

# SENATE AMENDMENT NO. \_\_\_\_\_

Offered by \_\_\_\_\_ of \_\_\_\_\_

Amend SS/SCS/House Bill No. 432, Pages 4-6, Section 393.1200, Line \_\_\_\_\_,

2 by striking all of said section and inserting in lieu thereof the  
3 following:

4 "393.1200. As used in sections 393.1200 to 393.1210, the  
5 following terms mean:

6 (1) "Appropriate pretax revenues", the revenues necessary  
7 to produce net operating income equal to:

8 (a) The electrical corporation's weighted cost of capital  
9 multiplied by the sum of the net original cost of eligible  
10 infrastructure system replacements and additions less associated  
11 plant-related accumulated deferred income taxes in compliance  
12 with normalization requirements of federal tax law, and ISRS  
13 costs;

14 (b) State, federal, and local income or excise taxes  
15 applicable to such income; and

16 (c) An annualized level of depreciation expense on the  
17 eligible infrastructure system replacements and additions net of  
18 retirements occurring since the date through which rate base  
19 additions were accounted for in developing the revenue  
20 requirement in the electrical corporation's most recently  
21 concluded general rate proceeding or in developing the electrical

1 corporation's last ISRS, and an annualized level of amortization  
2 expense on the ISRS costs;

3 (2) "Commission", the Missouri public service commission;

4 (3) "Electric utility plant projects", consist of the  
5 following:

6 (a) Electric plant, as defined in subdivision (14) of  
7 section 386.020, excluding newly constructed or newly acquired  
8 electric generating plants and administrative office buildings  
9 and their furnishings;

10 (b) If not being recovered in a rate schedule authorized by  
11 subsection 2 of section 386.266, the costs of capital projects  
12 undertaken to comply with federal, state, or local environmental  
13 or safety statutes, ordinances, or regulations; and

14 (c) The costs of facilities relocations required due to  
15 construction or improvement of a highway, road, street, public  
16 way, or other public work by or on behalf of the United States,  
17 this state, a political subdivision of this state, or another  
18 entity having the power of eminent domain provided that the costs  
19 related to such projects have not been reimbursed to the  
20 electrical corporation;

21 (4) "Electrical corporation", shall have the same meaning  
22 as in subdivision (15) of section 386.020;

23 (5) "Eligible infrastructure system replacements and  
24 additions", electric utility plant projects that:

25 (a) Do not increase revenues by directly connecting the  
26 infrastructure replacement or addition to new customers;

27 (b) Are in service and used and useful;

28 (c) Were not included in the electrical corporation's rate  
29 base in its most recently concluded general rate proceeding; and

1           (d) Replace or extend the useful life of existing  
2 infrastructure or are for additional infrastructure;

3           (6) "ISRS", infrastructure system replacement surcharge;

4           (7) "ISRS costs":

5           (a) The original cost of eligible infrastructure system  
6 replacements and additions that were placed in service and became  
7 used and useful since the date through which rate base additions  
8 were accounted for in developing the revenue requirement in the  
9 electrical corporation's most recently concluded general rate  
10 proceeding or in developing the electrical corporation's last  
11 ISRS, less the retirements occurring during the same period, with  
12 the difference multiplied by the applicable weighted average  
13 depreciation rate;

14           (b) "ISRS costs" also include the difference calculated  
15 under paragraph (a) of this subdivision prior to its  
16 multiplication by the applicable weighted average depreciation  
17 rate less changes in the electrical corporation's accumulated  
18 depreciation reserve since the date through which rate base  
19 additions were accounted for in developing the revenue  
20 requirement in the electrical corporation's most recently  
21 concluded general rate proceeding or in developing the electrical  
22 corporation's last ISRS, with that difference to be multiplied by  
23 the electrical corporation's weighted cost of capital used to  
24 determine the appropriate pretax revenues, plus applicable state,  
25 federal, and local income or excise taxes.

