FIRST REGULAR SESSION

SENATE COMMITTEE SUBSTITUTE FOR

HOUSE COMMITTEE SUBSTITUTE FOR

HOUSE BILL NO. 661

99TH GENERAL ASSEMBLY

Reported from the Committee on Commerce, Consumer Protection, Energy and the Environment, April 13, 2017, with recommendation that the Senate Committee Substitute do pass.

ADRIANE D. CROUSE, Secretary.

1439S.06C

AN ACT

To repeal section 393.1012, RSMo, and to enact in lieu thereof thirteen new sections relating to energy.

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

Section A. Section 393.1012, RSMo, is repealed and thirteen new sections enacted in lieu thereof, to be known as sections 393.1012, 393.1700, 393.1705, 393.1710, 393.1715, 393.1720, 393.1725, 393.1730, 393.1735, 393.1740, 393.1745, 393.1750, and 620.3150, to read as follows:

393.1012. 1. Notwithstanding any provisions of chapter 386 and this chapter to the contrary, beginning August 28, 2003, a gas corporation providing gas service may file a petition and proposed rate schedules with the commission to establish or change ISRS rate schedules that will allow for the adjustment of the gas corporation's rates and charges to provide for the recovery of costs for eligible infrastructure system replacements. The commission may not approve an ISRS to the extent it would produce total annualized ISRS revenues below the lesser of one million dollars or one-half of one percent of the gas corporation's base revenue level approved by the commission in the gas corporation's most recent general rate proceeding. The commission may not approve an ISRS to the extent it would produce total annualized ISRS revenues exceeding ten percent of the gas corporation's base revenue level approved by the commission in the gas corporation's most recent general rate proceeding. An ISRS and any future changes thereto shall be calculated and implemented in accordance with the provisions of sections 393.1009 to 393.1015. ISRS revenues shall be subject to a refund based upon a finding and order of the commission to the extent provided in subsections 5 and 8 of section 393.1009.

2. The commission shall not approve an ISRS for any gas corporation that has not had a general rate proceeding decided or dismissed by issuance of a commission order within the past three years, unless the gas corporation has filed for or is the subject of a new general rate proceeding. **This subsection shall not apply to a participating gas corporation whose rates are set under sections 393.1700 to 393.1750.**

3. In no event shall a gas corporation collect an ISRS for a period exceeding three years unless the gas corporation has filed for or is the subject of a new general rate proceeding; provided that the ISRS may be collected until the effective date of new rate schedules established as a result of the new general rate proceeding, or until the subject general rate proceeding is otherwise decided or dismissed by issuance of a commission order without new rates being established. **This subsection shall not apply to a participating gas corporation whose rates are set under sections 393.1700 to 393.1750.**

4. In order for a gas corporation to file a petition with the commission to establish or change an ISRS, such corporation shall, by July 1, 2018, develop and file with the commission a pre-qualification process for contractors seeking to participate in competitive bidding to install ISRS-eligible gas utility plant projects. Under the pre-qualification process, the gas corporation may specify certain eligibility requirements typically accepted by the industry, including but not limited to, experience, performance criteria, safety policies, and insurance or indemnification met by any contractor seeking to participate in competitive bidding to install ISRS-eligible gas utility plant projects. Contractors that meet the pre-qualification criteria set by the gas corporation shall be eligible to participate in the competitive bidding process for installing ISRS-eligible gas utility plant projects, with the winning bid awarded to the contractor making the overall lowest and best bid, as defined in subsection 2 of section 34.010. The gas corporation shall file, by January 1, 2019, a verified statement with the commission confirming that it has in place a pre-qualification process for the competitive bidding of ISRS-eligible gas utility plant projects, and that such process conforms with the requirements of this section. The commission shall have the authority to verify the statement to ensure compliance with this section. After January 1, 2019, the gas corporation shall submit with each petition filing to establish or change an ISRS a verified statement confirming

that it is using a competitive bidding process for no less than ten percent of the combined external installation expenditures made by the gas corporation's operating units in Missouri for installing ISRS-eligible gas utility plant projects, and that such process conforms with the requirements set forth in this section. The commission shall have the authority to verify the statement to ensure compliance with this section. Nothing in this section shall be construed as requiring any gas corporation to use a pre-qualified contractor or competitive bidding process in the case of an emergency project, or to terminate any existing contract with a contractor prior to its expiration; provided however, that the use of any preexisting contract for the installation of ISRS-eligible gas utility plant projects shall not qualify as fulfilling the ten percent requirement set forth in this section beyond December 31, 2019. For contractors not qualifying through the competitive bid process, the gas corporation, upon request from the contractor, shall provide information from the process in which the contractor can be informed as to how to be better positioned to qualify for such bid opportunities in the future.

