

FIRST REGULAR SESSION

HOUSE BILL NO. 713

103RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE POLLITT.

1823H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 393.1030, 393.1400, and 393.1700, RSMo, and to enact in lieu thereof four new sections relating to deferrals by electric corporations.

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

Section A. Sections 393.1030, 393.1400, and 393.1700, RSMo, are repealed and four new sections enacted in lieu thereof, to be known as sections 393.401, 393.1030, 393.1400, and 393.1700, to read as follows:

393.401. 1. For purposes of this section, the following terms shall mean:

(1) "Electrical corporation", the same as defined in section 386.020, but shall not include an electrical corporation as described in subsection 2 of section 393.110;

(2) "Existing electric generating power plant", a thermal power plant of over one hundred megawatts in nameplate capacity, a generating unit at a thermal power plant with a nameplate capacity of over one hundred megawatts, or two or more generating units at a thermal power plant with a combined nameplate capacity of over one hundred megawatts;

(3) "Regional transmission operator", a regional transmission organization, independent system operator, or equivalent entity approved by the Federal Energy Regulatory Commission or successor agency that exercises functional control over electric transmission facilities located within this state.

2. Prior to the closure of an existing electric generating power plant in Missouri, if the closure occurs on or after January 1, 2026, and subject to subsection 3 of this section, an electrical corporation registered and doing business in this state shall first certify to the public service commission that such utility company has secured and

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.

17 placed on the electric grid an equal or greater amount of reliable electric generation as
18 accredited power resources as defined by the regional transmission operator. To
19 determine if an equal or greater amount of reliable electric generation is being placed on
20 the electric grid to replace the existing electric generating power plant that is to be
21 closed, the electrical corporation shall compare the relevant regional transmission
22 operator's average of the summer and winter accredited capacity for the generation
23 technology of the to-be-closed existing electric generating power plant to the relevant
24 regional transmission operator's average of the summer and winter accredited capacity
25 for the generation technology of the replacement reliable electric generation. Such
26 average accredited capacity for the replacement reliable electric generation shall equal
27 or exceed such average accredited capacity for the existing electric generating plant that
28 is to be closed.

29 3. With respect to the replacement reliable electric generation required by
30 subsection 2 of this section, adequate electric transmission lines shall be in place and the
31 replacement reliable electric generation shall be fully operational concurrently with the
32 closure of the existing electric generating plant, except where some or all of the
33 replacement reliable electric generation utilizes some or all of the interconnection
34 facilities used by the existing electric generating power plant, or where the existing
35 electric generating power plant is closed as a result of an unexpected or unplanned cause
36 or event. In the event that some or all of the replacement reliable electric generation
37 utilizes some or all of the interconnection facilities utilized by the existing electric
38 generating power plant, then such replacement facilities shall be fully operational within
39 one hundred twenty days of the closure of the existing electric generating power plant.
40 In the event that the existing electric generating power plant is closed as a result of an
41 unexpected or unplanned cause or event, then the electrical corporation shall install
42 replacement reliable electric generation as soon as is practical following the closure of
43 the existing electric generating power plant. For purposes of this section, "unexpected"
44 or "unplanned" cause or event shall mean a manmade or natural event that causes
45 functional operations of the electric generating power plant to cease. During any
46 periods allowed by this subsection where the replacement reliable electric generation is
47 not fully operational by the time of the closure of the existing electric generating power
48 plant, the electrical corporation shall acquire additional available generating capacity
49 through a firm purchase power contract that is equal or greater than the reliable
50 electric generation as defined in subsection 2 of this section from the relevant regional
51 transmission operator's capacity market or otherwise, so that it meets the planning
52 reserve margin requirement of the regional transmission operator in which the
53 electrical corporation operates without reliance on such replacement reliable electric

54 **generation. At such time as such replacement reliable electric generation is fully**
55 **operational, such additional available generating capacity shall no longer be required.**

56 **4. The average of the summer and winter accredited capacity of the replacement**
57 **reliable electric generation as provided in subsection 2 of this section shall be equal to or**
58 **greater than the average accredited capacity of the existing electric generating power**
59 **plant as provided in subsection 2 of this section, recorded by the regional transmission**
60 **operator as of the time construction begins on the replacement reliable electric**
61 **generation. As part of the approval process by the public service commission of the**
62 **replacement reliable electric generation under subsection 1 of section 393.170, the public**
63 **service commission shall promulgate rules that the requirements of this subsection shall**
64 **be met by the replacement reliable electric generation. Any rule or portion of a rule, as**
65 **that term is defined in section 536.010, that is created under the authority delegated in**
66 **this section shall become effective only if it complies with and is subject to all of the**
67 **provisions of chapter 536 and, if applicable, section 536.028. This section and chapter**
68 **536 are nonseverable and if any of the powers vested with the general assembly**
69 **pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul**
70 **a rule are subsequently held unconstitutional, then the grant of rulemaking authority**
71 **and any rule proposed or adopted after August 28, 2025, shall be invalid and void.**

72 **5. Such reliable electric generation may be constructed outside the state if it is**
73 **connected to the electric grid of the regional transmission operator of which the**
74 **electrical corporation is a member.**

75 **6. On or before the date that the new reliable electric generation is placed in**
76 **service, the electrical corporation shall provide certification to the public service**
77 **commission, the general assembly, and the governor that it has met the requirements of**
78 **this section.**

393.1030. 1. The commission shall, in consultation with the department, prescribe by
2 rule a portfolio requirement for all electric utilities to generate or purchase electricity
3 generated from renewable energy resources. Such portfolio requirement shall provide that
4 electricity from renewable energy resources shall constitute the following portions of each
5 electric utility's sales:

- 6 (1) No less than two percent for calendar years 2011 through 2013;
- 7 (2) No less than five percent for calendar years 2014 through 2017;
- 8 (3) No less than ten percent for calendar years 2018 through 2020; and
- 9 (4) No less than fifteen percent in each calendar year beginning in 2021.

10

11 At least two percent of each portfolio requirement shall be derived from solar energy. The
12 portfolio requirements shall apply to all power sold to Missouri consumers whether such

13 power is self-generated or purchased from another source in or outside of this state. A utility
14 may comply with the standard in whole or in part by purchasing RECs. Each kilowatt-hour of
15 eligible energy generated in Missouri shall count as 1.25 kilowatt-hours for purposes of
16 compliance.

17 **2. (1) This subsection applies to electric utilities with more than two hundred**
18 **fifty thousand but less than one million retail customers in Missouri as of the end of the**
19 **calendar year 2024.**

20 **(2) Energy meeting the criteria of the renewable energy portfolio requirements**
21 **set forth in subsection 1 of this section that is generated from renewable energy**
22 **resources and contracted for by an accelerated renewable buyer shall:**

23 **(a) Have all associated renewable energy certificates retired by the accelerated**
24 **renewable buyer, or on their behalf, and the certificates shall not be used to meet the**
25 **electric utility's portfolio requirements pursuant to subsection 1 of this section;**

26 **(b) Be excluded from the total electric utility's sales used to determine the**
27 **portfolio requirements pursuant to subsection 1 of this section; and**

28 **(c) Be used to offset all or a portion of its electric load for purposes of**
29 **determining compliance with the portfolio requirements pursuant to subsection 1 of this**
30 **section.**

31 **(3) The accelerated renewable buyer shall be exempt from any renewable energy**
32 **standard compliance costs as may be established by the utility and approved by the**
33 **commission, based on the amount of renewable energy certificates retired pursuant to**
34 **this subsection in proportion to the accelerated renewable buyer's total electric energy**
35 **consumption, on an annual basis.**

36 **(4) An "accelerated renewable buyer" means a customer of an electric utility,**
37 **with an aggregate load over eighty average megawatts, that enters into a contract or**
38 **contracts to obtain:**

39 **(a) Renewable energy certificates from renewable energy resources as defined in**
40 **section 393.1025; or**

41 **(b) Energy and renewable energy certificates from solar or wind generation**
42 **resources located within the Southwest Power Pool region and initially placed in**
43 **commercial operation after January 1, 2020, including any contract with the electric**
44 **utility for such generation resources that does not allocate to or recover from any other**
45 **customer of the utility the cost of such resources.**

46 **(5) Each electric utility shall certify, and verify as necessary, to the commission**
47 **that the accelerated renewable buyer has satisfied the exemption requirements of this**
48 **subsection for each year, or an accelerated renewable buyer may choose to certify**
49 **satisfaction of this exemption by reporting to the commission individually.**

50 **(6) The commission may promulgate such rules and regulations as may be**
51 **necessary to implement the provisions of this subsection. Any rule or portion of a rule,**
52 **as that term is defined in section 536.010, that is created under the authority delegated**
53 **in this section shall become effective only if it complies with and is subject to all of the**
54 **provisions of chapter 536 and, if applicable, section 536.028. This section and chapter**
55 **536 are nonseverable and if any of the powers vested with the general assembly**
56 **pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul**
57 **a rule are subsequently held unconstitutional, then the grant of rulemaking authority**
58 **and any rule proposed or adopted after August 28, 2025, shall be invalid and void.**

59 **(7) Nothing in this section shall be construed as imposing or authorizing the**
60 **imposition of any reporting, regulatory, or financial burden on an accelerated**
61 **renewable buyer.**

