

FIRST REGULAR SESSION

# SENATE BILL NO. 184

99TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR EMERY.

Pre-filed December 5, 2016, and ordered printed.

ADRIANE D. CROUSE, Secretary.

0694S.01I

## AN ACT

To amend chapter 393, RSMo, by adding thereto two new sections relating to the implementation of a revenue stabilization mechanism for certain public utilities.

*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 393.1600 and 393.1605, to read as follows:

**393.1600. 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 this section and section 393.1605.**

**2. As used in this section and section 393.1605, the following terms shall mean:**

**(1) "Actual revenue", the revenues billed by a water or sewer corporation for the customer classes of residential, commercial, public authority, and sale for resale during the annual period, exclusive of commission approved surcharges such as infrastructure system replacement surcharge adjustments approved under sections 393.1000 to 393.1015, and environmental cost adjustments approved under subsection 2 of section 386.266;**

**(2) "Actual production costs", the actual cost of chemicals, power, purchased water, and waste disposal during the annual period;**

**(3) "Annual period", twelve months beginning on the first day of the first month following the effective date of rates from the general rate proceeding of a water or sewer corporation requesting an RSM for the first time, and every twelve-month period thereafter while the RSM is in effect;**

20           (4) "Authorized revenue", the revenue requirement associated  
21 with the customer classes of residential, commercial, public authority,  
22 and sale for resale for the annual period set by the commission in a  
23 general rate proceeding, exclusive of commission approved surcharges  
24 such as infrastructure system replacement surcharge adjustments  
25 approved under sections 393.1000 to 393.1015, and environmental cost  
26 adjustments approved under subsection 2 of section 386.266;

27           (5) "Authorized production costs", the cost of chemicals, power,  
28 purchased water, and waste disposal for the annual period set by the  
29 commission in a general rate proceeding;

30           (6) "Recovery period", the period the commission approves for  
31 administering RSM adjustments, not to exceed twelve months;

32           (7) "RSM", revenue stabilization mechanism;

33           (8) "Tariff district", water or sewer corporation operating  
34 districts with the same tariff rates.

          393.1605. 1. Subject to the requirements of this section, any  
2 water or sewer corporation may request in a general rate proceeding,  
3 and the commission shall approve, as provided in this section, RSM rate  
4 schedules authorizing periodic rate adjustments outside of general rate  
5 proceeding to ensure actual revenues, minus actual production costs do  
6 not vary from authorized revenues, minus authorized production costs  
7 due to the following factors:

8           (1) For sewer corporations, any variation due to increases or  
9 decreases in residential, commercial, public authority, and sale for  
10 resale usage;

11           (2) For water corporations, any variation due to increases or  
12 decreases in residential, commercial, public authority, and sale for  
13 resale usage.

14           2. The RSM rate schedules shall account and adjust for revenue  
15 variations within each applicable customer class by tariff district,  
16 minus production cost variations. Systems acquired by a water or  
17 sewer corporation utilizing an RSM shall be excluded from RSM rate  
18 schedules until the acquiring water or sewer corporation's next general  
19 rate proceeding.

20           3. Within thirty days of the last day of each annual period, the  
21 water or sewer corporation shall file an RSM rate schedule or revised

22 rate schedule to credit or surcharge each applicable customer class by  
23 tariff district over the recovery period for the difference between the  
24 actual revenues, minus actual production costs during the preceding  
25 annual period and the authorized revenues, minus authorized  
26 production costs determined in the corporation's most recently  
27 completed general rate proceeding. Any surcharge resulting from the  
28 RSM will be applied by a volumetric rate by customer class by tariff  
29 district and collected during the recovery period, while any credit will  
30 be allocated equally among customers within each customer class by  
31 tariff district and applied as a one-time lump sum credit on the  
32 customer's utility bill as soon as administratively feasible. The annual  
33 total of any RSM adjustments surcharged to residential customers shall  
34 not exceed ten percent of the corporation's authorized revenue  
35 approved by the commission in the corporation's most recently  
36 completed general rate proceeding, provided any revenue deficiency  
37 not recovered because of this limitation shall be deferred for recovery  
38 in the subsequent recovery period.

39 4. The annual RSM filings shall include a reconciliation  
40 component that will compare the approved RSM adjustment revenues  
41 to the actual RSM adjustment revenues. The difference between the  
42 two shall be included in the RSM adjustment calculation to be  
43 surcharged or credited during the following recovery period.

44 5. Any RSM rate schedule or revised RSM rate schedule filed by  
45 a water or sewer corporation shall become effective within thirty  
46 days. The commission shall review such rate schedules for the  
47 exclusive purpose of:

48 (1) Determining whether the authorized revenue and authorized  
49 production costs used in the rate schedules are consistent with the  
50 revenue and production costs used to set rates in the water or sewer  
51 corporation's most recent general rate proceeding;

52 (2) Determining whether any subsequent revisions to such rate  
53 schedules accurately reflect the difference between the actual revenues  
54 billed, minus actual production costs during the annual period under  
55 review and the authorized revenues, minus authorized production costs  
56 in the corporation's most recent general rate proceeding;

57 (3) Ordering any adjustments to the water or sewer corporation's

58 next RSM rate schedule filing that may be necessary to achieve these  
59 outcomes. Any such order making adjustments to the RSM rate  
60 schedule shall be effective no later than thirty days after the date of  
61 issuance of such order.

62         6. A water or sewer corporation utilizing a RSM shall submit a  
63 report in each subsequent general rate proceeding on the changes in  
64 water demands and the measures such corporations have taken to  
65 educate consumers and promote water efficiency.

66         7. A water or sewer corporation's RSM rate schedules shall be  
67 updated to reflect its authorized revenue and production cost amounts  
68 in each general rate proceeding.

69         8. A water or sewer corporation may terminate such RSM rate  
70 schedules in a general rate proceeding, provided that the commission  
71 shall order any rate adjustments necessary to return to, or recover  
72 from, customers the difference between the actual revenues, minus  
73 actual production costs during the last annual period and the  
74 authorized revenues, minus authorized production costs in the  
75 corporation's most recently completed general rate proceeding.

76         9. No later than December 31, 2024, the commission shall prepare  
77 and file with the secretary of the senate and the chief clerk of the  
78 house of representatives of the general assembly a report on what  
79 impact, if any, the implementation of RSM rate schedules have had on  
80 water and sewer corporations and their customers. Participating water  
81 and sewer corporations shall cooperate in good faith to provide the  
82 data necessary for the preparation of the report required by this  
83 subsection.

84         10. The commission shall have authority to promulgate rules for  
85 the implementation of sections 393.1600 to 393.1605. Any rule or  
86 portion of a rule, as that term is defined in section 536.010 that is  
87 created under the authority delegated in this section shall become  
88 effective only if it complies with and is subject to all of the provisions  
89 of chapter 536, and, if applicable, section 536.028. This section and  
90 chapter 536 are nonseverable and if any of the powers vested with the  
91 general assembly pursuant to chapter 536, to review, to delay the  
92 effective date, or to disapprove and annul a rule are subsequently held  
93 unconstitutional, then the grant of rulemaking authority and any rule

94 **proposed or adopted after August 28, 2017, shall be invalid and void.**

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Unofficial

Bill

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