

SENATE SUBSTITUTE

FOR

SENATE BILL NO. 618

AN ACT

To repeal sections 393.1009 and 393.1012, RSMo, and to enact in lieu thereof two new sections relating to an infrastructure system replacement surcharge for gas corporations.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF MISSOURI,
AS FOLLOWS:

1 Section A. Sections 393.1009 and 393.1012, RSMo, are
2 repealed and two new sections enacted in lieu thereof, to be
3 known as sections 393.1009 and 393.1012, to read as follows:

4 393.1009. As used in sections 393.1009 to 393.1015, the
5 following terms mean:

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

8 (a) The gas corporation's weighted cost of capital
9 multiplied by the net original cost of eligible infrastructure
10 system replacements, including recognition of accumulated
11 deferred income taxes and accumulated depreciation associated
12 with eligible infrastructure system replacements which are
13 included in a currently effective ISRS; and

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

16 (c) Recover all other ISRS costs;

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

18 (3) "Eligible infrastructure system replacements", gas

1 utility plant projects that:

2 (a) Do not increase revenues by directly connecting the
3 infrastructure replacement to new customers;

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

5 (c) Were not included in the gas corporation's rate base in
6 its most recent general rate case; and

7 (d) Replace or extend the useful life of an existing
8 infrastructure;

9 (4) "Gas corporation", every corporation, company,
10 association, joint stock company or association, partnership and
11 person, their lessees, trustees or receivers appointed by any
12 court whatsoever, owning, operating, controlling, or managing any
13 gas plant operating for public use under privilege, license, or
14 franchise now or hereafter granted by the state or any political
15 subdivision, county, or municipality thereof as defined in
16 section 386.020;

17 (5) "Gas utility plant projects" may consist only of the
18 following:

19 (a) Mains, valves, service lines, regulator stations,
20 vaults, and other pipeline system components installed to comply
21 with state or federal safety requirements as replacements for
22 existing cast iron, steel, or other facilities that [have worn
23 out or are in deteriorated condition] can no longer be installed
24 under currently applicable safety standards, including any
25 connected or associated facilities that, regardless of their
26 material, age, or condition, are replaced as part of a qualifying
27 replacement project in a manner that adds no incremental cost to
28 a project compared to tying into or reusing existing facilities;

1 (b) Main relining projects, service line insertion
2 projects, joint encapsulation projects, and other similar
3 projects extending the useful life or enhancing the integrity of
4 pipeline system components undertaken to comply with state or
5 federal safety requirements; and

6 (c) Facilities relocations required due to construction or
7 improvement of a highway, road, street, public way, or other
8 public work by or on behalf of the United States, this state, a
9 political subdivision of this state, or another entity having the
10 power of eminent domain provided that the costs related to such
11 projects have not been reimbursed to the gas corporation;

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

13 (7) "ISRS costs", depreciation expense and property taxes
14 that will be due within twelve months of the ISRS filing;

15 (8) "ISRS revenues", revenues produced through an ISRS
16 exclusive of revenues from all other rates and charges.

17 393.1012. 1. Notwithstanding any provisions of chapter 386
18 and this chapter to the contrary, beginning August 28, 2003, a
19 gas corporation providing gas service may file a petition and
20 proposed rate schedules with the commission to establish or
21 change ISRS rate schedules that will allow for the adjustment of
22 the gas corporation's rates and charges to provide for the
23 recovery of costs for eligible infrastructure system
24 replacements. The commission may not approve an ISRS to the
25 extent it would produce total annualized ISRS revenues below the
26 lesser of one million dollars or one-half of one percent of the
27 gas corporation's base revenue level approved by the commission
28 in the gas corporation's most recent general rate proceeding.

1 The commission may not approve an ISRS to the extent it would
2 produce total annualized ISRS revenues exceeding ten percent of
3 the gas corporation's base revenue level approved by the
4 commission in the gas corporation's most recent general rate
5 proceeding. An ISRS and any future changes thereto shall be
6 calculated and implemented in accordance with the provisions of
7 sections 393.1009 to 393.1015. ISRS revenues shall be subject to
8 a refund based upon a finding and order of the commission to the
9 extent provided in subsections 5 and 8 of section [393.1009]
10 393.1015.

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

16 3. In no event shall a gas corporation collect an ISRS for
17 a period exceeding three years unless the gas corporation has
18 filed for or is the subject of a new general rate proceeding;
19 provided that the ISRS may be collected until the effective date
20 of new rate schedules established as a result of the new general
21 rate proceeding, or until the subject general rate proceeding is
22 otherwise decided or dismissed by issuance of a commission order
23 without new rates being established.

24 4. In order for a gas corporation to file a petition with
25 the commission to establish or change an ISRS, such corporation
26 shall, by July 1, 2021, develop and file with the commission a
27 pre-qualification process for contractors seeking to participate
28 in competitive bidding to install ISRS-eligible gas utility plant

1 projects. Under the pre-qualification process, the gas
2 corporation may specify certain eligibility requirements
3 typically accepted by the industry, including but not limited to,
4 experience, performance criteria, safety policies, and insurance
5 or indemnification requirements to be met by any contractor
6 seeking to participate in competitive bidding to install ISRS-
7 eligible gas utility plant projects. Contractors that meet the
8 pre-qualification criteria set by the gas corporation shall be
9 eligible to participate in the competitive bidding process for
10 installing ISRS-eligible gas utility plant projects, with the
11 winning bid awarded to the contractor making the overall lowest
12 and best bid, as defined in subsection 2 of section 34.010. The
13 gas corporation shall file, by January 1, 2022, a verified
14 statement with the commission confirming that it has in place a
15 pre-qualification process for the competitive bidding of ISRS-
16 eligible gas utility plant projects, and that such process
17 conforms with the requirements of this section. The commission
18 shall have the authority to verify the statement to ensure
19 compliance with this section. After January 1, 2022, the gas
20 corporation shall submit with each petition filing to establish
21 or change an ISRS a verified statement confirming that it is
22 using a competitive bidding process for no less than twenty-five
23 percent of the combined external installation expenditures made
24 by the gas corporation's operating units in Missouri for
25 installing ISRS-eligible gas utility plant projects, and that
26 such process conforms with the requirements set forth in this
27 section. The commission shall have the authority to verify the
28 statement to ensure compliance with this section. Nothing in

1 this section shall be construed as requiring any gas corporation
2 to use a pre-qualified contractor or competitive bidding process
3 in the case of an emergency project, or to terminate any existing
4 contract with a contractor prior to its expiration; provided
5 however, that the use of any preexisting contract for the
6 installation of ISRS-eligible gas utility plant projects shall
7 not qualify as fulfilling the twenty-five percent requirement set
8 forth in this section beyond December 31, 2022. For contractors
9 not qualifying through the competitive bid process, the gas
10 corporation, upon request from the contractor, shall provide
11 information from the process in which the contractor can be
12 informed as to how to be better positioned to qualify for such
13 bid opportunities in the future.

14 5. By December 31, 2023, and annually thereafter, the
15 commission shall submit a report to the general assembly on the
16 effects of subsection 4 of this section, including gas
17 corporation compliance, potential legislative action regarding
18 subsection 4 of this section, the costs of installing ISRS-
19 eligible gas utility plant projects prior to the implementation
20 of subsection 4 of this section compared to after the
21 implementation of subsection 4 of this section, and any other
22 information regarding the processes established under subsection
23 4 of this section that the commission deems necessary.