62 **3.** The commission, in consultation with the department and within one year of
63 November 4, 2008, shall select a program for tracking and verifying the trading of renewable
64 energy credits. An unused credit may exist for up to three years from the date of its creation.
65 A credit may be used only once to comply with sections 393.1020 to 393.1030 and may not
66 also be used to satisfy any similar nonfederal requirement. An electric utility may not use a
67 credit derived from a green pricing program. Certificates from net-metered sources shall
68 initially be owned by the customer-generator. The commission, except where the department
69 is specified, shall make whatever rules are necessary to enforce the renewable energy
70 standard. Such rules shall include:

71 (1) A maximum average retail rate increase of one percent determined by estimating
72 and comparing the electric utility's cost of compliance with least-cost renewable generation
73 and the cost of continuing to generate or purchase electricity from entirely nonrenewable
74 sources, taking into proper account future environmental regulatory risk including the risk of
75 greenhouse gas regulation. Notwithstanding the foregoing, until June 30, 2020, if the
76 maximum average retail rate increase would be less than or equal to one percent if an electric
77 utility's investment in solar-related projects initiated, owned or operated by the electric utility
78 is ignored for purposes of calculating the increase, then additional solar rebates shall be paid
79 and included in rates in an amount up to the amount that would produce a retail rate increase
80 equal to the difference between a one percent retail rate increase and the retail rate increase
81 calculated when ignoring an electric utility's investment in solar-related projects initiated,
82 owned, or operated by the electric utility. Notwithstanding any provision to the contrary in
83 this section, even if the payment of additional solar rebates will produce a maximum average
84 retail rate increase of greater than one percent when an electric utility's investment in solar-
85 related projects initiated, owned or operated by the electric utility are included in the

86 calculation, the additional solar rebate costs shall be included in the prudently incurred costs
87 to be recovered as contemplated by subdivision (4) of this subsection;

88 (2) Penalties of at least twice the average market value of renewable energy credits
89 for the compliance period for failure to meet the targets of subsection 1 of this section. An
90 electric utility will be excused if it proves to the commission that failure was due to events
91 beyond its reasonable control that could not have been reasonably mitigated, or that the
92 maximum average retail rate increase has been reached. Penalties shall not be recovered from
93 customers. Amounts forfeited under this section shall be remitted to the department to
94 purchase renewable energy credits needed for compliance. Any excess forfeited revenues
95 shall be used by the division of energy solely for renewable energy and energy efficiency
96 projects;

97 (3) Provisions for an annual report to be filed by each electric utility in a format
98 sufficient to document its progress in meeting the targets;

99 (4) Provision for recovery outside the context of a regular rate case of prudently
100 incurred costs and the pass-through of benefits to customers of any savings achieved by an
101 electrical corporation in meeting the requirements of this section.

102 ~~[3-]~~ 4. As provided for in this section, except for those electrical corporations that
103 qualify for an exemption under section 393.1050, each electric utility shall make available to
104 its retail customers a solar rebate for new or expanded solar electric systems sited on
105 customers' premises, up to a maximum of twenty-five kilowatts per system, measured in
106 direct current that were confirmed by the electric utility to have become operational in
107 compliance with the provisions of section 386.890. The solar rebates shall be two dollars per
108 watt for systems becoming operational on or before June 30, 2014; one dollar and fifty cents
109 per watt for systems becoming operational between July 1, 2014, and June 30, 2015; one
110 dollar per watt for systems becoming operational between July 1, 2015, and June 30, 2016;
111 fifty cents per watt for systems becoming operational between July 1, 2016, and June 30,
112 2017; fifty cents per watt for systems becoming operational between July 1, 2017, and June
113 30, 2019; twenty-five cents per watt for systems becoming operational between July 1, 2019,
114 and June 30, 2020; and zero cents per watt for systems becoming operational after June 30,
115 2020. An electric utility may, through its tariffs, require applications for rebates to be
116 submitted up to one hundred eighty-two days prior to the June thirtieth operational date.
117 Nothing in this section shall prevent an electrical corporation from offering rebates after July
118 1, 2020, through an approved tariff. If the electric utility determines the maximum average
119 retail rate increase provided for in subdivision (1) of subsection ~~[2]~~ 3 of this section will be
120 reached in any calendar year, the electric utility shall be entitled to cease paying rebates to the
121 extent necessary to avoid exceeding the maximum average retail rate increase if the electrical
122 corporation files with the commission to suspend its rebate tariff for the remainder of that

123 calendar year at least sixty days prior to the change taking effect. The filing with the
124 commission to suspend the electrical corporation's rebate tariff shall include the calculation
125 reflecting that the maximum average retail rate increase will be reached and supporting
126 documentation reflecting that the maximum average retail rate increase will be reached. The
127 commission shall rule on the suspension filing within sixty days of the date it is filed. If the
128 commission determines that the maximum average retail rate increase will be reached, the
129 commission shall approve the tariff suspension. The electric utility shall continue to process
130 and pay applicable solar rebates until a final commission ruling; however, if the continued
131 payment causes the electric utility to pay rebates that cause it to exceed the maximum average
132 retail rate increase, the expenditures shall be considered prudently incurred costs as
133 contemplated by subdivision (4) of subsection ~~[2]~~ 3 of this section and shall be recoverable as
134 such by the electric utility. As a condition of receiving a rebate, customers shall transfer to
135 the electric utility all right, title, and interest in and to the renewable energy credits associated
136 with the new or expanded solar electric system that qualified the customer for the solar rebate
137 for a period of ten years from the date the electric utility confirmed that the solar electric
138 system was installed and operational.

139 ~~[4-]~~ 5. The department shall, in consultation with the commission, establish by rule a
140 certification process for electricity generated from renewable resources and used to fulfill the
141 requirements of subsection 1 of this section. Certification criteria for renewable energy
142 generation shall be determined by factors that include fuel type, technology, and the
143 environmental impacts of the generating facility. Renewable energy facilities shall not cause
144 undue adverse air, water, or land use impacts, including impacts associated with the gathering
145 of generation feedstocks. If any amount of fossil fuel is used with renewable energy
146 resources, only the portion of electrical output attributable to renewable energy resources
147 shall be used to fulfill the portfolio requirements.

148 ~~[5-]~~ 6. In carrying out the provisions of this section, the commission and the
149 department shall include methane generated from the anaerobic digestion of farm animal
150 waste and thermal depolymerization or pyrolysis for converting waste material to energy as
151 renewable energy resources for purposes of this section.

152 ~~[6-]~~ 7. The commission shall have the authority to promulgate rules for the
153 implementation of this section, but only to the extent such rules are consistent with, and do
154 not delay the implementation of, the provisions of this section. Any rule or portion of a rule,
155 as that term is defined in section 536.010, that is created under the authority delegated in this
156 section shall become effective only if it complies with and is subject to all of the provisions of
157 chapter 536 and, if applicable, section 536.028. This section and chapter 536 are
158 nonseverable and if any of the powers vested with the general assembly pursuant to chapter
159 536 to review, to delay the effective date, or to disapprove and annul a rule are subsequently

160 held unconstitutional, then the grant of rulemaking authority and any rule proposed or
161 adopted after August 28, 2013, shall be invalid and void.

393.1400. 1. For purposes of this section, the following terms shall mean:

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

3 (2) "Electrical corporation", the same as defined in section 386.020, but shall not
4 include an electrical corporation as described in subsection 2 of section 393.110;

5 (3) "Qualifying electric plant", all rate-base additions, except rate-base additions for
6 new coal-fired generating units, new nuclear generating units, [~~new natural gas units,~~] or rate-
7 base additions that increase revenues by allowing service to new customer premises;

8 (4) "Rate-base cutoff date", the date rate-base additions are accounted for in a general
9 rate proceeding. In the absence of a commission order that specifies the rate-base cutoff date,
10 such date as reflected in any jointly proposed procedural schedule submitted by the parties in
11 the applicable general rate proceeding, or as otherwise agreed to by such parties, shall be
12 used;

13 (5) "Weighted average cost of capital", the return on rate base used to determine the
14 revenue requirement in the electrical corporation's most recently completed general rate
15 proceeding; provided, that in the absence of a commission determination of the return on rate
16 base within the three-year period prior to August 28, [~~2022~~] **2024**, the weighted average cost
17 of capital shall be determined using the electrical corporation's actual capital structure as of
18 December 31, [~~2021~~] **2023**, excluding short-term debt, the electrical corporation's actual cost
19 of long-term debt and preferred stock as of December 31, 2021, and a cost of common equity
20 of nine and one-half percent.

21 2. (1) Notwithstanding any other provision of this chapter to the contrary, electrical
22 corporations shall defer to a regulatory asset [~~eighty-five~~] **ninety** percent of all depreciation
23 expense and return associated with all qualifying electric plant recorded to plant-in-service on
24 the utility's books commencing on or after August 28, 2018, if the electrical corporation has
25 made the election provided for by subsection 5 of this section by that date, or on the date such
26 election is made if the election is made after August 28, 2018. In each general rate
27 proceeding concluded after August 28, 2018, the balance of the regulatory asset as of the rate-
28 base cutoff date shall, subject only to the cap provided for in section 393.1655 or section
29 393.1656, as applicable, be included in the electrical corporation's rate base without any
30 offset, reduction, or adjustment based upon consideration of any other factor, other than as
31 provided for in subdivision (2) of this subsection, with the regulatory asset balance arising
32 from deferrals associated with qualifying electric plant placed in service after the rate-base
33 cutoff date to be included in rate base in the next general rate proceeding. The expiration of
34 this section shall not affect the continued inclusion in rate base and amortization of regulatory
35 asset balances that arose under this section prior to such expiration.