5. By December 31, 2020, and annually thereafter, the commission shall submit a report to the general assembly on the effects of subsection 4 of this section, including gas corporation compliance, potential legislative action regarding subsection 4 of this section, the costs of installing ISRS-eligible gas utility plant projects prior to the implementation of subsection 4 of this section compared to after the implementation of subsection 4 of this section, and any other information regarding the processes established under subsection 4 of this section that the commission deems necessary.

6. Nothing in this section shall be construed as diminishing in any way the current authority and rights of the commission, on its own motion, the office of the public counsel, the mayor or the president or chairman of the board of aldermen or a majority of the council, commission, or other legislative body of any city, town, village, or county located in the service territory of the gas corporation, or not less than twenty-five consumers or purchasers, or prospective consumers or purchasers, of gas from the gas corporation to file a complaint under section 386.390 alleging that the rates or charges of the gas corporation are unreasonable or unlawful, provided that the

reasonableness and lawfulness of the rates of a participating gas corporation, as defined in section 393.1710, shall be governed exclusively by the processes and procedures set forth in sections 393.1700 to 393.1750.

393.1700. Sections 393.1700 to 393.1750 shall be known and cited as the "Rate Case Modernization Act".

393.1705. It shall be the policy of this state to apply sections 393.1700 to 393.1750 to gas corporations that voluntarily choose to be subject to such sections. The provisions of sections 393.1700 to 393.1750 builds upon and extends traditional ratemaking elements and procedures to modernize the rate case process for gas corporations in a manner that will advance the interests of both utilities and their customers, while contributing to economic growth within the state. Sections 393.1700 to 393.1750 seek to accomplish the following goals with a balanced set of modifications that:

(1) Better align the interests of gas corporations and their customers by providing meaningful, performance-based accountabilities and incentives to encourage utilities to more aggressively pursue cost efficiencies, improve service quality, and continue to invest in the modernization of their critical infrastructure;

(2) Enable growth and business development under terms that will help create jobs and produce benefits for the state while contributing to cost recovery and lower rates for all other customers;

(3) Increase customer protections through caps on rate increases, annual true-ups that include an earnings test, retention of commission jurisdiction, the use of traditional ratemaking elements, the requirement for greater transparency and frequency of reporting that will foster better interaction and collaboration between stakeholders in the regulatory process; and

(4) Provide customers with greater rate stability by avoiding or mitigating large bill impacts associated with large periodic rate cases and highly variable weather, and by creating conditions that will better enable the utility to provide lower customer charges and more aggressive energy efficiency programs, which will enable customers to achieve meaningful savings on natural gas costs without detrimentally affecting the gas corporation.

393.1710. 1. The provisions of section 386.020 defining words,

phrases, and terms shall apply to and determine the meaning of all such words, phrases, or terms as used in sections 393.1700 to 393.1750.

2. As used in sections 393.1700 to 393.1750, the following terms shall mean:

(1) "Annual rate cap", a limitation on the amount of any increase to the revenue requirement reflected in rates resulting from the application of the earnings test to an annual amount of no more than three and one-half percent of a participating gas corporation's Missouri gross jurisdictional revenues, and no more than an annual average of three percent over any four-year period of annual true-ups, with excess amounts deferred and booked to a regulatory asset account for recovery in a later period. Such limitation is inclusive of any ISRS, reset in the annual true-up;

(2) "Annual true-up", an annual filing made by a participating gas corporation to reflect in rates various updated financial and operational results, and utilizing the ratemaking and review process described in sections 393.1700 to 393.1750;

