

HB 1878 -- RATE CASE MODERNIZATION ACT

SPONSOR: Miller

COMMITTEE ACTION: Voted "Do Pass" by the Standing Committee on Utilities by a vote of 10 to 1. Voted "Do Pass" by the Standing Committee on Rules- Administrative Oversight Committee by a vote of 7 to 3.

This bill establishes a voluntary rate proceeding for gas corporations. After completing a separate general rate case, a gas corporation may file with the Missouri Public Service Commission, in the same manner as a general rate case, to initiate the new rate proceeding. The commission shall prepare and approve a supplement to the detailed reconciliation required at a commission hearing. The supplement shall set forth any additional information required for the participating gas corporation's periodic rate review and a detailing of specified foundational elements. The requisite foundational elements are listed in the bill.

If a participating gas corporation has had new rates effective in the past two years through a general rate case, then the commission shall conduct a proceeding solely to determine the foundational elements that were not otherwise identified in a prior agreement or commission order (Section 393.1715, RSMo).

The commission shall also approve a revenue stabilization mechanism using test years as part of the initial general rate proceeding to address revenue discrepancies due to weather and conservation related changes in usage by residential customers with annual energy usages equal to 10,000 decatherms or less. Such a mechanism shall use a deferral account, and rates shall be adjusted to recover revenue (Section 393.1720).

The bill also requires participating gas corporations to file tariffs, rate schedules, and minimum filing requirements at least 45 days prior to the end of each updated test year. The filing shall be used to determine the subsequent revenue requirement reflected in the corporation's annual true-up. Any rate changes resulting from the filing shall be placed into effect on an interim basis on the date following the end of the current updated test year.

Within four months of the filing of the annual true-up, the commission shall submit its recommendation verifying that the revenue requirement was calculated correctly. If the parties to an annual true-up are unable to jointly recommend a revenue requirement, the commission shall establish a procedural schedule within 20 days of the filing to revolve any differences within five

months.

The revenue requirement shall include a rebasing of all infrastructure system replacement surcharges (ISRS), but no annual rate adjustment shall exceed an annual increase of 3% of the corporation's gross Missouri revenues from the prior year. Any unrecovered costs shall be deferred to a subsequent annual true-up or periodic rate review (Section 393.1725).

After the third rate year effectuating an annual true-up the participating gas corporation shall file a periodic rate review proceeding at least six months prior to the corporation's next annual true-up filing. The filing must include several parameters described in the bill. The commission shall schedule a hearing to commence 120 days after the filing to resolve rate disputes if they persist between the gas corporations and other parties. The commission shall issue an order resolving the dispute within five months of the filing date (Section 393.1730).

Within six months of the bill's effective date, any participating gas corporation may file, and the commission shall approve, economic development tariffs. An economic development tariff may come in the form of discounted rates or financing arrangements (Section 393.1735).

A gas corporation may terminate its participation in the update process at the conclusion of any updated test year. Upon termination, the then-existing rates shall remain in effect until new rates are set by the commission, subject to any changes based on the commission's audit of the last updated test year (Section 393.1740).

A participating gas corporation shall not be subject to the filing restrictions and time requirements for an ISRS under Section 393.1012. In order for a participating corporation to be able to change or establish an ISRS, it shall file, by July 1, 2019, a pre-qualification process for contractors seeking to competitively bid to install ISRS-eligible gas utility equipment. The requirements for the pre-qualification process, along with subsequent verification requirements, are detailed in the bill. The commission shall report by December 31, 2021, and annually thereafter, on the impacts of the pre-qualification process and competitive bidding (Section 393.1745).

The bill further requires the commission to report to the General Assembly on the impacts of the voluntary rate proceedings for gas corporations created by the bill on or after December 31, 2025 (Section 393.1750).

This bill is similar to HCS HB 747 (2017).

PROPOSERS: Supporters say that the current rate-making procedure is inefficient, and needs to be modernized. This bill does not reduce commission oversight of gas utilities, but does explore accounting mechanisms that have successfully reduced rates in Alabama.

Testifying for the bill were Representative Miller; Missouri Energy Development Association; Spire Missouri; and Empire District-Liberty Utilities Central.

OPPONENTS: Those who oppose the bill say that gas utilities are already incentivized to improve their infrastructure without any new rate-making mechanisms. The current rate-making proceeding process with modest reforms has already addressed consumer and public health concerns, while also reducing rates as recently as last year. This bill is being presented because gas utilities are struggling to justify raising their rates. Taking rate-making out of the public hearing process deprives citizens of a key grievance addressing period.

Testifying against the bill were Midwest Energy Consumers Group; Consumers Council of Missouri; and the American Association of Retired Persons (AARP).