36 (2) The regulatory asset balances arising under this section shall be adjusted to reflect
37 any prudence disallowances ordered by the commission. The provisions of this section shall
38 not be construed to affect existing law respecting the burdens of production and persuasion in
39 general rate proceedings for rate-base additions.

40 (3) Parts of regulatory asset balances created under this section that are not yet being
41 recovered through rates shall include carrying costs at the electrical corporation's weighted
42 average cost of capital, plus applicable federal, state, and local income or excise taxes.
43 Regulatory asset balances arising under this section and included in rate base shall be
44 recovered in rates through a twenty-year amortization beginning on the date new rates
45 reflecting such amortization take effect.

46 3. (1) Depreciation expense deferred under this section shall account for all
47 qualifying electric plant placed into service less retirements of plant replaced by such
48 qualifying electric plant.

49 (2) Return deferred under this section shall be determined using the weighted average
50 cost of capital applied to the change in plant-related rate base caused by the qualifying electric
51 plant, plus applicable federal, state, and local income or excise taxes. In determining the
52 return deferred, the electrical corporation shall account for changes in all plant-related
53 accumulated deferred income taxes and changes in accumulated depreciation, excluding
54 retirements.

55 4. Beginning February 28, 2019, and by each February twenty-eighth thereafter while
56 the electrical corporation is allowed to make the deferrals provided for by subsection 2 of this
57 section, electrical corporations that defer depreciation expense and return authorized under
58 this section shall submit to the commission a five-year capital investment plan setting forth
59 the general categories of capital expenditures the electrical corporation will pursue in
60 furtherance of replacing, modernizing, and securing its infrastructure. The plan shall also
61 include a specific capital investment plan for the first year of the five-year plan consistent
62 with the level of specificity used for annual capital budgeting purposes. For each project in
63 the specific capital investment plan on which construction commences on or after January
64 first of the year in which the plan is submitted, and where the cost of the project is estimated
65 to exceed twenty million dollars, the electrical corporation shall identify all costs and benefits
66 that can be quantitatively evaluated and shall further identify how those costs and benefits are
67 quantified. For any cost or benefit with respect to such a project that the electrical
68 corporation believes cannot be quantitatively evaluated, the electrical corporation shall state
69 the reasons the cost or benefit cannot be quantitatively evaluated, and how the electrical
70 corporation addresses such costs and benefits when reviewing and deciding to pursue such a
71 project. No such project shall be based solely on costs and benefits that the electrical
72 corporation believes cannot be quantitatively evaluated. Any quantification for such a project

73 that does not produce quantified benefits exceeding the costs shall be accompanied by
74 additional justification in support of the project. For each of the first five years that an
75 electrical corporation is allowed to make the deferrals provided for by subsection 2 of this
76 section, the purchase and installation of smart meters shall constitute no more than six percent
77 of the electrical corporation's total capital expenditures during any given year under the
78 corporation's specific capital investment plan. At least twenty-five percent of the cost of **the**
79 **investments reflected in** each year's capital investment plan, **which for the purposes of this**
80 **subsection shall exclude the costs of investments in new generating units and energy**
81 **storage systems**, shall be comprised of grid modernization projects, including but not limited
82 to:

83 (1) Increased use of digital information and controls technology to improve
84 reliability, security, and efficiency of the electric grid;

85 (2) Dynamic optimization of grid operations and resources, with full cybersecurity;

86 (3) Deployment and integration of distributed resources and generation, including
87 renewable resources;

88 (4) Development and incorporation of demand response, demand-side resources, and
89 energy-efficiency resources;

90 (5) Deployment of smart technologies (real-time, automated, interactive technologies
91 that optimize the physical operation of appliances and consumer devices) for metering,
92 communications, concerning grid operations and status, and distribution automation;

93 (6) Integration of smart appliances and devices;

94 (7) Deployment and integration of advanced electricity storage and peak-shaving
95 technologies, including plug-in electric and hybrid electric vehicles, and thermal storage air
96 conditioning;

97 (8) Provision of timely information and control options to consumer;

98 (9) Development of standards for communication and interoperability of appliances
99 and equipment connected to the electric grid, including the infrastructure serving the grid; and

100 (10) Identification and lowering of unreasonable or unnecessary barriers to adoption
101 of smart grid technologies, practices, and services.

102

103 Project specific information need not be included for the five-year period covered by the plan.
104 Within thirty days of the filing of any capital investment plan or annual update to an existing
105 plan, the electrical corporation shall host a public stakeholder meeting to answer questions
106 and receive feedback about the plan. After feedback is received, the electrical corporation
107 shall file a notice with the commission of any modifications to the capital investment plan it
108 has accepted. Changes to the plan, its implementation, or the level of investments made shall
109 not constitute evidence of imprudence of the investments made under such plan. The

110 submission of a capital investment plan under this section shall not affect in any way the
111 commission's authority with respect to the grant or denial of a certificate of convenience and
112 necessity under section 393.170. By February twenty-eighth following each year in which
113 the electrical corporation submits a capital investment plan, the electrical corporation shall
114 submit a report to the commission detailing actual capital investments made the previous
115 year, the quantitatively evaluated benefits and costs generated by each of those investments
116 that exceeded twenty million dollars, and any efficiencies achieved as a result of those
117 investments.

118 5. This section shall only apply to any electrical corporation that has filed a notice
119 with the commission of the electrical corporation's election to make the deferrals for which
120 this section provides. An electrical corporation may provide notice to the commission one
121 time under this subsection if such corporation has applied to the commission under subsection
122 2 of section 386.266, provided the corporation shall not concurrently utilize deferrals under
123 this subsection and the electric rate adjustments set forth in subsection 3 of section 386.266.
124 An electrical corporation's election shall allow it to make the deferrals provided for by
125 subsection 2 of this section until December 31, ~~[2028]~~ **2035**. Notwithstanding the
126 immediately preceding sentence, an electrical corporation may seek permission to continue to
127 make the deferrals provided for by subsection 2 of this section for an additional five years
128 beyond December 31, ~~[2028]~~ **2035**, by filing an application with the commission seeking
129 such permission by December 31, ~~[2026]~~ **2033**, which application shall be ruled upon by the
130 commission within one hundred eighty days after its filing. In deciding whether to grant such
131 permission to continue the commission shall have the authority, consistent with its statutory
132 authority outside this section, to consider such factors as in its judgment it deems necessary
133 and may condition the permission on factors that are relevant to the deferrals authorized by
134 subsection 2 of this section. The commission shall make the determination of whether to
135 grant such permission to continue after a hearing. An electrical corporation making deferrals
136 provided for by subsection 2 of this section on and after January 1, 2024, shall be subject to
137 the revenue requirement impact cap set forth under section 393.1656. Failure to obtain such
138 commission permission to continue shall not affect deferrals made through the date for which
139 permission has been granted, or the regulatory and ratemaking treatment of the regulatory
140 assets arising from such deferrals as provided for by this section.

141 6. The commission may take into account any change in business risk to the
142 corporation resulting from implementation of the deferrals in setting the corporation's allowed
143 return in any rate proceeding, in addition to any other changes in business risk experienced by
144 the corporation.

145 7. This section shall expire on December 31, ~~[2033]~~ **2040**, except that the
146 amortization of the regulatory asset balances arising under this section shall continue to be

147 reflected in the electrical corporation's rates and remaining regulatory asset balances shall be
148 included in the electrical corporation's rate base consistent with the ratemaking treatment and
149 amortization previously approved by the commission pursuant to this section.

393.1700. 1. For purposes of sections 393.1700 to 393.1715, the following terms
2 shall mean:

3 (1) "Ancillary agreement", a bond, insurance policy, letter of credit, reserve account,
4 surety bond, interest rate lock or swap arrangement, hedging arrangement, liquidity or credit
5 support arrangement, or other financial arrangement entered into in connection with
6 securitized utility tariff bonds;

7 (2) "Assignee", a legally recognized entity to which an electrical corporation assigns,
8 sells, or transfers, other than as security, all or a portion of its interest in or right to securitized
9 utility tariff property. The term includes a corporation, limited liability company, general
10 partnership or limited partnership, public authority, trust, financing entity, or any entity to
11 which an assignee assigns, sells, or transfers, other than as security, its interest in or right to
12 securitized utility tariff property;

13 (3) "Bondholder", a person who holds a securitized utility tariff bond;

14 (4) "Code", the uniform commercial code, chapter 400;

15 (5) "Commission", the Missouri public service commission;

16 (6) "Electrical corporation", the same as defined in section 386.020, but shall not
17 include an electrical corporation as described in subsection 2 of section 393.110;

18 (7) "Energy transition costs" include all of the following:

19 (a) Pretax costs with respect to a retired or abandoned or to be retired or abandoned
20 electric generating facility that is the subject of a petition for a financing order filed under this
21 section where such early retirement or abandonment is deemed reasonable and prudent by the
22 commission through a final order issued by the commission, include, but are not limited to,
23 the undepreciated investment in the retired or abandoned or to be retired or abandoned
24 electric generating facility and any facilities ancillary thereto or used in conjunction
25 therewith, costs of decommissioning and restoring the site of the electric generating facility,
26 other applicable capital and operating costs, accrued carrying charges, and deferred expenses,
27 with the foregoing to be reduced by applicable tax benefits of accumulated and excess
28 deferred income taxes, insurance, scrap and salvage proceeds, and may include the cost of
29 retiring any existing indebtedness, fees, costs, and expenses to modify existing debt
30 agreements or for waivers or consents related to existing debt agreements;

31 (b) Pretax costs that an electrical corporation has previously incurred related to the
32 retirement or abandonment of such an electric generating facility occurring before August 28,
33 2021;

34 (8) "Financing costs" includes all of the following:

35 (a) Interest and acquisition, defeasance, or redemption premiums payable on
36 securitized utility tariff bonds;

37 (b) Any payment required under an ancillary agreement and any amount required to
38 fund or replenish a reserve account or other accounts established under the terms of any
39 indenture, ancillary agreement, or other financing documents pertaining to securitized utility
40 tariff bonds;

41 (c) Any other cost related to issuing, supporting, repaying, refunding, and servicing
42 securitized utility tariff bonds, including servicing fees, accounting and auditing fees, trustee
43 fees, legal fees, consulting fees, structuring adviser fees, administrative fees, placement and
44 underwriting fees, independent director and manager fees, capitalized interest, rating agency
45 fees, stock exchange listing and compliance fees, security registration fees, filing fees,
46 information technology programming costs, and any other costs necessary to otherwise
47 ensure the timely payment of securitized utility tariff bonds or other amounts or charges
48 payable in connection with the bonds, including costs related to obtaining the financing order;

49 (d) Any taxes and license fees or other fees imposed on the revenues generated from
50 the collection of the securitized utility tariff charge or otherwise resulting from the collection
51 of securitized utility tariff charges, in any such case whether paid, payable, or accrued;

52 (e) Any state and local taxes, franchise, gross receipts, and other taxes or similar
53 charges, including commission assessment fees, whether paid, payable, or accrued;

54 (f) Any costs associated with performance of the commission's responsibilities under
55 this section in connection with approving, approving subject to conditions, or rejecting a
56 petition for a financing order, and in performing its duties in connection with the issuance
57 advice letter process, including costs to retain counsel, one or more financial advisors, or
58 other consultants as deemed appropriate by the commission and paid pursuant to this section;

59 (9) "Financing order", an order from the commission that authorizes the issuance of
60 securitized utility tariff bonds; the imposition, collection, and periodic adjustments of a
61 securitized utility tariff charge; the creation of securitized utility tariff property; and the sale,
62 assignment, or transfer of securitized utility tariff property to an assignee;

63 (10) "Financing party", bondholders and trustees, collateral agents, any party under
64 an ancillary agreement, or any other person acting for the benefit of bondholders;

65 (11) "Financing statement", the same as defined in article 9 of the code;

66 (12) "Pledgee", a financing party to which an electrical corporation or its successors
67 or assignees mortgages, negotiates, pledges, or creates a security interest or lien on all or any
68 portion of its interest in or right to securitized utility tariff property;

69 (13) "Qualified extraordinary costs", costs incurred prudently before, on, or after
70 August 28, 2021, of an extraordinary nature which would cause extreme customer rate
71 impacts if reflected in retail customer rates recovered through customary ratemaking, such as

72 but not limited to those related to purchases of fuel or power, inclusive of carrying charges,
73 during anomalous weather events;

74 (14) "Rate base cutoff date", the same as defined in subdivision (4) of subsection 1 of
75 section 393.1400 as such term existed on August 28, 2021;

76 (15) "Securitized utility tariff bonds", bonds, debentures, notes, certificates of
77 participation, certificates of beneficial interest, certificates of ownership, or other evidences
78 of indebtedness or ownership that are issued by an electrical corporation or an assignee
79 pursuant to a financing order, the proceeds of which are used directly or indirectly to recover,
80 finance, or refinance commission-approved securitized utility tariff costs and financing costs,
81 and that are secured by or payable from securitized utility tariff property. If certificates of
82 participation or ownership are issued, references in this section to principal, interest, or
83 premium shall be construed to refer to comparable amounts under those certificates;

84 (16) "Securitized utility tariff charge", the amounts authorized by the commission to
85 repay, finance, or refinance securitized utility tariff costs and financing costs and that are,
86 except as otherwise provided for in this section, nonbypassable charges imposed on and part
87 of all retail customer bills, collected by an electrical corporation or its successors or assignees,
88 or a collection agent, in full, separate and apart from the electrical corporation's base rates,
89 and paid by all existing or future retail customers receiving electrical service from the
90 electrical corporation or its successors or assignees under commission-approved rate
91 schedules, except for customers receiving electrical service under special contracts as of
92 August 28, 2021, even if a retail customer elects to purchase electricity from an alternative
93 electricity supplier following a fundamental change in regulation of public utilities in this
94 state;

95 (17) "Securitized utility tariff costs", either energy transition costs or qualified
96 extraordinary costs as the case may be;

97 (18) "Securitized utility tariff property", all of the following:

98 (a) All rights and interests of an electrical corporation or successor or assignee of the
99 electrical corporation under a financing order, including the right to impose, bill, charge,
100 collect, and receive securitized utility tariff charges authorized under the financing order and
101 to obtain periodic adjustments to such charges as provided in the financing order;

102 (b) All revenues, collections, claims, rights to payments, payments, money, or
103 proceeds arising from the rights and interests specified in the financing order, regardless of
104 whether such revenues, collections, claims, rights to payment, payments, money, or proceeds
105 are imposed, billed, received, collected, or maintained together with or commingled with
106 other revenues, collections, rights to payment, payments, money, or proceeds;

107 (19) "Special contract", electrical service provided under the terms of a special
108 incremental load rate schedule at a fixed price rate approved by the commission.

109 2. (1) An electrical corporation may petition the commission for a financing order to
110 finance energy transition costs through an issuance of securitized utility tariff bonds. The
111 petition shall include all of the following:

112 (a) A description of the electric generating facility or facilities that the electrical
113 corporation has retired or abandoned, or proposes to retire or abandon, prior to the date that
114 all undepreciated investment relating thereto has been recovered through rates and the reasons
115 for undertaking such early retirement or abandonment, or if the electrical corporation is
116 subject to a separate commission order or proceeding relating to such retirement or
117 abandonment as contemplated by subdivision (2) of this subsection, and a description of the
118 order or other proceeding;

119 (b) The energy transition costs;

120 (c) An indicator of whether the electrical corporation proposes to finance all or a
121 portion of the energy transition costs using securitized utility tariff bonds. If the electrical
122 corporation proposes to finance a portion of the costs, the electrical corporation shall identify
123 the specific portion in the petition. By electing not to finance all or any portion of such
124 energy transition costs using securitized utility tariff bonds, an electrical corporation shall not
125 be deemed to waive its right to recover such costs pursuant to a separate proceeding with the
126 commission;

127 (d) An estimate of the financing costs related to the securitized utility tariff bonds;

128 (e) An estimate of the securitized utility tariff charges necessary to recover the
129 securitized utility tariff costs and financing costs and the period for recovery of such costs;

130 (f) A comparison between the net present value of the costs to customers that are
131 estimated to result from the issuance of securitized utility tariff bonds and the costs that would
132 result from the application of the traditional method of financing and recovering the
133 undepreciated investment of facilities that may become securitized utility tariff costs from
134 customers. The comparison should demonstrate that the issuance of securitized utility tariff
135 bonds and the imposition of securitized utility tariff charges are expected to provide
136 quantifiable net present value benefits to customers;

137 (g) A proposed future ratemaking process to reconcile any differences between
138 securitized utility tariff costs financed by securitized utility tariff bonds and the final
139 securitized costs incurred by the electrical corporation or assignee provided that any such
140 reconciliation shall not affect the amount of securitized utility tariff bonds or the associated
141 securitized utility tariff charges paid by customers; and

142 (h) Direct testimony supporting the petition.

143 (2) An electrical corporation may petition the commission for a financing order to
144 finance qualified extraordinary costs. The petition shall include all of the following:

145 (a) A description of the qualified extraordinary costs, including their magnitude, the
146 reasons those costs were incurred by the electrical corporation and the retail customer rate
147 impact that would result from customary ratemaking treatment of such costs;

148 (b) An indicator of whether the electrical corporation proposes to finance all or a
149 portion of the qualified extraordinary costs using securitized utility tariff bonds. If the
150 electrical corporation proposes to finance a portion of the costs, the electrical corporation
151 shall identify the specific portion in the petition. By electing not to finance all or any portion
152 of such qualified extraordinary costs using securitized utility tariff bonds, an electrical
153 corporation shall not be deemed to waive its right to reflect such costs in its retail rates
154 pursuant to a separate proceeding with the commission;

155 (c) An estimate of the financing costs related to the securitized utility tariff bonds;

156 (d) An estimate of the securitized utility tariff charges necessary to recover the
157 qualified extraordinary costs and financing costs and the period for recovery of such costs;

158 (e) A comparison between the net present value of the costs to customers that are
159 estimated to result from the issuance of securitized utility tariff bonds and the costs that would
160 result from the application of the customary method of financing and reflecting the qualified
161 extraordinary costs in retail customer rates. The comparison should demonstrate that the
162 issuance of securitized utility tariff bonds and the imposition of securitized utility tariff
163 charges are expected to provide quantifiable net present value benefits to retail customers;

164 (f) A proposed future ratemaking process to reconcile any differences between
165 securitized utility tariff costs financed by securitized utility tariff bonds and the final
166 securitized costs incurred by the electrical corporation or assignee provided that any such
167 reconciliation shall not affect the amount of securitized utility tariff bonds or the associated
168 securitized utility tariff charges paid by customers; and

169 (g) Direct testimony supporting the petition.