(3) "Cost management accountability" or "CMA", an adjustment mechanism used in the annual true-up to better hold a participating gas corporation accountable for and incentivize effective management of its costs, by comparing the updated O&M expense to a performance benchmark approved in the periodic rate proceeding based on the normalized and annualized O&M expense in the then concluding year, updated for increases in the Consumers Price Index–For All Urban Consumers (CPI-U). The CMA shall be subject to a grow and share provision to recognize that significant growth in the gas corporation or its parent corporation benefits customers and the state;

(4) "Cost stabilization reserve", a mechanism designed to moderate the impacts of significant extraordinary or force majeure expenses on the revenue requirement recovered through the annual true-up by permitting such costs to be deferred and booked to a regulatory asset account and amortized in rates over a period of three to five years, unless a longer period is otherwise determined by the commission to be appropriate;

(5) "Earnings test", a mechanism that calculates the achieved earnings level during the updated test year period to determine if a rate change should be made as part of the annual true-up, based on any

over- or under-earnings beyond a basis point range above or below the updated return on equity, subject to the annual rate cap;

(6) "Foundational elements", the ratemaking determinations and methods approved or modified by the commission listed under subsection 2 of section 393.1730, as updated or adjusted consistent with the processes and mechanisms set forth in sections 393.1700 to 393.1750;

(7) "Grow and share", a provision of the CMA mechanism recognizing significant growth in the gas corporation or its parent corporation. If such growth occurs and the number of utility customers acquired by the participating gas corporation is greater than ten percent of the participating gas corporation's then current number of customers, then the performance benchmark of the CMA shall not be reset until the second periodic rate review proceeding conducted after such event, or a period of five years, whichever is greater. At such time, the benchmark used for the annual true-up shall be reset based on the updated O&M expense in the then preceding year;

(8) "Initiating general rate proceeding", the initial general rate proceeding required under section 393.1715 to commence the annual true-up and implement the other provisions of sections 393.1700 to 393.1750;

(9) "ISRS", an infrastructure system replacement surcharge authorized under sections 393.1009 to 393.1015;

(10) "Participating gas corporation", a gas corporation that elects to file an initiating general rate proceeding to update rates using annual true-up and periodic rate review proceedings under sections 393.1700 to 393.1750;

(11) "Performance measurement indicators", service and operational metrics approved by the commission in the participating gas corporation's initiating general rate proceeding or periodic rate review proceeding and utilized in the corporation's subsequent annual true-up to hold a participating gas corporation accountable for managing satisfactory levels of performance in key areas, including but not limited to safety, reliability, customer satisfaction, service, and operations;

(12) "Periodic rate review proceeding", the process described in section 393.1730 to review and, if necessary and appropriate, revise foundational elements used to establish rates in the annual true-up;

(13) "Revenue requirement", the amount of revenues to be in effect for the next annual period, as calculated in the annual true-up, including any adjustments resulting from application of the earnings test, subject to the annual rate cap, and any adjustment resulting from the application of the CMA, plus any adjustment resulting from the operation of the revenue stabilization mechanism;

(14) "Revenue stabilization mechanism", a mechanism that adjusts rates as part of the annual true-up to prevent an over- or under-recovery of authorized distribution revenues due to changes in usage by the participating gas corporation's residential customers and those non-residential customers with annual usage equivalent to, or less than, twenty thousand decatherms;

(15) "Updated cost of capital", a calculation used to set rates in the annual true-up for the following annual period. "Updated cost of capital" shall be the product of the updated rate base and the ending pre-tax weighted average cost of capital of the participating gas corporation, based on the updated return on equity and the updated interest rate;

(16) "Updated distribution revenues", the distribution-related revenues, annualized for changes in customer levels. Such revenues shall reflect amounts billed by the participating gas corporation during the updated test year, as adjusted to reflect the annualized revenues of the participating gas corporation's then effective ISRS, and accruals booked resulting from the application of the revenue stabilization mechanism, but excluding revenues accounted for through the participating gas corporation's purchased gas adjustment and actual cost adjustment;

(17) "Updated ineligible expenses", the updated test year operations and maintenance expenses of the same kind and character as those commonly disallowed by the commission in the participating gas corporation's initiating general rate proceeding or periodic rate review proceeding. Such ineligible expenses shall be excluded from the rates established in any annual true-up unless or until a reviewing court or the commission subsequently determines that such costs were properly includable in rates;

