

SECOND REGULAR SESSION
SENATE COMMITTEE SUBSTITUTE FOR
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 1804
98TH GENERAL ASSEMBLY

Reported from the Committee on Commerce, Consumer Protection, Energy and the Environment, April 19, 2016, with recommendation that the Senate Committee Substitute do pass.

ADRIANE D. CROUSE, Secretary.

4519S.05C

AN ACT

To repeal section 393.1012, RSMo, and to enact in lieu thereof two new sections relating to state energy policies.

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

Section A. Section 393.1012, RSMo, is repealed and two new sections
2 enacted in lieu thereof, to be known as sections 393.1012 and 620.3150, to read
3 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 **in any consecutive three-**
14 **year period during which an ISRS is in effect, provided that ISRS**
15 **charges applicable to residential customers shall not be increased by**
16 **more than one dollar and fifty cents per month in any annual period as**
17 **adjusted for any net increase or decrease in the Handy Whitman Index**

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

18 **for gas pipeline construction costs occurring after August 28, 2016. If**
19 **such index becomes unavailable, then another index of a similar nature**
20 **and effect shall be used.** An ISRS and any future changes thereto shall be
21 calculated and implemented in accordance with the provisions of sections
22 393.1009 to 393.1015, **including the requirement facilities replaced under**
23 **paragraph (a) of subdivision (5) of section 393.1009 be in worn out or**
24 **deteriorated condition.** ISRS revenues shall be subject to a refund based upon
25 a finding and order of the commission to the extent provided in subsections 5 and
26 8 of section 393.1009.

27 2. The commission shall not approve an ISRS for any gas corporation that
28 has not had a general rate proceeding decided or dismissed by issuance of a
29 commission order within the past **[three] five** years, unless the gas corporation
30 has filed for or is the subject of a new general rate proceeding.

31 3. In no event shall a gas corporation collect an ISRS for a period
32 exceeding **[three] five** years unless the gas corporation has filed for or is the
33 subject of a new general rate proceeding; provided that the ISRS may be collected
34 until the effective date of new rate schedules established as a result of the new
35 general rate proceeding, or until the subject general rate proceeding is otherwise
36 decided or dismissed by issuance of a commission order without new rates being
37 established.

38 4. **In order for a gas corporation to file a petition with the**
39 **commission to establish or change an ISRS, such corporation shall, by**
40 **January 1, 2017, develop and file with the commission a pre-**
41 **qualification process for contractors seeking to participate in**
42 **competitive bidding to install ISRS-eligible gas utility plant**
43 **projects. Under the pre-qualification process, the gas corporation may**
44 **specify certain eligibility requirements typically accepted by the**
45 **industry, including but not limited to, experience, performance criteria,**
46 **safety policies, and insurance requirements to be met by any contractor**
47 **seeking to participate in competitive bidding to install ISRS-eligible**
48 **gas utility plant projects. Under no circumstance shall the criteria set**
49 **by the gas corporation discriminate against any contractor for either**
50 **contracting with or not contracting with, a labor organization or union,**
51 **as those terms are defined in section 290.210, for installing such gas**
52 **utility plant projects. Contractors that meet the pre-qualification**
53 **criteria set by the gas corporation shall be eligible to participate in the**

54 competitive bidding process for installing ISRS-eligible gas utility
55 plant projects, and the contractor making the overall lowest and best
56 bid for installing the ISRS-eligible gas utility plant project shall be
57 awarded such contract. The gas corporation shall file, by January 1,
58 2017, a verified statement with the commission confirming that it has
59 in place a pre-qualification process for the competitive bidding of ISRS-
60 eligible gas utility plant projects, and that such process conforms with
61 the requirements of this section. The commission shall have the
62 authority to verify the statement to ensure compliance with this
63 section. After January 1, 2017, the gas corporation shall submit with
64 each petition filing to establish or change an ISRS a verified statement
65 confirming that it is using a competitive bidding process for no less
66 than ten percent of the combined external installation expenditures
67 made by the gas corporation's operating units in Missouri for installing
68 ISRS-eligible gas utility plant projects, and that such process conforms
69 with the requirements set forth in this section. The commission shall
70 have the authority to verify the statement to ensure compliance with
71 this section. Nothing in this section shall be construed as requiring any
72 gas corporation to use a pre-qualified contractor or competitive
73 bidding process in the case of an emergency project, or to terminate
74 any existing contract with a contractor prior to its expiration; provided
75 however that the use of any preexisting contract for the installation of
76 ISRS-eligible gas utility plant projects shall not qualify as fulfilling the
77 ten percent requirement set forth in this section beyond December 31,
78 2017.

79 5. By December 31, 2018, and annually thereafter, the commission
80 shall submit a report to the general assembly on the effects of this
81 section, including gas corporation compliance, potential legislative
82 action regarding this section, the costs of installing ISRS-eligible gas
83 utility plant projects prior to the implementation of this section
84 compared to after the implementation of this section, and any other
85 information regarding the processes established under this section that
86 the commission deems necessary.

87 6. Nothing in this section shall be construed as diminishing in
88 any way the current authority and rights of the commission, on its own
89 motion, the staff of the commission, public counsel, the mayor or the
90 president or chairman of the board of aldermen or a majority of the

91 council, commission, or other legislative body of any city, town, village,
92 or county located in the service territory of the gas corporation, or not
93 less than twenty-five consumers or purchasers, or prospective
94 consumers or purchasers, of gas from the gas corporation to file a
95 complaint under section 386.390 alleging that the rates or charges of
96 the gas corporation are unreasonable or unlawful.

97 7. Sections 393.1009, 393.1012, and 393.1015 shall automatically
98 terminate on December 31, 2036.

620.3150. 1. The comprehensive state energy plan developed by
2 the division of energy shall be reviewed by the division by January 1,
3 2018, and biennially thereafter, and updated if necessary, in accordance
4 with the provisions of this section.

5 2. The state's comprehensive state energy plan shall be reviewed
6 to ensure that it:

7 (1) Is consistent with Article I, Section 2 of the Missouri
8 Constitution;

9 (2) Encourages private investment that will provide customers
10 with better energy supply and more conservation options;

11 (3) Develops free market strategies to attract private capital
12 investment;

13 (4) Identifies and values transportation alternatives;

14 (5) Creates an uncumbersome regulatory environment that
15 allows the state's energy utilities to chart a vibrant changing future by
16 operating with greater efficiency and reliability at a low cost to
17 consumers;

18 (6) Supports public and private efforts to foster a supply of
19 energy to consumers that is abundant, reliable, and cost efficient; and

20 (7) Monitors areas of potential growth or development, including
21 forecasts of five and ten years for energy demand and supply,
22 infrastructure demands, and identification of additional costs, risks,
23 benefits, uncertainties, and market potential of energy supply resource
24 alternatives.

25 3. The division of energy shall consult with diverse stakeholder
26 groups to facilitate the review, or may contract with a Missouri-based
27 nonprofit organization consisting of a diverse stakeholder community
28 whose staff and organization have the capacity and capability to
29 facilitate the review.

30 4. A report shall be issued by the division of energy, along with
31 the review required under this section, that shall suggest policy
32 changes for the state that:

33 (1) Provide improved reliability of the energy systems within the
34 state;

35 (2) Insulate customers from volatility in market prices;

36 (3) Reduce the overall cost of energy in the state;

37 (4) Reasonably addresses public health and environmental
38 impacts;

39 (5) Identify and analyze emerging trends in supply, price,
40 demand, and technology, as well as energy policies and programs, and
41 their impact on achieving the state's comprehensive state energy plan.

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