170 (3) (a) Proceedings on a petition submitted pursuant to this subsection begin with the
171 petition by an electrical corporation and shall be disposed of in accordance with the
172 requirements of this section and the rules of the commission, except as follows:

173 a. The commission shall establish a procedural schedule that permits a commission
174 decision no later than two hundred fifteen days after the date the petition is filed;

175 b. No later than two hundred fifteen days after the date the petition is filed, the
176 commission shall issue a financing order approving the petition, an order approving the
177 petition subject to conditions, or an order rejecting the petition; provided, however, that the
178 electrical corporation shall provide notice of intent to file a petition for a financing order to
179 the commission no less than sixty days in advance of such filing;

180 c. Judicial review of a financing order may be had only in accordance with sections
181 386.500 and 386.510.

182 (b) In performing its responsibilities under this section in approving, approving
183 subject to conditions, or rejecting a petition for a financing order, the commission may retain
184 counsel, one or more financial advisors, or other consultants as it deems appropriate. Such
185 outside counsel, advisor or advisors, or consultants shall owe a duty of loyalty solely to the
186 commission and shall have no interest in the proposed securitized utility tariff bonds. The
187 costs associated with any such engagements shall be paid by the petitioning corporation and
188 shall be included as financed costs in the securitized utility tariff charge and shall not be an
189 obligation of the state and shall be assigned solely to the subject transaction. **The**
190 **commission may directly contract counsel, financial advisors, or other consultants as**
191 **necessary for effectuating the purposes of this section. Such contracting procedures**
192 **shall not be subject to the provisions of chapter 34, however the commission shall**
193 **establish a policy for the bid process. Such policy shall be publicly available and any**
194 **information related to contracts under the established policy shall be included in**
195 **publicly available rate case documentation.**

196 (c) A financing order issued by the commission, after a hearing, to an electrical
197 corporation shall include all of the following elements:

198 a. The amount of securitized utility tariff costs to be financed using securitized utility
199 tariff bonds and a finding that recovery of such costs is just and reasonable and in the public
200 interest. The commission shall describe and estimate the amount of financing costs that may
201 be recovered through securitized utility tariff charges and specify the period over which
202 securitized utility tariff costs and financing costs may be recovered;

203 b. A finding that the proposed issuance of securitized utility tariff bonds and the
204 imposition and collection of a securitized utility tariff charge are just and reasonable and in
205 the public interest and are expected to provide quantifiable net present value benefits to
206 customers as compared to recovery of the components of securitized utility tariff costs that
207 would have been incurred absent the issuance of securitized utility tariff bonds.
208 Notwithstanding any provisions of this section to the contrary, in considering whether to
209 find the proposed issuance of securitized utility tariff bonds and the imposition and collection
210 of a securitized utility tariff charge are just and reasonable and in the public interest, the
211 commission may consider previous instances where it has issued financing orders to the
212 petitioning electrical corporation and such electrical corporation has previously issued
213 securitized utility tariff bonds;

214 c. A finding that the proposed structuring and pricing of the securitized utility tariff
215 bonds are reasonably expected to result in the lowest securitized utility tariff charges
216 consistent with market conditions at the time the securitized utility tariff bonds are priced and
217 the terms of the financing order;

218 d. A requirement that, for so long as the securitized utility tariff bonds are outstanding
219 and until all financing costs have been paid in full, the imposition and collection of
220 securitized utility tariff charges authorized under a financing order shall be nonbypassable
221 and paid by all existing and future retail customers receiving electrical service from the
222 electrical corporation or its successors or assignees under commission-approved rate
223 schedules except for customers receiving electrical service under special contracts on August
224 28, 2021, even if a retail customer elects to purchase electricity from an alternative electric
225 supplier following a fundamental change in regulation of public utilities in this state;

226 e. A formula-based true-up mechanism for making, at least annually, expeditious
227 periodic adjustments in the securitized utility tariff charges that customers are required to pay
228 pursuant to the financing order and for making any adjustments that are necessary to correct
229 for any overcollection or undercollection of the charges or to otherwise ensure the timely
230 payment of securitized utility tariff bonds and financing costs and other required amounts and
231 charges payable under the securitized utility tariff bonds;

232 f. The securitized utility tariff property that is, or shall be, created in favor of an
233 electrical corporation or its successors or assignees and that shall be used to pay or secure
234 securitized utility tariff bonds and approved financing costs;

235 g. The degree of flexibility to be afforded to the electrical corporation in establishing
236 the terms and conditions of the securitized utility tariff bonds, including, but not limited to,
237 repayment schedules, expected interest rates, and other financing costs;

238 h. How securitized utility tariff charges will be allocated among retail customer
239 classes. The initial allocation shall remain in effect until the electrical corporation completes
240 a general rate proceeding, and once the commission's order from that general rate proceeding
241 becomes final, all subsequent applications of an adjustment mechanism regarding securitized
242 utility tariff charges shall incorporate changes in the allocation of costs to customers as
243 detailed in the commission's order from the electrical corporation's most recent general rate
244 proceeding;

245 i. A requirement that, after the final terms of an issuance of securitized utility tariff
246 bonds have been established and before the issuance of securitized utility tariff bonds, the
247 electrical corporation determines the resulting initial securitized utility tariff charge in
248 accordance with the financing order, and that such initial securitized utility tariff charge be
249 final and effective upon the issuance of such securitized utility tariff bonds with such charge
250 to be reflected on a compliance tariff sheet bearing such charge;

251 j. A method of tracing funds collected as securitized utility tariff charges, or other
252 proceeds of securitized utility tariff property, determining that such method shall be deemed
253 the method of tracing such funds and determining the identifiable cash proceeds of any
254 securitized utility tariff property subject to a financing order under applicable law;

255 k. A statement specifying a future ratemaking process to reconcile any differences
256 between the actual securitized utility tariff costs financed by securitized utility tariff bonds
257 and the final securitized utility tariff costs incurred by the electrical corporation or assignee
258 provided that any such reconciliation shall not affect the amount of securitized utility tariff
259 bonds or the associated securitized utility tariff charges paid by customers;

260 l. A procedure that shall allow the electrical corporation to earn a return, at the cost of
261 capital authorized from time to time by the commission in the electrical corporation's rate
262 proceedings, on any moneys advanced by the electrical corporation to fund reserves, if any, or
263 capital accounts established under the terms of any indenture, ancillary agreement, or other
264 financing documents pertaining to the securitized utility tariff bonds;

265 m. In a financing order granting authorization to securitize energy transition costs or
266 in a financing order granting authorization to securitize qualified extraordinary costs that
267 include retired or abandoned facility costs, a procedure for the treatment of accumulated
268 deferred income taxes and excess deferred income taxes in connection with the retired or
269 abandoned or to be retired or abandoned electric generating facility, or in connection with
270 retired or abandoned facilities included in qualified extraordinary costs. The accumulated
271 deferred income taxes, including excess deferred income taxes, shall be excluded from rate
272 base in future general rate cases and the net tax benefits relating to amounts that will be
273 recovered through the issuance of securitized utility tariff bonds shall be credited to retail
274 customers by reducing the amount of such securitized utility tariff bonds that would otherwise
275 be issued. The customer credit shall include the net present value of the tax benefits,
276 calculated using a discount rate equal to the expected interest rate of the securitized utility
277 tariff bonds, for the estimated accumulated and excess deferred income taxes at the time of
278 securitization including timing differences created by the issuance of securitized utility tariff
279 bonds amortized over the period of the bonds multiplied by the expected interest rate on such
280 securitized utility tariff bonds;

281 n. An outside date, which shall not be earlier than one year after the date the financing
282 order is no longer subject to appeal, when the authority to issue securitized utility tariff bonds
283 granted in such financing order shall expire; and

284 o. Include any other conditions that the commission considers appropriate and that are
285 not inconsistent with this section.

286 (d) A financing order issued to an electrical corporation may provide that creation of
287 the electrical corporation's securitized utility tariff property is conditioned upon, and
288 simultaneous with, the sale or other transfer of the securitized utility tariff property to an
289 assignee and the pledge of the securitized utility tariff property to secure securitized utility
290 tariff bonds.

291 (e) If the commission issues a financing order, the electrical corporation shall file
292 with the commission at least annually a petition or a letter applying the formula-based true-up
293 mechanism and, based on estimates of consumption for each rate class and other
294 mathematical factors, requesting administrative approval to make the applicable
295 adjustments. The review of the filing shall be limited to determining whether there are
296 any mathematical or clerical errors in the application of the formula-based true-up mechanism
297 relating to the appropriate amount of any overcollection or undercollection of securitized
298 utility tariff charges and the amount of an adjustment. The adjustments shall ensure the
299 recovery of revenues sufficient to provide for the payment of principal, interest, acquisition,
300 defeasance, financing costs, or redemption premium and other fees, costs, and charges in
301 respect of securitized utility tariff bonds approved under the financing order. Within thirty
302 days after receiving an electrical corporation's request pursuant to this paragraph, the
303 commission shall either approve the request or inform the electrical corporation of any
304 mathematical or clerical errors in its calculation. If the commission informs the electrical
305 corporation of mathematical or clerical errors in its calculation, the electrical corporation shall
306 correct its error and refile its request. The time frames previously described in this paragraph
307 shall apply to a refiled request.