(18) "Updated interest rate", the weighted average interest rate for the participating gas corporation's long term debt and preferred

stock outstanding as of the end of the updated test year which is used to determine the updated cost of capital for purposes of setting rates in the annual true-up;

(19) "Updated operations and maintenance expense" or "updated O&M expense", the normalized and annualized distribution operations and maintenance expense incurred by the participating gas corporation during the updated test year, which shall be calculated by reflecting the normalized and annualized net dollar amount in FERC Accounts 700 through 950 "Operation Expenses", less any updated ineligible expenses in such accounts. Such updated O&M expense shall be used for determining the participating gas corporation's performance under the cost management accountability mechanism and making any resulting rate adjustment as part of the corporation's annual true-up;

(20) "Updated other expenses", the normalized and annualized depreciation and amortization expense, as well as all federal, state, and local taxes, other than gross-receipts, sales, and other similar pass-through taxes;

(21) "Updated rate base", the ending updated test year balances for the participating gas corporation's investments in net utility property, plant and equipment, including reset ISRS investment amounts, adjusted for related accumulated deferred income taxes, plus cash working capital and working capital, as adjusted consistent with the methodology established for the participating gas corporation in its initiating general rate proceeding or periodic rate review proceeding, plus the ending balance of any cost stabilization reserve amount. The updated rate base shall exclude investments being recovered through the participating gas corporation's purchased gas adjustment and actual cost adjustment;

(22) "Updated return on equity", the return on equity authorized for the participating gas corporation in its initiating general rate proceeding or periodic rate review proceeding, adjusted each year in the annual true-up for results of the performance measurement indicators and capital market changes, reflected in long-term United States Treasury Bond yield rates;

(23) "Updated test year", the historic annual period between the effective dates of each annual true-up, which is used as the beginning and ending point for establishing the revenue requirement in the

annual true-up process.

393.1715. 1. A gas corporation may elect to become a participating gas corporation by filing with the commission an initiating general rate proceeding in which it will provide notice of its election to participate in the update process established under sections 393.1700 to 393.1750. Such initiating general rate proceeding shall be conducted in accordance with the procedures and requirements established by the commission for general rate proceedings. The commission shall, with the assistance of the parties to the proceeding, prepare and approve a supplement to the detailed reconciliation required to be filed under subsection 4 of section 386.420, which shall include any additional information required for the participating gas corporation's periodic rate review proceeding, set forth the foundational elements used in calculating rates for the annual true-up.

2. If the gas corporation has had new rates become effective in the past two years as a result of a general rate proceeding, then the commission shall, upon the filing of a notice by the gas corporation requesting such action, conduct a proceeding that shall serve as the gas corporation's initiating general rate proceeding. Such a proceeding shall only consider and determine the foundational elements of the periodic rate review proceeding that were not otherwise identified by agreement or by a commission order in the general rate proceeding, provided that the commission, in its sole discretion, may consider changes to the return on equity previously established. Such proceeding shall be conducted and concluded within five months and shall not result in any change in rates.

393.1720. 1. As part of the initiating general rate proceeding, the commission shall approve a revenue stabilization mechanism for a participating gas corporation to address the over- or under-recovery of revenue due to weather and conservation-related changes in usage by residential customers and non-residential customers with annual usage equivalent to, or less than, twenty thousand decatherms. The adjustment shall utilize a deferral account, with interest applied at the participating gas corporation's short term cost of debt, to track and book as a regulatory liability or asset, as applicable, any excessive or deficient revenue due to a change in the assumed commodity use per customer established in the periodic rate review proceeding. Such

deferral account shall amortize the difference on an earnings-neutral basis and be excluded from the earnings test. No adjustment shall be made for a variance in the determinants based on number of customers.

2. Rates shall be adjusted by the amount necessary to return to, or recover from, customers over the subsequent twelve-month period the difference between the per customer revenues actually billed by the participating gas corporation during the most recent updated test year for the customers identified in subsection 1 of this section, and the per customer revenues authorized in the participating gas corporation's initiating general rate proceeding or periodic rate review proceeding for such customers. The billing determinants used to set rates for such customers in the initiating general rate proceeding or periodic rate review proceeding shall be compared to the billing determinants realized during the updated test year for those same customers to determine the amount of the necessary adjustment. Revenue variations accounted and adjusted for in the participating gas corporation's purchased gas adjustment, actual cost adjustment, and ISRS shall not be considered.