26  
27 The sum of the amounts determined by paragraph (a) of this  
28 subdivision, and the amount determined in paragraph (b) of this  
29 subdivision shall be deferred on the electrical corporation's

1 books as a regulatory asset or regulatory liability between the  
2 time the eligible infrastructure system replacements and  
3 additions were placed in service and the effective date of an  
4 ISRS rate schedule reflecting the deferred depreciation and  
5 return;

6 (8) "ISRS revenues", revenues produced through an ISRS  
7 exclusive of revenues from all other rates and charges;

8 (9) "Net original cost of eligible infrastructure system  
9 replacements and additions", the original cost of the eligible  
10 infrastructure system replacements and additions net of  
11 accumulated depreciation on the eligible infrastructure system  
12 replacements and additions, offset by depreciation expense  
13 accrued on plant included in rate base in the electrical  
14 corporation's most recently concluded general rate proceeding  
15 since the effective date of rates developed in that proceeding,  
16 and also offset by plant retirements and accumulated depreciation  
17 reserve associated with such retirements for retirements recorded  
18 after the date through which rate base additions were accounted  
19 for in developing the commission-approved revenue requirement in  
20 that general rate proceeding."; and

21 further amend said bill, pages 6-7, section 393.1205 by  
22 striking all of said section and inserting in lieu thereof the  
23 following:

24 "393.1205. 1. Notwithstanding any provisions of chapter  
25 386 or this chapter to the contrary, beginning August 28, 2013,  
26 an electrical corporation providing electric service may file a  
27 petition and proposed rate schedules with the commission to  
28 establish or change ISRS rate schedules that will allow for the  
29 adjustment of the electrical corporation's rates and charges to

1 provide for the recovery of costs for eligible infrastructure  
2 system replacements and additions. The commission may not  
3 approve an ISRS to the extent it would produce total annualized  
4 ISRS revenues below the lesser of one million dollars or one-half  
5 of one percent of the electrical corporation's base revenue level  
6 approved by the commission in the electrical corporation's most  
7 recent general rate proceeding. The commission may not approve  
8 an ISRS to the extent it would produce total annualized ISRS  
9 revenues exceeding seven percent of the electrical corporation's  
10 base revenue level approved by the commission in the electrical  
11 corporation's most recent general rate proceeding. An ISRS and  
12 any future changes thereto shall be calculated and implemented in  
13 accordance with the provisions of sections 393.1200 to 393.1210.

14 2. The commission shall not approve an ISRS for any  
15 electrical corporation that has not had a general rate proceeding  
16 decided or dismissed by issuance of a commission order within the  
17 past three years, unless the electrical corporation has filed for  
18 or is the subject of a new general rate proceeding.

19 3. In no event shall an electrical corporation collect an  
20 ISRS for a period exceeding three years unless the electrical  
21 corporation has filed for or is the subject of a new general rate  
22 proceeding; provided that the ISRS may be collected until the  
23 effective date of new rate schedules established as a result of  
24 the new general rate proceeding, or until the subject general  
25 rate proceeding is otherwise decided or dismissed by issuance of  
26 a commission order without new rates being established. An  
27 electrical corporation shall be permitted to establish or change  
28 ISRS rate schedules during the pendency of a general rate  
29 proceeding so long as the establishment or change in the ISRS

1 rate schedules takes effect on or before the date through which  
2 rate base additions were accounted for in developing the  
3 commission-approved revenue requirement in that general rate  
4 proceeding."; and

5 further amend said bill, pages 7-12, section 393.1210 by  
6 striking all of said section and inserting in lieu thereof the  
7 following:

8 "393.1210. 1. (1) At the time that an electrical  
9 corporation files a petition with the commission seeking to  
10 establish or change an ISRS, it shall submit proposed ISRS rate  
11 schedules and its supporting documentation regarding the  
12 calculation of the proposed ISRS with the petition, and shall  
13 serve the office of the public counsel with a copy of its  
14 petition, its proposed rate schedules, and its supporting  
15 documentation.

16 (2) Upon the filing of a petition, and any associated rate  
17 schedules, seeking to establish or change an ISRS, the commission  
18 shall publish notice of the filing.