308 (f) At the time of any transfer of securitized utility tariff property to an assignee or the
309 issuance of securitized utility tariff bonds authorized thereby, whichever is earlier, a financing
310 order is irrevocable and, except for changes made pursuant to the formula-based true-up
311 mechanism authorized in this section, the commission may not amend, modify, or terminate
312 the financing order by any subsequent action or reduce, impair, postpone, terminate, or
313 otherwise adjust securitized utility tariff charges approved in the financing order. After the
314 issuance of a financing order, the electrical corporation retains sole discretion regarding
315 whether to assign, sell, or otherwise transfer securitized utility tariff property or to cause
316 securitized utility tariff bonds to be issued, including the right to defer or postpone such
317 assignment, sale, transfer, or issuance.

318 (g) The commission, in a financing order and subject to the issuance advice letter
319 process under paragraph (h) of this subdivision, shall specify the degree of flexibility to be
320 afforded the electrical corporation in establishing the terms and conditions for the securitized
321 utility tariff bonds to accommodate changes in market conditions, including repayment
322 schedules, interest rates, financing costs, collateral requirements, required debt service and
323 other reserves and the ability of the electrical corporation, at its option, to effect a series of
324 issuances of securitized utility tariff bonds and correlated assignments, sales, pledges, or other
325 transfers of securitized utility tariff property. Any changes made under this paragraph to
326 terms and conditions for the securitized utility tariff bonds shall be in conformance with the
327 financing order.

328 (h) As the actual structure and pricing of the securitized utility tariff bonds will be
329 unknown at the time the financing order is issued, prior to the issuance of each series of
330 bonds, an issuance advice letter shall be provided to the commission by the electrical
331 corporation following the determination of the final terms of such series of bonds no later
332 than one day after the pricing of the securitized utility tariff bonds. The commission shall
333 have the authority to designate a representative or representatives from commission staff, who
334 may be advised by a financial advisor or advisors contracted with the commission, to provide
335 input to the electrical corporation and collaborate with the electrical corporation in all facets
336 of the process undertaken by the electrical corporation to place the securitized utility tariff
337 bonds to market so the commission's representative or representatives can provide the
338 commission with an opinion on the reasonableness of the pricing, terms, and conditions of the
339 securitized utility tariff bonds on an expedited basis. Neither the designated representative or
340 representatives from the commission staff nor one or more financial advisors advising
341 commission staff shall have authority to direct how the electrical corporation places the bonds
342 to market although they shall be permitted to attend all meetings convened by the electrical
343 corporation to address placement of the bonds to market. The form of such issuance advice
344 letter shall be included in the financing order and shall indicate the final structure of the
345 securitized utility tariff bonds and provide the best available estimate of total ongoing
346 financing costs. The issuance advice letter shall report the initial securitized utility tariff
347 charges and other information specific to the securitized utility tariff bonds to be issued, as the
348 commission may require. Unless an earlier date is specified in the financing order, the
349 electrical corporation may proceed with the issuance of the securitized utility tariff bonds
350 unless, prior to noon on the fourth business day after the commission receives the issuance
351 advice letter, the commission issues a disapproval letter directing that the bonds as proposed
352 shall not be issued and the basis for that disapproval. The financing order may provide such
353 additional provisions relating to the issuance advice letter process as the commission
354 considers appropriate and as are not inconsistent with this section.

355 (4) (a) In performing the responsibilities of this section in connection with the
356 issuance of a financing order, approving the petition, an order approving the petition subject
357 to conditions, or an order rejecting the petition, the commission shall undertake due diligence
358 as it deems appropriate prior to the issuance of the order regarding the petition pursuant to
359 which the commission may request additional information from the electrical corporation and
360 may engage one or more financial advisors, one or more consultants, and counsel as the
361 commission deems necessary. Any financial advisor or advisors, counsel, and consultants
362 engaged by the commission shall have a fiduciary duty with respect to the proposed issuance
363 of securitized utility bonds solely to the commission. All expenses associated with such

364 services shall be included as part of the financing costs of the securitized utility tariff bonds
365 and shall be included in the securitized utility tariff charge.

366 (b) If an electrical corporation's petition for a financing order is denied or withdrawn,
367 or for any reason securitized utility tariff bonds are not issued, any costs of retaining one or
368 more financial advisors, one or more consultants, and counsel on behalf of the commission
369 shall be paid by the petitioning electrical corporation and shall be eligible for full recovery,
370 including carrying costs, if approved by the commission in the electrical corporation's future
371 rates.

372 (5) At the request of an electrical corporation, the commission may commence a
373 proceeding and issue a subsequent financing order that provides for refinancing, retiring, or
374 refunding securitized utility tariff bonds issued pursuant to the original financing order if the
375 commission finds that the subsequent financing order satisfies all of the criteria specified in
376 this section for a financing order. Effective upon retirement of the refunded securitized utility
377 tariff bonds and the issuance of new securitized utility tariff bonds, the commission shall
378 adjust the related securitized utility tariff charges accordingly.

379 (6) (a) A financing order remains in effect and securitized utility tariff property under
380 the financing order continues to exist until securitized utility tariff bonds issued pursuant to
381 the financing order have been paid in full or defeased and, in each case, all commission-
382 approved financing costs of such securitized utility tariff bonds have been recovered in full.

383 (b) A financing order issued to an electrical corporation remains in effect and
384 unabated notwithstanding the reorganization, bankruptcy, or other insolvency proceedings,
385 merger, or sale of the electrical corporation or its successors or assignees.

386 3. (1) The commission may not, in exercising its powers and carrying out its duties
387 regarding any matter within its authority, consider the securitized utility tariff bonds issued
388 pursuant to a financing order to be the debt of the electrical corporation other than for federal
389 and state income tax purposes, consider the securitized utility tariff charges paid under the
390 financing order to be the revenue of the electrical corporation for any purpose, consider the
391 securitized utility tariff costs or financing costs specified in the financing order to be the costs
392 of the electrical corporation, nor may the commission determine any action taken by an
393 electrical corporation which is consistent with the financing order to be unjust or
394 unreasonable, and section 386.300 shall not apply to the issuance of securitized utility
395 tariff bonds.

396 (2) Securitized utility tariff charges shall not be utilized or accounted for in
397 determining the electrical corporation's average overall rate, as defined in section 393.1655
398 and as used to determine the maximum retail rate impact limitations provided for by
399 subsections 3 and 4 of section 393.1655.

400 (3) No electrical corporation is required to file a petition for a financing order under
401 this section or otherwise utilize this section. An electrical corporation's decision not to file a
402 petition for a financing order under this section shall not be admissible in any commission
403 proceeding nor shall it be otherwise utilized or relied on by the commission in any proceeding
404 respecting the electrical corporation's rates or its accounting, including, without limitation,
405 any general rate proceeding, fuel adjustment clause docket, or proceedings relating to
406 accounting authority, whether initiated by the electrical corporation or otherwise. The
407 commission may not order or otherwise directly or indirectly require an electrical corporation
408 to use securitized utility tariff bonds to recover securitized utility tariff costs or to finance any
409 project, addition, plant, facility, extension, capital improvement, equipment, or any other
410 expenditure.

411 (4) The commission may not refuse to allow an electrical corporation to recover
412 securitized utility tariff costs in an otherwise permissible fashion, or refuse or condition
413 authorization or approval of the issuance and sale by an electrical corporation of securities or
414 the assumption by the electrical corporation of liabilities or obligations, because of the
415 potential availability of securitized utility tariff bond financing.

416 (5) After the issuance of a financing order with or without conditions, the electrical
417 corporation retains sole discretion regarding whether to cause the securitized utility tariff
418 bonds to be issued, including the right to defer or postpone such sale, assignment, transfer, or
419 issuance. Nothing shall prevent the electrical corporation from abandoning the issuance of
420 securitized utility tariff bonds under the financing order by filing with the commission a
421 statement of abandonment and the reasons therefor; provided, that the electrical corporation's
422 abandonment decision shall not be deemed imprudent because of the potential availability of
423 securitized utility tariff bond financing; and provided further, that an electrical corporation's
424 decision to abandon issuance of such bonds may be raised by any party, including the
425 commission, as a reason the commission should not authorize, or should modify, the rate-
426 making treatment proposed by the electrical corporation of the costs associated with the
427 electric generating facility that was the subject of a petition under this section that would have
428 been securitized as energy transition costs had such abandonment decision not been made, but
429 only if the electrical corporation requests nonstandard plant retirement treatment of such costs
430 for rate-making purposes.

431 (6) The commission may not, directly or indirectly, utilize or consider the debt
432 reflected by the securitized utility tariff bonds in establishing the electrical corporation's
433 capital structure used to determine any regulatory matter, including but not limited to the
434 electrical corporation's revenue requirement used to set its rates.

435 (7) The commission may not, directly or indirectly, consider the existence of
436 securitized utility tariff bonds or the potential use of securitized utility tariff bond financing

437 proceeds in determining the electrical corporation's authorized rate of return used to
438 determine the electrical corporation's revenue requirement used to set its rates.