393.1725. 1. At least forty-five days prior to the end of each updated test year, the participating gas corporation shall file tariffs, rate schedules, and minimum filing requirements, including full and complete schedules and supporting documentation, to be used to establish and allocate the revenue requirement to be reflected in rates in the corporation's annual true-up. Any rate changes resulting from such filing shall be placed into effect on an interim basis on the date following the end of the current updated test year, subject to refund.

2. The participating gas corporation's annual true-up filing shall be based upon the most recent three quarters of information on the participating gas corporation's books and a pro forma forecast for the remaining quarter. Such forecast shall be of sufficient line item detail to permit adequate review by commission staff, and updated actual results shall be filed at least thirty days before the commission staff's recommendation is due. Any supporting information that is proprietary or confidential may be submitted on a confidential basis under the commission's rules governing such matters. The participating gas corporation shall also submit with the filing supporting accounting schedules showing how the revenue requirement

was calculated in accordance with the requirements of this section and the foundational elements approved in the initiating general rate proceeding or the most recently concluded periodic rate review proceeding. Minimum filing requirements shall include:

(1) A full and complete set of financial reports for the participating gas corporation's regulated Missouri utility operations for the updated test year as such financial reports are finalized based on actual results, including the income statement, balance sheet, and cash flow statement with line-item detail matching the level of the FERC Form 2 or the annual distribution utility report provided to the commission. The financials should be adjusted to reflect the application of the foundational elements approved in the initiating general rate proceeding or the most recently concluded periodic rate review proceeding;

(2) Updated regulatory assets and liabilities and cost stabilization reserve amounts, along with full and complete schedules of ending balance of each regulatory asset or liability, whether rate base treatment is afforded, and the annual amortization amount to include in rates;

(3) Updated rate base;

(4) A full and complete accounting and description of updated ineligible operating expenses that match the category or type of ineligible operating expenses defined in the initiating general rate proceeding or the most recently concluded periodic rate review proceeding;

(5) A full and complete set of cost of service schedules normally provided in a general rate proceeding along with any detailed schedules used to annualize, normalize, or otherwise adjust each updated distribution revenue, updated O&M expense, updated other expense, and updated cost of capital item for ratemaking purposes;

(6) A full and complete schedule for the earnings test performed using the schedules and amounts prepared under this subdivision. If the return achieved in the updated test year exceeds or falls below a range of fifty basis points of the updated return on equity, such test shall determine the increase or decrease to the revenue requirement necessary to bring the return back to the updated return on equity, subject to the annual rate cap. The updated return on equity shall first

apply adjustments based on the results of the performance measurement indicators and capital market changes as follows:

(a) Performance measurement indicator adjustments shall compare performance achieved during the updated test year for each metric to the benchmark range of expected performance approved in the most recent periodic rate review proceeding. For each instance in which the participating gas corporation's performance exceeds the benchmark range of performance for the metric, five one-hundredths of one percent shall be added to the updated return on equity used for the earnings test in the current annual true-up. For each instance in which the participating gas corporation's performance falls below the benchmark range of performance, five one-hundredths of one percent shall be subtracted from the updated return on equity used for the earnings test in the current annual true-up. No change in the updated return on equity shall be made for a performance level that falls within the benchmark performance range. To the extent the participating gas corporation's performance in relation to a specific metric was adversely affected during the updated test year by significant changes in its operational systems or processes done to enhance the quality of utility service, or by extraordinary events beyond the participating gas corporation's control, then no adjustment for that metric shall be made to the updated return on equity;

(b) The updated return on equity used for the earnings test in the current annual true-up shall be adjusted for capital market changes by comparing the starting benchmark capital market rate determined in the initiating general rate proceeding or periodic rate review proceeding to any increase or decrease in the twelve-month average of the thirty-year United States Treasury Bond yield during the applicable updated test year, and the difference shall be applied to adjust the updated return on equity;

