Electrical corporations shall recover any changes in deferred depreciation expenses and return associated with all of the assets that constitute a qualifying electric plant placed in service during each relevant period, by placing such depreciation expenses and return in a regulatory asset account. The balance in the regulatory asset account shall be included in the determination of the electrical corporation's rate base, to which the electrical corporation's weighted cost of capital is applied, without any offset, reduction, or adjustment based on any other factor or otherwise during the electrical corporation's next general rate proceeding. The amount recoverable in the regulatory asset account may be amortized and recovered in rates over a period of thirty-five years. The commission shall retain its authority to review such depreciation expenses and return placed in the regulatory asset account for prudence during the electrical corporation's general rate proceeding.

2. An electrical corporation shall be able to recover, through the same method authorized in subsection 1 of this section, depreciation expenses and return associated with all of the assets that constitute a qualifying electric plant placed in service from the end of any relevant period to the effective date of customer rates that take into account deferred depreciation expenses and return.

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18 **3. The maximum average retail rate increase caused by the inclusion of the balance**
19 **of a regulatory asset account during the most recent relevant period shall be determined**
20 **by multiplying one percent by the number of completed months since the date in which**
21 **rate base additions were accounted for in the electrical corporation's most recently**
22 **completed general rate proceeding, divided by twelve. The maximum average retail rate**
23 **increase shall be reflected as a percentage.**

24 **4. Notwithstanding subsection 3 of this section, the maximum average retail rate**
25 **increase caused by the inclusion of the balance of a regulatory asset account during an**
26 **electrical corporation's most recently completed general rate proceeding shall not increase**
27 **the retail rates of a customer of an electrical corporation that has a minimum billing**
28 **demand of five megawatts or more in recognition of the fact that many customers with**
29 **such billing demand take service at a higher voltage level and own, operate, and maintain**
30 **certain electric service infrastructure that serves their premises. The sum of revenues that**
31 **would have been produced but for this exclusion shall not be collected from other**
32 **customers.**

33 **5. Nothing in this section shall limit the commission's authority to authorize an**
34 **electrical corporation to defer depreciation expenses and return on qualifying electric**
35 **plants for recovery in a general rate proceeding.**

36 **6. For purposes of calculating deferred depreciation expenses and return:**

37 **(1) Deferred depreciation expenses shall equal the original cost of each asset**
38 **included in the qualifying electric plant placed in service during the relevant period less**
39 **retirements, multiplied by the weighted average depreciation rate for all of the electrical**
40 **corporation's assets. Electrical corporation assets shall be calculated using the**
41 **depreciation rate used to determine the electrical corporation's revenue requirement in the**
42 **electrical corporation's most recently completed general rate proceeding concluded prior**
43 **to the relevant period, adjusted to account for the time the asset is in service prior to the**
44 **end of the relevant period;**

45 **(2) Deferred return shall equal the sum of the original cost of each asset included**
46 **in the qualifying electric plant placed in service during the relevant period less**
47 **accumulated depreciation on each asset, multiplied by the electrical corporation's weighted**
48 **cost of capital. The electrical corporation's weighted cost of capital shall be the weighted**
49 **cost of capital used to determine the electrical corporation's revenue requirement in the**
50 **electrical corporation's most recently completed general rate proceeding concluded prior**
51 **to the relevant period, adjusted to account for the time the asset is in service since the**
52 **electrical corporation's most recently completed general rate proceeding prior to the end**
53 **of the relevant period, plus applicable federal, state, local income, or excise taxes.**

54 7. For purposes of this section, the following terms shall mean:

55 (1) "Commission", the public service commission;

56 (2) "Electrical corporation", the same as defined in section 386.020;

57 (3) "Qualifying electric plants":

58 (a) Capital projects undertaken to comply with federal, state, or local
59 environmental law, regulation, or rule not being recovered in a rate schedule authorized
60 under subsection 2 of section 386.266, or to comply with electrical corporation owned solar
61 generation requirements imposed by law;

62 (b) Aging infrastructure projects consisting of replacements or modernizations of
63 existing transmission and distribution facilities that are obsolete, have worn out, or are in
64 a deteriorated condition;

65 (c) Aging infrastructure projects consisting of replacements or modernizations of
66 existing transmission and distribution facilities where reasonably necessary to maintain
67 or improve customer reliability or to comply with applicable reliability standards;

68 (d) Replacements or modernizations of existing generation facility components that
69 are obsolete, have worn out, or are in a deteriorated condition, or where reasonably
70 necessary to maintain or improve the reliability of an existing generation facility;

71 (e) Capital reliability projects implementing electric grid automation technologies,
72 including automated switches, supervisory control and data acquisition devices, wireless
73 sensors, fault indicating devices, and other devices that improve customer reliability or that
74 comply with applicable reliability standards, and construction or transmission and
75 distribution facilities, whether replacements, modernizations, or new facilities to harden
76 the electric grid against damage from severe weather events or natural disasters;

77 (4) "Relevant period", a period starting on the date in which rate base additions
78 are accounted for in developing an electrical corporation's revenue requirement in a
79 general rate proceeding, and ending on the date in which rate base additions are accounted
80 for in the electrical corporation's next general rate proceeding.

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