

HCS HB 2094 -- UTILITIES

SPONSOR: Bondon

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Utilities by a vote of 10 to 5. Voted "Do Pass" by the Standing Committee on Rules- Legislative Oversight by a vote of 9 to 1.

The following is a summary of the House Committee Substitute for HB 2094.

The bill establishes the "Missouri Water and Sewer Infrastructure Act", which specifies that a water or sewer company may file a petition and proposed rate schedules with the Public Service Commission to create or change an infrastructure rate adjustment (WSIRA) that provides for the recovery of pretax revenues associated with eligible infrastructure projects. The WSIRA and any future changes must meet specific requirements.

The commission cannot approve a WSIRA for a water or sewer corporation that has not had a general rate proceeding decided or dismissed within the past three years of the filing of a WSIRA petition unless the corporation has filed for or is the subject of a new general rate proceeding. A corporation cannot collect a WSIRA for more than three years unless the corporation had filed for or is the subject of a new rate proceeding. In such case, the WSIRA can be collected until the effective date of the new rate schedules.

At the time the corporation files a petition to establish or change a WSIRA, it must submit proposed WSIRA rate schedules and supporting documentation, and it must also serve the Office of Public Counsel with a copy of the petition, rate schedules, and documentation. Upon filing, the commission must publish a notice of the filing, and conduct an examination of the proposed WSIRA, as specified in the bill. The commission may hold a hearing on the petition and any associated WSIRA rate schedules. If the commission finds that a petition complies with the requirements, the commission must enter an order authorizing the corporation to implement the WSIRA. A corporation may effectuate a change in its WSIRA no more often than twice in every 12-month period.

The bill specifies information the commission may consider in determining the appropriate pretax revenues and how the WSIRA is calculated. If this information is unavailable and the commission has not provided it on an agreed-upon basis, the commission must use the last authorized overall pretax weighted average cost of capital for a WSIRA or the last authorized overall pretax weighted

average cost of capital in a general rate proceeding for the corporation. At the end of each 12-month period that the WSIRA is in effect, the corporation must reconcile the differences between the revenues from a WSIRA and the appropriate pretax revenues found by the commission for that period and submit the reconciliation and proposed WSIRA to the commission for approval to recover or credit the difference.

A corporation that has a WSIRA must file revised WSIRA schedules when new base rates and charges become effective following a general rate proceeding that includes the WSIRA eligible costs in the base rates. Once the eligible costs are included in corporation's base rates, the corporation must reconcile any previously unreconciled WSIRA revenues to ensure that revenues resulting from the WSIRA match as closely as possible the appropriate pretax revenues.

A corporation's filing of a petition to establish or change a WSIRA is not considered a request for a general increase in the corporation's base rates and charges. Nothing in this bill impairs the authority of the commission to review the prudence or eligibility of specific projects in the proposed WSIRA.

The bill also specifies that no entity has the power of eminent domain for the purposes of constructing above-ground merchant lines. This restriction will not apply to any rural electric cooperatives or any electrical corporation operating under a cooperative business plan.

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that this bill would promote proactive replacement of water infrastructure. It can cost up to 10 times more to replace a water main in an emergency than replacing the main in coordination with other public works projects. Maintaining the water and wastewater infrastructure is important to the economy of the state because affordable, reliable utilities help attract and retain business in the state.

Testifying for the bill were Representative Bondon; Associated General Contractors of Missouri; Missouri Retailers Association; Missouri State Council of Firefighters; Adam Kazda, St. Louis Regional Chamber; Missouri Chamber of Commerce & Industry; Missouri Municipal League; Construction Employees Coalition; Liberty Utilities; and Missouri American Water.

OPPONENTS: Those who oppose the bill say that this would increase water and sewer rates for customers without consumer protection provisions such as a rate increase cap and a sunset date. The bill also limits what expenditures the commission can look at during a prudence review.

Testifying against the bill were Midwest Energy Consumer Group; AARP; Consumers Council of Missouri.

OTHERS: Others testifying on the bill discussed the process the commission would use to reconcile the WSIRA surcharge during a full rate case and if found, how an overcharge would be handled in future rates.

Testifying on the bill was the Missouri Public Service Commission.