

FIRST REGULAR SESSION

# SENATE BILL NO. 310

98TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR EMERY.

Read 1st time January 26, 2015, and ordered printed.

ADRIANE D. CROUSE, Secretary.

0772S.04I

## AN ACT

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

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

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

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

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

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

(3) "Qualifying electric plant", shall consist of the following to the extent the plant does not increase revenues by allowing service to new customers:

(a) Replacements or modernizations of existing transmission and distribution facilities, including meters, that are obsolete, have worn out, or are in a deteriorated condition, or where reasonably necessary to maintain or improve customer reliability, or to comply with applicable reliability standards, and replacements or modernizations of existing generation facility components that are obsolete, have worn out or are in a deteriorated condition, or where reasonably necessary to maintain or improve the reliability of an existing generation facility;

(b) Implementation of electric grid automation technologies, including automated switches, supervisory control and data acquisition devices, wireless sensors, fault indicating devices, and other devices to improve customer reliability or to comply with applicable reliability standards, and construction of transmission and distribution facilities,

22 whether replacements, modernizations or new facilities, to harden the  
23 electrical grid against damage from severe weather events or  
24 earthquakes;

25 (c) Capital projects that, if not being recovered in a rate  
26 schedule authorized by subsection 2 of section 386.266, are undertaken  
27 to comply with federal, state, or local law, regulation, rule, or to comply  
28 with state electrical corporation-owned solar generation requirements;

29 (4) "Relevant period", a period starting on the date in which rate  
30 base additions are accounted for in developing an electrical  
31 corporation's revenue requirement in a general rate proceeding, and  
32 ending on the date in which rate base additions are accounted for in  
33 the electrical corporation's subsequent general rate proceeding, with  
34 the first relevant period starting on the effective date of this section.

35 2. Notwithstanding any provisions of sections 393.130, 393.140,  
36 393.150, 393.260, and 393.270 to the contrary, electrical corporations  
37 shall defer depreciation expense and return, calculated as provided for  
38 in this section, associated with all of the projects that constitute  
39 qualifying electric plant placed in service during each relevant  
40 period. The qualifying electric plant shall be deemed to have been  
41 placed in service on the fifteenth day of the month. The amounts so  
42 deferred shall be recorded to a separate regulatory asset account, and  
43 the balance in the regulatory asset account for the relevant period shall  
44 be included in the electrical corporation's rate base in each of the  
45 electrical corporation's general rate proceedings without any offset,  
46 reduction, or adjustment based upon consideration of any other factor  
47 or otherwise. The amounts deferred to the regulatory asset account  
48 under this section shall be subject to adjustment to reflect any  
49 prudence disallowances ordered by the commission in the general rate  
50 proceeding in which the qualifying electric plant for which deferrals  
51 were recorded is first included in its rate base. The regulatory assets  
52 created under this section shall include carrying costs at the electrical  
53 corporation's weighted average cost of capital from the electrical  
54 corporation's most recently completed general rate proceeding  
55 concluded prior to the relevant period, and shall be amortized and  
56 recovered in rates, subject to the limitations of subsection 6 of this  
57 section, beginning with the effective date of rates in the general rate  
58 proceeding where the regulatory asset account balance is first included

59 in its rate base, over thirty-five years.

60 **3. For purposes of calculating deferred depreciation expense and**  
61 **return:**

62 **(1) Deferred depreciation expense shall equal the original cost**  
63 **of each project included in the qualifying electric plant placed in**  
64 **service during the relevant period less retirements of plant replaced by**  
65 **such qualifying electric plant, multiplied by the depreciation rate**  
66 **applicable to qualifying projects, calculated using the depreciation**  
67 **rates used to set rates in the electrical corporation's most recent**  
68 **completed general rate proceeding concluded prior to the end of the**  
69 **relevant period, adjusted to account for the time the project is in**  
70 **service prior to the end of the relevant period;**

71 **(2) Deferred return shall equal the sum of the original cost of all**  
72 **projects that constitute qualifying electric plant placed in service**  
73 **during the relevant period less accumulated depreciation on such**  
74 **project, and also less the marginal increase in accumulated deferred**  
75 **income tax assets and liabilities, including deferred tax assets from net**  
76 **operating losses, attributable to such projects in the aggregate, with**  
77 **that difference multiplied by the electrical corporation's weighted**  
78 **average cost of capital used to determine the electrical corporation's**  
79 **revenue requirement in the electrical corporation's most recently**  
80 **completed general rate proceeding concluded prior to the relevant**  
81 **period, adjusted to account for the time each such project is in service**  
82 **prior to the end of the relevant period, plus applicable federal, state,**  
83 **and local income or excise taxes.**

84 **4. Depreciation expense and return from the end of any relevant**  
85 **period to the effective date of rates in the general rate proceeding**  
86 **where deferrals related to qualifying electric plant placed in service**  
87 **during that general rate proceeding are included in the electrical**  
88 **corporation's rate base, shall also be deferred on qualifying electric**  
89 **plant placed in service during that relevant period. The depreciation**  
90 **expense and return shall be recorded to the regulatory asset account**  
91 **that will be included in the electrical corporation's rate base in the**  
92 **electrical corporation's next general rate proceeding, together with**  
93 **deferrals of depreciation expense and return for qualifying electric**  
94 **plant placed in service during the relevant period applicable to the**  
95 **electrical corporation's general rate proceeding.**

96           5. In each general rate proceeding, the revenue requirement  
97 resulting from the inclusion of sums deferred to a regulatory asset  
98 account authorized under this section in rate base and the amortization  
99 of such a regulatory asset shall be allocated to each rate class in the  
100 same manner as the remainder of the change in the revenue  
101 requirement is allocated. Notwithstanding the immediately preceding  
102 sentence, an electrical corporation's rates charged to customers in a  
103 rate class where a minimum billing demand of five megawatts or more  
104 is required shall be calculated to exclude the impact of the change in  
105 the revenue requirement resulting from the regulatory assets  
106 authorized under this section. The sum of revenues that would have  
107 been produced but for this exclusion shall not be collected from other  
108 customers.

109           6. Notwithstanding the foregoing provisions of this section, the  
110 impact on the revenue requirement caused solely by the inclusion of  
111 the balance of the regulatory asset created during the most recent  
112 relevant period in rate base in any general rate proceeding shall not  
113 exceed the maximum revenue requirement impact determined in the  
114 following manner: the maximum revenue requirement impact shall be  
115 a percentage determined by multiplying one percent by the number of  
116 completed months since the date through which rate base additions  
117 were accounted for in the electrical corporation's most recently  
118 completed general rate proceeding, divided by twelve. The remaining  
119 balance of that regulatory asset shall not be recoverable in rates.

120           7. Nothing in this section shall limit the commission's authority  
121 to authorize an electrical corporation to defer depreciation expense  
122 and return associated with non-qualifying electric plant for recovery  
123 in a general rate proceeding.

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