439 4. The electric bills of an electrical corporation that has obtained a financing order
440 and caused securitized utility tariff bonds to be issued shall comply with the provisions of this
441 subsection; however, the failure of an electrical corporation to comply with this subsection
442 does not invalidate, impair, or affect any financing order, securitized utility tariff property,
443 securitized utility tariff charge, or securitized utility tariff bonds. The electrical corporation
444 shall do the following:

445 (1) Explicitly reflect that a portion of the charges on such bill represents securitized
446 utility tariff charges approved in a financing order issued to the electrical corporation and, if
447 the securitized utility tariff property has been transferred to an assignee, shall include a
448 statement to the effect that the assignee is the owner of the rights to securitized utility tariff
449 charges and that the electrical corporation or other entity, if applicable, is acting as a
450 collection agent or servicer for the assignee. The tariff applicable to customers shall indicate
451 the securitized utility tariff charge and the ownership of the charge;

452 (2) Include the securitized utility tariff charge on each customer's bill as a separate
453 line item and include both the rate and the amount of the charge on each bill.

454 5. (1) (a) All securitized utility tariff property that is specified in a financing order
455 constitutes an existing, present intangible property right or interest therein, notwithstanding
456 that the imposition and collection of securitized utility tariff charges depends on the electrical
457 corporation, to which the financing order is issued, performing its servicing functions relating
458 to the collection of securitized utility tariff charges and on future electricity consumption.
459 The property exists:

460 a. Regardless of whether or not the revenues or proceeds arising from the property
461 have been billed, have accrued, or have been collected; and

462 b. Notwithstanding the fact that the value or amount of the property is dependent on
463 the future provision of service to customers by the electrical corporation or its successors or
464 assignees and the future consumption of electricity by customers.

465 (b) Securitized utility tariff property specified in a financing order exists until
466 securitized utility tariff bonds issued pursuant to the financing order are paid in full and all
467 financing costs and other costs of such securitized utility tariff bonds have been recovered in
468 full.

469 (c) All or any portion of securitized utility tariff property specified in a financing
470 order issued to an electrical corporation may be transferred, sold, conveyed, or assigned to a
471 successor or assignee that is wholly owned, directly or indirectly, by the electrical corporation
472 and created for the limited purpose of acquiring, owning, or administering securitized utility
473 tariff property or issuing securitized utility tariff bonds under the financing order. All or any

474 portion of securitized utility tariff property may be pledged to secure securitized utility tariff
475 bonds issued pursuant to the financing order, amounts payable to financing parties and to
476 counterparties under any ancillary agreements, and other financing costs. Any transfer, sale,
477 conveyance, assignment, grant of a security interest in or pledge of securitized utility tariff
478 property by an electrical corporation, or an affiliate of the electrical corporation, to an
479 assignee, to the extent previously authorized in a financing order, does not require the prior
480 consent and approval of the commission.

481 (d) If an electrical corporation defaults on any required remittance of securitized
482 utility tariff charges arising from securitized utility tariff property specified in a financing
483 order, a court, upon application by an interested party, and without limiting any other
484 remedies available to the applying party, shall order the sequestration and payment of the
485 revenues arising from the securitized utility tariff property to the financing parties or their
486 assignees. Any such financing order remains in full force and effect notwithstanding any
487 reorganization, bankruptcy, or other insolvency proceedings with respect to the electrical
488 corporation or its successors or assignees.

489 (e) The interest of a transferee, purchaser, acquirer, assignee, or pledgee in securitized
490 utility tariff property specified in a financing order issued to an electrical corporation, and in
491 the revenue and collections arising from that property, is not subject to setoff, counterclaim,
492 surcharge, or defense by the electrical corporation or any other person or in connection with
493 the reorganization, bankruptcy, or other insolvency of the electrical corporation or any other
494 entity.

495 (f) Any successor to an electrical corporation, whether pursuant to any reorganization,
496 bankruptcy, or other insolvency proceeding or whether pursuant to any merger or acquisition,
497 sale, or other business combination, or transfer by operation of law, as a result of electrical
498 corporation restructuring or otherwise, shall perform and satisfy all obligations of, and have
499 the same rights under a financing order as, the electrical corporation under the financing order
500 in the same manner and to the same extent as the electrical corporation, including collecting
501 and paying to the person entitled to receive the revenues, collections, payments, or proceeds
502 of the securitized utility tariff property. Nothing in this section is intended to limit or impair
503 any authority of the commission concerning the transfer or succession of interests of public
504 utilities.

505 (g) Securitized utility tariff bonds shall be nonrecourse to the credit or any assets of
506 the electrical corporation other than the securitized utility tariff property as specified in the
507 financing order and any rights under any ancillary agreement.

508 (2) (a) The creation, perfection, priority, and enforcement of any security interest in
509 securitized utility tariff property to secure the repayment of the principal and interest and
510 other amounts payable in respect of securitized utility tariff bonds, amounts payable under

511 any ancillary agreement and other financing costs are governed by this section and not by the
512 provisions of the code, except as otherwise provided in this section.

513 (b) A security interest in securitized utility tariff property is created, valid, and
514 binding at the later of the time:

515 a. The financing order is issued;

516 b. A security agreement is executed and delivered by the debtor granting such
517 security interest;

518 c. The debtor has rights in such securitized utility tariff property or the power to
519 transfer rights in such securitized utility tariff property; or

520 d. Value is received for the securitized utility tariff property.

521

522 The description of securitized utility tariff property in a security agreement is sufficient if the
523 description refers to this section and the financing order creating the securitized utility tariff
524 property. A security interest shall attach as provided in this paragraph without any physical
525 delivery of collateral or other act.

526 (c) Upon the filing of a financing statement with the office of the secretary of state as
527 provided in this section, a security interest in securitized utility tariff property shall be
528 perfected against all parties having claims of any kind in tort, contract, or otherwise against
529 the person granting the security interest, and regardless of whether the parties have notice of
530 the security interest. Without limiting the foregoing, upon such filing a security interest in
531 securitized utility tariff property shall be perfected against all claims of lien creditors, and
532 shall have priority over all competing security interests and other claims other than any
533 security interest previously perfected in accordance with this section.

534 (d) The priority of a security interest in securitized utility tariff property is not
535 affected by the commingling of securitized utility tariff charges with other amounts. Any
536 pledgee or secured party shall have a perfected security interest in the amount of all
537 securitized utility tariff charges that are deposited in any cash or deposit account of the
538 qualifying electrical corporation in which securitized utility tariff charges have been
539 commingled with other funds and any other security interest that may apply to those funds
540 shall be terminated when they are transferred to a segregated account for the assignee or a
541 financing party.

542 (e) No application of the formula-based true-up mechanism as provided in this
543 section will affect the validity, perfection, or priority of a security interest in or transfer of
544 securitized utility tariff property.

545 (f) If a default occurs under the securitized utility tariff bonds that are secured by a
546 security interest in securitized utility tariff property, the financing parties or their
547 representatives may exercise the rights and remedies available to a secured party under the

548 code, including the rights and remedies available under part 6 of article 9 of the code. The
549 commission may also order amounts arising from securitized utility tariff charges be
550 transferred to a separate account for the financing parties' benefit, to which their lien and
551 security interest shall apply. On application by or on behalf of the financing parties, the
552 circuit court for the county or city in which the electrical corporation's headquarters is located
553 shall order the sequestration and payment to them of revenues arising from the securitized
554 utility tariff charges.

555 (3) (a) Any sale, assignment, or other transfer of securitized utility tariff property
556 shall be an absolute transfer and true sale of, and not a pledge of or secured transaction
557 relating to, the seller's right, title, and interest in, to, and under the securitized utility tariff
558 property if the documents governing the transaction expressly state that the transaction is a
559 sale or other absolute transfer other than for federal and state income tax purposes. For all
560 purposes other than federal and state income tax purposes, the parties' characterization of a
561 transaction as a sale of an interest in securitized utility tariff property shall be conclusive that
562 the transaction is a true sale and that ownership has passed to the party characterized as the
563 purchaser, regardless of whether the purchaser has possession of any documents evidencing
564 or pertaining to the interest. A sale or similar outright transfer of an interest in securitized
565 utility tariff property may occur only when all of the following have occurred:

- 566 a. The financing order creating the securitized utility tariff property has become
567 effective;
- 568 b. The documents evidencing the transfer of securitized utility tariff property have
569 been executed by the assignor and delivered to the assignee; and
- 570 c. Value is received for the securitized utility tariff property.

571

572 After such a transaction, the securitized utility tariff property is not subject to any claims of
573 the transferor or the transferor's creditors, other than creditors holding a prior security interest
574 in the securitized utility tariff property perfected in accordance with this section.