(7) A full and complete calculation of the CMA, comparing achieved updated O&M expense during the updated test year to the performance benchmark O&M expense level determined at the initiating general rate proceeding or the most recently completed periodic rate review proceeding. An update to that benchmark shall be applied using an inflation factor equal to the CPI-U factor for the updated test year, or one percent, whichever is greater. To the extent

the updated O&M expense exceeds or falls below the updated performance benchmark by more than one percent, then half of that difference shall be credited or charged to customers. Such CMA credits or charges shall be excluded from the earnings test, as inclusion of such would offset the impact of the mechanism. If the grow and share provision is in effect, this benchmark shall not be reset until the second periodic rate review proceeding conducted after the grow and share provision became effective, or a period of at least five years, whichever is greater, and after such time the benchmark used for the annual true-up shall be reset based on the updated O&M expense in the then preceding year.

3. The tariffs and rate schedules filed shall reflect the foundational elements approved in the initiating general rate proceeding or the most recently concluded periodic rate review proceeding, including billing determinants and class cost of service. These shall be used to implement the revenue requirement resulting from application of the earnings test, as well as the CMA credit or charge, in accordance with the method approved by the commission for allocating any increase or decrease between and within each customer class.

4. Within four months of the filing of the annual true-up, the commission staff shall submit its recommendation verifying that the revenue requirement was calculated and implemented in conformity with this section and based on prudently incurred costs or identifying with specificity any ways in which the update filing was not in conformity with the requirements of this section.

5. If the parties to the annual true-up are unable to jointly recommend a revenue requirement to the commission within twenty days of the filing of commission staff's report, the commission shall establish a procedural schedule so that any contested issues may be adjudicated by the commission with a report and order resolving such differences issued within five months after the filing of the commission staff's report. The commission shall, in such report and order, make permanent the interim rates filed by the participating gas corporation to the extent such rates have been calculated in compliance with the requirements of sections 393.1700 to 393.1750. Any adjustments made by the commission to the revenue requirement shall be reflected in the

next annual true-up filing made by the participating gas corporation, subject to judicial review.

6. The revenue requirement to be in effect for the next annual period shall include a rebasing of all ISRS implemented and in effect during the updated test period. Any participating gas corporation shall be permitted to make filings under sections 393.1009 to 393.1015, and shall submit a schedule reflecting its estimated capital expenditures for ISRS-eligible projects for the following annual period. Such schedule shall not be binding on the participating gas corporation or be construed as establishing any standard of prudence. The annual rate cap, timing, periodic rate review proceeding requirements, and rebasing ISRS charges set forth in this subsection shall be substituted for any similar rate caps, ISRS rebasing, or general rate proceeding requirements under sections 393.1009 to 393.1015.

7. Any annual rate adjustment resulting from the application of the earnings test shall not, when combined with any ISRS charges reset in the annual true-up during the same annual period, exceed an annual increase to the revenue requirement amount equal to three and one-half percent of the prior year's Missouri gross jurisdictional revenues in any one year, nor more than an annual average of three percent over any four-year period of annual true-ups. In addition to the rate adjustment, the participating gas corporation shall be permitted to collect any applicable gross receipts tax, sales tax, or other similar pass-through taxes, and such taxes shall not be counted against the annual rate cap. Any costs not recovered as a result of the annual rate cap limitation on rate adjustments shall be deferred, at a carrying cost each month equal to the participating gas corporation's net of tax, long-term cost of capital, for recovery in a subsequent year's annual true-up or periodic rate review proceeding.

393.1730. 1. Following the conclusion of the third rate year effectuating an annual true-up, and at conclusion of each third rate year effectuating an annual true-up thereafter, the participating gas corporation and no other party shall file a periodic rate review proceeding. Upon receiving the participating gas corporation's filing, the commission shall review the participating gas corporation's positions and documentation, and allow interested stakeholders to present their own positions and evidence on the matters addressed in

the filing within sixty days of the filing date. The participating gas corporation shall be allowed to respond to such positions and evidence within ninety days of the filing date. If any issues remain to be resolved between the parties, the commission shall schedule a hearing to commence within one hundred twenty days of the filing date, and issue an order presenting its determinations and findings on each item within five months of the filing date of the periodic rate review proceeding. Such determinations shall be used to set rates in subsequent annual true-ups, subject to the right of the participating gas corporation and other parties to seek judicial review of the determinations in accordance with applicable law. The existence of a judicial review proceeding shall not preclude a participating gas corporation from filing, or the commission from processing, any subsequent initiating general rate proceeding, annual true-up, or periodic rate review proceeding.