19 (3) Upon filing of a petition, and any associated rate  
20 schedules, the electrical corporation shall submit a filing fee  
21 to the commission in the amount of thirty thousand dollars, which  
22 shall be remitted by the commission to the office of the public  
23 counsel. This filing fee shall not be recoverable from consumers  
24 and shall not be considered as a recoverable expense in a general  
25 rate proceeding before the commission.

26 2. (1) When a petition, along with any associated proposed  
27 rate schedules, is filed pursuant to the provisions of sections  
28 393.1200 to 393.1210, the commission shall conduct an examination  
29 of the proposed ISRS.

1           (2) The staff of the commission may examine information of  
2 the electrical corporation to confirm that the underlying costs  
3 are in accordance with the provisions of sections 393.1200 to  
4 393.1210, and to confirm proper calculation of the proposed  
5 charge, and may submit a report regarding its examination to the  
6 commission not later than ninety days after the petition is  
7 filed. No other revenue requirement or ratemaking issues may be  
8 examined in consideration of the petition or associated proposed  
9 rate schedules filed pursuant to the provisions of sections  
10 393.1200 to 393.1210.

11           (3) The commission may hold a hearing on the petition and  
12 any associated rate schedules and shall issue an order to become  
13 effective not later than one hundred fifty days after the  
14 petition is filed.

15           (4) If the commission finds that a petition complies with  
16 the requirements of sections 393.1200 to 393.1210, the commission  
17 shall enter an order authorizing the corporation to impose an  
18 ISRS that is sufficient to recover appropriate pretax revenue, as  
19 determined by the commission pursuant to the provisions of  
20 sections 393.1200 to 393.1210.

21           3. An electrical corporation may effectuate a change in its  
22 rate pursuant to the provisions of this section no more often  
23 than two times every twelve months.

24           4. In determining the appropriate pretax revenue, the  
25 commission shall consider only the following factors:

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

28           (2) The electrical corporation's actual regulatory capital  
29 structure as determined during the most recent general rate

1 proceeding of the electrical corporation;

2 (3) The actual cost rates for the electrical corporation's  
3 debt and preferred stock as determined during the most recent  
4 general rate proceeding of the electrical corporation;

5 (4) The electrical corporation's cost of common equity as  
6 determined during the most recent general rate proceeding of the  
7 electrical corporation;

8 (5) The current depreciation rates applicable to the  
9 eligible infrastructure system replacements and additions;

10 (6) In the event information pursuant to subdivisions (2),  
11 (3), and (4) of this subsection is unavailable and the commission  
12 is not provided with such information on an agreed-upon basis,  
13 the commission shall refer to the testimony submitted during the  
14 most recent general rate proceeding of the electrical corporation  
15 and use, in lieu of any such unavailable information, the  
16 recommended capital structure, recommended cost rates for debt  
17 and preferred stock, and recommended cost of common equity that  
18 would produce the average weighted cost of capital based upon the  
19 various recommendations contained in such testimony.

20 5. (1) The monthly ISRS charge may be calculated based on  
21 a reasonable estimate of billing units in the period in which the  
22 charge will be in effect, which shall be conclusively established  
23 by dividing the appropriate pretax revenues by the customer  
24 numbers reported by the electrical corporation in the annual  
25 report it most recently filed with the commission pursuant to  
26 subdivision (6) of section 393.140, and then further dividing  
27 this quotient by twelve. Provided, however, that the monthly  
28 ISRS may vary according to customer class and may be calculated  
29 based on customer numbers as determined during the most recent

1 general rate proceeding of the electrical corporation so long as  
2 the monthly ISRS for each customer class maintains a proportional  
3 relationship equivalent to the proportional relationship of the  
4 monthly customer charge for each customer class.

5 (2) At the end of each twelve-month calendar period the  
6 ISRS is in effect, the electrical corporation shall reconcile the  
7 differences between the revenues resulting from an ISRS and the  
8 appropriate pretax revenues as found by the commission for that  
9 period and shall submit the reconciliation and a proposed ISRS  
10 adjustment to the commission for approval to recover or refund  
11 the difference, as appropriate, through adjustments of an ISRS  
12 charge.