575 (b) The characterization of the sale, assignment, or other transfer as an absolute
576 transfer and true sale and the corresponding characterization of the property interest of the
577 purchaser shall not be affected or impaired by the occurrence of any of the following factors:

- 578 a. Commingling of securitized utility tariff charges with other amounts;
- 579 b. The retention by the seller of (i) a partial or residual interest, including an equity
580 interest, in the securitized utility tariff property, whether direct or indirect, or whether
581 subordinate or otherwise, or (ii) the right to recover costs associated with taxes, franchise
582 fees, or license fees imposed on the collection of securitized utility tariff charges;
- 583 c. Any recourse that the purchaser may have against the seller;

584 d. Any indemnification rights, obligations, or repurchase rights made or provided by
585 the seller;

586 e. The obligation of the seller to collect securitized utility tariff charges on behalf of
587 an assignee;

588 f. The transferor acting as the servicer of the securitized utility tariff charges or the
589 existence of any contract that authorizes or requires the electrical corporation, to the extent
590 that any interest in securitized utility tariff property is sold or assigned, to contract with the
591 assignee or any financing party that it will continue to operate its system to provide service to
592 its customers, will collect amounts in respect of the securitized utility tariff charges for the
593 benefit and account of such assignee or financing party, and will account for and remit such
594 amounts to or for the account of such assignee or financing party;

595 g. The treatment of the sale, conveyance, assignment, or other transfer for tax,
596 financial reporting, or other purposes;

597 h. The granting or providing to bondholders a preferred right to the securitized utility
598 tariff property or credit enhancement by the electrical corporation or its affiliates with respect
599 to such securitized utility tariff bonds;

600 i. Any application of the formula-based true-up mechanism as provided in this
601 section.

602 (c) Any right that an electrical corporation has in the securitized utility tariff property
603 before its pledge, sale, or transfer or any other right created under this section or created in the
604 financing order and assignable under this section or assignable pursuant to a financing order
605 is property in the form of a contract right or a chose in action. Transfer of an interest in
606 securitized utility tariff property to an assignee is enforceable only upon the later of:

607 a. The issuance of a financing order;

608 b. The assignor having rights in such securitized utility tariff property or the power to
609 transfer rights in such securitized utility tariff property to an assignee;

610 c. The execution and delivery by the assignor of transfer documents in connection
611 with the issuance of securitized utility tariff bonds; and

612 d. The receipt of value for the securitized utility tariff property.

613

614 An enforceable transfer of an interest in securitized utility tariff property to an assignee is
615 perfected against all third parties, including subsequent judicial or other lien creditors, when a
616 notice of that transfer has been given by the filing of a financing statement in accordance with
617 subsection 7 of this section. The transfer is perfected against third parties as of the date of
618 filing.

619 (d) The priority of a transfer perfected under this section is not impaired by any later
620 modification of the financing order or securitized utility tariff property or by the commingling

621 of funds arising from securitized utility tariff property with other funds. Any other security
622 interest that may apply to those funds, other than a security interest perfected under this
623 section, is terminated when they are transferred to a segregated account for the assignee or a
624 financing party. If securitized utility tariff property has been transferred to an assignee or
625 financing party, any proceeds of that property shall be held in trust for the assignee or
626 financing party.

627 (e) The priority of the conflicting interests of assignees in the same interest or rights
628 in any securitized utility tariff property is determined as follows:

629 a. Conflicting perfected interests or rights of assignees rank according to priority in
630 time of perfection. Priority dates from the time a filing covering the transfer is made in
631 accordance with subsection 7 of this section;

632 b. A perfected interest or right of an assignee has priority over a conflicting
633 unperfected interest or right of an assignee;

634 c. A perfected interest or right of an assignee has priority over a person who becomes
635 a lien creditor after the perfection of such assignee's interest or right.

636 6. The description of securitized utility tariff property being transferred to an assignee
637 in any sale agreement, purchase agreement, or other transfer agreement, granted or pledged to
638 a pledgee in any security agreement, pledge agreement, or other security document, or
639 indicated in any financing statement is only sufficient if such description or indication refers
640 to the financing order that created the securitized utility tariff property and states that the
641 agreement or financing statement covers all or part of the property described in the financing
642 order. This section applies to all purported transfers of, and all purported grants or liens or
643 security interests in, securitized utility tariff property, regardless of whether the related sale
644 agreement, purchase agreement, other transfer agreement, security agreement, pledge
645 agreement, or other security document was entered into, or any financing statement was filed.

646 7. The secretary of state shall maintain any financing statement filed to perfect a sale
647 or other transfer of securitized utility tariff property and any security interest in securitized
648 utility tariff property under this section in the same manner that the secretary of state
649 maintains financing statements filed under the code to perfect a security interest in collateral
650 owned by a transmitting utility. Except as otherwise provided in this section, all financing
651 statements filed pursuant to this section shall be governed by the provisions regarding
652 financing statements and the filing thereof under the code, including part 5 of article 9 of the
653 code. A security interest in securitized utility tariff property may be perfected only by the
654 filing of a financing statement in accordance with this section, and no other method of
655 perfection shall be effective. Notwithstanding any provision of the code to the contrary, a
656 financing statement filed pursuant to this section is effective until a termination statement is
657 filed under the code, and no continuation statement need be filed to maintain its effectiveness.

658 A financing statement filed pursuant to this section may indicate that the debtor is a
659 transmitting utility, and without regard to whether the debtor is an electrical corporation, an
660 assignee or otherwise qualifies as a transmitting utility under the code, but the failure to make
661 such indication shall not impair the duration and effectiveness of the financing statement.

662 8. The law governing the validity, enforceability, attachment, perfection, priority, and
663 exercise of remedies with respect to the transfer of an interest or right or the pledge or
664 creation of a security interest in any securitized utility tariff property shall be the laws of this
665 state.

666 9. Neither the state nor its political subdivisions are liable on any securitized utility
667 tariff bonds, and the bonds are not a debt or a general obligation of the state or any of its
668 political subdivisions, agencies, or instrumentalities, nor are they special obligations or
669 indebtedness of the state or any agency or political subdivision. An issue of securitized utility
670 tariff bonds does not, directly, indirectly, or contingently, obligate the state or any agency,
671 political subdivision, or instrumentality of the state to levy any tax or make any appropriation
672 for payment of the securitized utility tariff bonds, other than in their capacity as consumers of
673 electricity. All securitized utility tariff bonds shall contain on the face thereof a statement to
674 the following effect: "Neither the full faith and credit nor the taxing power of the state of
675 Missouri is pledged to the payment of the principal of, or interest on, this bond."

676 10. All of the following entities may legally invest any sinking funds, moneys, or
677 other funds in securitized utility tariff bonds:

678 (1) Subject to applicable statutory restrictions on state or local investment authority,
679 the state, units of local government, political subdivisions, public bodies, and public officers,
680 except for members of the commission, the commission's technical advisory and other staff,
681 or employees of the office of the public counsel;

682 (2) Banks and bankers, savings and loan associations, credit unions, trust companies,
683 savings banks and institutions, investment companies, insurance companies, insurance
684 associations, and other persons carrying on a banking or insurance business;

685 (3) Personal representatives, guardians, trustees, and other fiduciaries;

686 (4) All other persons authorized to invest in bonds or other obligations of a similar
687 nature.

688 11. (1) The state and its agencies, including the commission, pledge and agree with
689 bondholders, the owners of the securitized utility tariff property, and other financing parties
690 that the state and its agencies will not take any action listed in this subdivision. This
691 subdivision does not preclude limitation or alteration if full compensation is made by law for
692 the full protection of the securitized utility tariff charges collected pursuant to a financing
693 order and of the bondholders and any assignee or financing party entering into a contract with
694 the electrical corporation. The prohibited actions are as follows:

695 (a) Alter the provisions of this section, which authorize the commission to create an
696 irrevocable contract right or chose in action by the issuance of a financing order, to create
697 securitized utility tariff property, and make the securitized utility tariff charges imposed by a
698 financing order irrevocable, binding, or nonbypassable charges for all existing and future
699 retail customers of the electrical corporation except its existing special contract customers;

700 (b) Take or permit any action that impairs or would impair the value of securitized
701 utility tariff property or the security for the securitized utility tariff bonds or revises the
702 securitized utility tariff costs for which recovery is authorized;

703 (c) In any way impair the rights and remedies of the bondholders, assignees, and other
704 financing parties;

705 (d) Except for changes made pursuant to the formula-based true-up mechanism
706 authorized under this section, reduce, alter, or impair securitized utility tariff charges that are
707 to be imposed, billed, charged, collected, and remitted for the benefit of the bondholders, any
708 assignee, and any other financing parties until any and all principal, interest, premium,
709 financing costs and other fees, expenses, or charges incurred, and any contracts to be
710 performed, in connection with the related securitized utility tariff bonds have been paid and
711 performed in full.

712 (2) Any person or entity that issues securitized utility tariff bonds may include the
713 language specified in this subsection in the securitized utility tariff bonds and related
714 documentation.

715 12. An assignee or financing party is not an electrical corporation or person providing
716 electric service by virtue of engaging in the transactions described in this section.

717 13. If there is a conflict between this section and any other law regarding the
718 attachment, assignment, or perfection, or the effect of perfection, or priority of, assignment or
719 transfer of, or security interest in securitized utility tariff property, this section shall govern.

720 14. If any provision of this section is held invalid or is invalidated, superseded,
721 replaced, repealed, or expires for any reason, that occurrence does not affect the validity of
722 any action allowed under this section which is taken by an electrical corporation, an assignee,
723 a financing party, a collection agent, or a party to an ancillary agreement; and any such action
724 remains in full force and effect with respect to all securitized utility tariff bonds issued or
725 authorized in a financing order issued under this section before the date that such provision is
726 held invalid or is invalidated, superseded, replaced, or repealed, or expires for any reason.

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