

SECOND REGULAR SESSION

SENATE BILL NO. 1273

91ST GENERAL ASSEMBLY

INTRODUCED BY SENATOR GOODE.

Read 1st time March 1, 2002, and 1,000 copies ordered printed.

TERRY L. SPIELER, Secretary.

4977S.011

AN ACT

To amend chapter 393, RSMo, by adding thereto two new sections relating to water 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 two new sections, to be known as sections 393.1012 and 393.1014, to read as follows:

393.1012. 1. As used in sections 393.1012 to 393.1014, the following terms mean:

- (1) "ISRC", infrastructure system replacement charge;**
- (2) "ISRC costs", depreciation expense and pretax return associated with eligible infrastructure system replacements;**
- (3) "ISRC revenues", revenues produced through an ISRC exclusive of revenues from all other rates and charges;**
- (4) "Eligible infrastructure system replacements", new, used and useful water utility plant projects that:
 - (a) Do not increase revenues by directly connecting the infrastructure replacement to new customers;**
 - (b) Are in service;**
 - (c) Were not included in the water corporation's or rate base in its most recent general rate case; and**
 - (d) Replace an existing infrastructure;****
- (5) "Pretax return", the revenues necessary to:
 - (a) Produce net operating income equal to the water corporation's weighted cost of capital multiplied by the net original cost of eligible infrastructure system replacements; and****

(b) Include state, federal and local income or excise taxes applicable to such income;

(6) "Water corporation", includes every corporation, company, association, joint stock company or association, partnership and person, their lessees, trustees or receivers appointed by any court whatsoever, owning, operating, controlling or managing any plant or property, dam or water supply, canal, or power station, distributing or selling for distribution, or selling or supplying for gain any water as defined in section 386.020, RSMo;

(7) "Commission", shall refer to the Missouri public service commission.

2. Notwithstanding any other provisions of sections 393.1012 to 393.1014 or the commission law, a water corporation which prudently incurs operation and maintenance, carrying costs, depreciation expenses and any additional related deferrals of such amounts, related to the adoption of new procedures, updating existing procedures and installing facilities to further safeguard its plant and systems as a result of the high state of alert experienced in the wake of the tragic events of September 11, 2001, or other potential threats to water facilities security or public safety, may file a petition with the commission to establish a charge or change rate schedules that will allow the automatic adjustment of the water corporation's rates and charges per a separate line billing item to provide for the recovery of such costs. This charge and any future changes shall be implemented in accordance with section 393.1014. However, the commission, in performing its review of this charge, shall take steps to ensure that the confidentiality of the water corporation's security measures is not compromised.

3. A water corporation which prudently incurs operation and maintenance, carrying costs, depreciation expenses and any additional related deferrals of such amounts related to underground facility storage, as provided for in sections 319.010 to 319.050, RSMo, may file a petition with the commission to establish a charge or change rate schedules that will allow the automatic adjustment of the water corporation's rates and charges per a separate line billing item to provide for the recovery of such costs. This charge and any future changes shall be implemented in accordance with section 393.1012.

4. Immediately upon effectuation, a water corporation providing water service in a county of the first classification having a population of over nine hundred thousand inhabitants may file a petition with the commission to establish or change ISRC rate schedules that will allow the automatic adjustment of the water corporation's rates and charges per a separate line billing item to provide for the recovery of ISRC costs for eligible infrastructure system replacements. The

commission may not approve an ISRC to the extent it would produce total ISRC revenues exceeding twenty percent of the water corporation's base revenue level approved by the commission in the water corporation's most recent general rate proceeding. This charge and any future changes shall be implemented in accordance with section 393.1014.

393.1014. 1. The water corporation shall serve the office of the public counsel a copy of its filing at the time of its filing with the commission.

2. Publication of notice of the filing is not required.

3. (1) When a petition is filed pursuant to sections 393.1012 to 393.1014, the commission shall conduct an examination of the proposed rate.

(2) The staff of the commission may examine information of the water corporation to confirm that the underlying costs are in accordance with this section, to confirm proper calculation of the proposed charge, and may submit a report to the commission not later than thirty days after the petition is filed.

(3) The commission may hold a hearing and shall issue an order not later than sixty days after the petition is filed.

(4) If the commission finds that a petition complies with the requirements of this section, the commission shall enter an order approving the petition.

4. A water corporation may, but is not required to, file a petition for a change in its rate under this section no more often than four times every twelve months.

5. In determining an appropriate pretax return, the commission may consider the following factors:

(1) The current state, federal and local income tax or excise rates;

(2) The water corporation's actual regulatory capital structure;

(3) The actual cost rates for the water corporation's long term debt and preferred stock;

(4) The water corporation's cost of common equity.

6. The cost of common equity to be used in the calculation of the charge shall be the most recent determination by the commission in a general rate proceeding of the water corporation.

7. The charge may be calculated based on a reasonable estimate of revenues in the period in which the charge will be in effect. At the end of each twelve month calendar period the charge is in effect, the water corporation shall reconcile the differences between the revenues resulting from the charge and the underlying costs during that period and recover or refund the difference, as appropriate, through adjustment of the charge.

8. A water corporation that has implemented a charge pursuant to section

393.1012 shall file revised rate schedules resetting the charge if new base rates and charges become effective for the water corporation following a commission order authorizing a general increase in rates and charges that includes in the utility's rate base eligible costs previously reflected in the charge.

9. The filing of a charge pursuant to this section and a change in such charge is not a general increase in base rates and charges.

10. The commission may adopt by order other procedures not inconsistent with this chapter that the commission finds reasonable or necessary to administer these charges. The omission of certain items in this section is intentional.

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