13 6. (1) An electrical corporation that has implemented an  
14 ISRS pursuant to the provisions of sections 393.1200 to 393.1210  
15 shall file revised rate schedules to reset the ISRS to zero when  
16 new base rates and charges become effective for the electrical  
17 corporation following a commission order establishing customer  
18 rates in a general rate proceeding that incorporates in the  
19 utility's base rates subject to subsections 8 and 9 of this  
20 section eligible costs previously reflected in an ISRS.

21 (2) Upon the inclusion in an electrical corporation's base  
22 rates subject to subsections 8 and 9 of this section of eligible  
23 costs previously reflected in an ISRS, the electrical corporation  
24 shall immediately thereafter reconcile any previously  
25 unreconciled ISRS revenues as necessary to ensure that revenues  
26 resulting from the ISRS match as closely as possible the  
27 appropriate pretax revenues as found by the commission for that  
28 period.

29 7. An electrical corporation's filing of a petition or

1 change to an ISRS pursuant to the provisions of sections 393.1200  
2 to 393.1210 shall not be considered a request for a general  
3 increase in the electrical corporation's base rates and charges.

4 8. Commission approval of a petition, and any associated  
5 rate schedules, to establish or change an ISRS pursuant to the  
6 provisions of sections 393.1200 to 393.1210 shall in no way be  
7 binding upon the commission in determining the ratemaking  
8 treatment to be applied to eligible infrastructure system  
9 replacements and additions during a subsequent general rate  
10 proceeding when the commission may undertake to review the  
11 prudence of such costs. In the event the commission disallows,  
12 during a subsequent general rate proceeding, recovery of costs  
13 associated with eligible infrastructure system replacements and  
14 additions previously included in an ISRS, the electrical  
15 corporation shall credit the bills of its customers as of the  
16 time the credit is being given for the disallowed amount, plus  
17 interest at the electrical corporation's weighted cost of capital  
18 from its last general rate proceeding, over a period of no longer  
19 than six months. Credits shall be allocated to each rate class  
20 in proportion to the ISRS charges applicable to that rate class  
21 during the period when the overcollections occurred. Each  
22 customer in a given rate class shall receive the same credit, and  
23 each credit shall be shown as a separate line item on customers'  
24 bills.

25 9. Nothing in this section shall be construed as limiting  
26 the authority of the commission to review and consider  
27 infrastructure system replacement and addition costs along with  
28 other costs during any general rate proceeding of any electrical  
29 corporation.

1           10. Nothing contained in sections 393.1200 to 393.1210  
2 shall be construed to impair in any way the authority of the  
3 commission to review the reasonableness of the rates or charges  
4 of an electrical corporation, including review of the prudence of  
5 eligible infrastructure system replacements and additions made by  
6 an electrical corporation, pursuant to the provisions of section  
7 386.390.

8           11. The commission shall have the authority to promulgate  
9 rules for the implementation of this section, but only to the  
10 extent such rules are consistent with, and do not delay the  
11 implementation of, the provisions of this section. Any rule or  
12 portion of a rule, as that term is defined in section 536.010  
13 that is created under the authority delegated in this section  
14 shall become effective only if it complies with and is subject to  
15 all of the provisions of chapter 536, and, if applicable, section  
16 536.028. This section and chapter 536 are nonseverable and if any  
17 of the powers vested with the general assembly pursuant to  
18 chapter 536 to review, to delay the effective date, or to  
19 disapprove and annul a rule are subsequently held  
20 unconstitutional, then the grant of rulemaking authority and any  
21 rule proposed or adopted after August 28, 2013, shall be invalid  
22 and void.

23           12. Sections 393.1200, 393.1205, and 393.1210 shall  
24 terminate and be of no further force and effect after August 27,  
25 2025, unless those sections shall be reenacted by the general  
26 assembly. In the event of termination, any ISRS in effect shall  
27 also terminate and be of no further force and effect after such  
28 date."