2. The periodic rate review filing shall be made at least six months prior to the participating gas corporation's next annual true-up filing, and shall include proposed positions and supporting documentation on each of the following items:

(1) A full and complete description of the calculation methods to be used to determine the cash working capital requirement, which shall specify the revenue and expense lag for each revenue and expense item to be considered in establishing such revenue requirement component in the annual true-up;

(2) A full and complete description of the calculation methods to be used to determine working capital items, including regulatory assets or liabilities receiving rate base treatment, as well as customer deposits, contributions in aid of construction, other investments required for business purposes, such as materials and supplies, inventories, and prepaid items;

(3) A full and complete description of each regulatory asset or liability to be included in rates, including the ending balance of each regulatory asset or liability, whether rate base treatment is afforded in working capital, and the annual amortization amount to be included in rates in the annual true-up;

(4) A full and complete description of each item in the cost stabilization reserve. Such description shall include the ending

balance of each regulatory asset or liability, whether rate base treatment is afforded, and the annual amortization amount to include in rates in the annual true-up;

(5) A full and complete description of the weighted capital structure to be included in rates in the annual true-up, which shall include the weighting used for each component consistent with the actual capitalization of the participating gas corporation, provided that the participating gas corporation's equity component is no less than forty percent and no more than sixty percent of its total capital structure and is within ten percentage points of the equity component of its parent corporation's capital structure, if any;

(6) A specification of the return on equity to be used to calculate rates, which shall include the starting benchmark capital market rate to use for the annual true-up. This benchmark rate shall be the most recent twelve-month average of the thirty-year United States Treasury Bond yield as published by the Board of Governors of the Federal Reserve System in its weekly H.15 Statistical Release or any successor publication or, if such yields are no longer published, the yields of the United States Treasury Bonds then having the longest duration published by the Board of Governors in its weekly H.15 Statistical Release or successor publication;

(7) A full and complete description of the performance measurement indicators to be used to measure the participating gas corporation's performance, and depending on actual results achieved, potentially adjust the participating gas corporation's updated return on equity in the annual true-up. No fewer than four and no more than six metrics shall be established and approved by the commission to be included in rates in the annual true-up. A benchmark range of acceptable performance shall be established based on the participating gas corporation's historical experience in the area measured over the most recent five years, or shorter period if consistent information is not available, and such range shall be reasonably achievable. Each metric shall be assigned a value of five one-hundredths of one percent, and performance levels above or below the benchmark range shall be used to increase or decrease, respectively, the subsequent updated return on equity;

(8) The defined performance benchmark cost level for O&M

expense that shall be used for the CMA mechanism for the subsequent annual true-ups to compare against the updated O&M expense. Such benchmark shall be set based on the updated O&M expense in the then concluding updated test year, subject to the grow and share provision of the CMA. If the grow and share provision is in effect, the performance benchmark of the CMA shall not be reset until the second periodic rate review proceeding conducted after the grow and share provision became effective, or a period of five years, whichever is greater;

(9) A full and complete description, including the FERC account(s), of the categories and types of ineligible operating expenses to be excluded from rates in the annual true-up;

(10) A full and complete description of the methodologies to be used to allocate joint and common costs included in rates between the participating gas corporation and its affiliates to the extent the methodologies differ from those in the commission-approved cost allocation manual;

(11) A full and complete identification of the billing determinants to be used to establish rates, for use in the annual true-up and revenue stabilization mechanism processes;

(12) A full and complete identification of the class cost of service method to be used to allocate costs between and within each customer class, including the rate design to be used for each class, together with a specification of the method to be used to allocate any increase or decrease in revenue requirement for the annual true-up;

(13) A full and complete identification of the depreciation rates to be used to establish rates included in the annual true-up; and

(14) A full and complete set of templates to be used for the surveillance reports that will be submitted on a quarterly basis to report current operating expenses, rate base, revenues, and performance metrics used in the annual true-up. Subject to normal commission discovery procedures, the participating gas corporation shall, as requested by the commission staff, provide supporting information for the financial, operational, and accounting results reflected in the surveillance reports.

393.1735. 1. Within six months of the effective date of sections 393.1700 to 393.1750, any participating gas corporation may file, and the

commission shall approve, tariffs authorizing programs designed to retain or attract businesses, jobs, and investment within the state of Missouri. Such tariffs shall include provisions that permit the participating gas corporation to provide discounted rates and charges for utility service as necessary to retain or attract such customer or customers, provided that the discounted rates or charges or other tariff provisions are sufficient to:

(1) Recover the depreciation, property tax, and carrying cost of any incremental investment made by the participating gas corporation to retain or attract such customer or customers;

(2) Recover the incremental variable costs incurred to serve such customer or customers;

(3) Make some positive contribution to the participating gas corporation's fixed costs of serving other customers; and

(4) Permit the participating gas corporation to provide long-term financing for the up-front cost of extending gas service to customers or residential or commercial developments with such costs to be recovered through a surcharge of no more than ten years on the rates paid by those customers benefitting from the extension of gas service.

2. The rates approved by the commission during the annual true-up shall reflect the actual annualized revenues being received under the discounted rate or long-term financing arrangement.

393.1740. A participating gas corporation may voluntarily terminate its participation in the update process at the conclusion of any updated test year. Upon termination, whether such termination occurs by operation of law, by voluntary action of a participating gas corporation, or for any other reason, the then current rates established under this section shall remain in effect until such time as new rates are set under section 393.150, subject to any adjustment that may be made to such rates based on the commission staff's audit of the last updated test year.

393.1745. On or after December 31, 2025, the commission shall prepare and file with the general assembly a report on the impact of sections 393.1700 to 393.1750 on participating gas corporations and their customers. Participating gas corporations shall cooperate in good faith to provide the data necessary for the preparation of the report required by this section.

393.1750. The commission shall have the authority to promulgate rules and regulations to implement the provisions of sections 393.1700 to 393.1745, but only to the extent such rules are consistent with and do not delay the implementation of sections 393.1700 to 393.1745. Any rule or portion of a rule, as that term is defined in section 536.010 that is created under the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536, and, if applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536, to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2017, shall be invalid and void.

620.3150. 1. The comprehensive state energy plan developed by the division of energy shall be reviewed by the division by January 1, 2019, and biennially thereafter, and updated if necessary, in accordance with the provisions of this section.

2. The state's comprehensive state energy plan shall be reviewed to ensure that it:

(1) Is consistent with Article I, Section 2 of the Missouri Constitution;

(2) Encourages private investment in energy solutions that will help customers better manage their energy bills and help reduce fuel costs while ensuring fairness;

(3) Develops free market strategies to attract private capital investment;

(4) Identifies and values transportation alternatives;

(5) Creates an uncumbersome regulatory environment that allows the state's energy utilities to chart a vibrant changing future by operating with greater efficiency and reliability at a low cost to customers;

(6) Supports public and private efforts to foster a supply of energy to consumers that is abundant, reliable, and cost efficient; and

(7) Monitors areas of potential growth or development, including forecasts of five and ten years for energy demand and supply, infrastructure demands, and identification of additional costs, risks, benefits, uncertainties, and market potential of energy supply resource

alternatives.

3. The division of energy, either directly or through contracting with a Missouri-based nonprofit whose staff and organization have the capacity and capability to adequately meet the aforementioned goals, shall use a diverse stakeholder system through both online engagement and several in-person meetings throughout the state to conduct the review.

4. A report shall be issued by the division of energy, along with the review required under this section, that shall suggest policy changes for the state that:

(1) Provide improved reliability of the energy systems within the state;

(2) Insulate customers from volatility in market prices;

(3) Reduce the overall cost of energy in the state;

(4) Reasonably addresses public health and environmental impacts; and

(5) Identify and analyze emerging trends in supply, price, demand, and technology, as well as energy policies and programs, and their impact on achieving the state's comprehensive state energy plan.

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