

HCS HB 198 -- Infrastructure Replacement Surcharge

SPONSOR: Funderburk

COMMITTEE ACTION: Voted "Do Pass" by the Committee on Utilities by a vote of 24 to 0.

This substitute changes the laws regarding infrastructure replacement surcharges for water corporations. In its main provisions, the substitute:

(1) Revises the definition for "eligible infrastructure system replacements" to include energy efficiency projects that are in service, used, and useful; do not increase revenues by connecting the infrastructure replacements to new customers; and were not included in the water or sewer corporation's rate base in its most recent rate case and defines "energy efficiency" as measures that reduce the amount of energy required to achieve a given end result. Eligible projects for sewer corporations are also specified in the substitute;

(2) Adds service lines, meters, collecting sewers, lift stations, and pressure pumps that have worn out, are in a deteriorated condition, or replaced as part of an order issued by the Missouri Public Service Commission, as well as energy efficiency projects, to the list of projects that are allowable water or sewer utility plant projects; and

(3) Allows, beginning August 28, 2014, all water corporations and sewer corporations regulated by the commission to file a petition and proposed rate schedules to establish or change its infrastructure system replacement surcharge rate schedules that will allow for the adjustment of the corporation's rates and charges to provide for the recovery of costs for eligible infrastructure system replacements. Depreciation on investments must not be recorded on the books until it is actually recovered through rate adjustments. Small water and sewer companies with less than 8,000 customers may file once their investments reach \$10,000. The current requirement of a \$1 million investment for larger water or sewer corporations to file a petition with the commission remains. Currently, only water corporations in St. Louis County are allowed to file a petition and proposed rate schedules.

PROponents: Supporters say the bill makes the replacement of infrastructure more efficient and prevents accidents, while also reducing the regulatory cost of operating a water or sewer plant. A typical infrastructure surcharge adjustment hearing costs only \$10,000.

Testifying for the bill were Representative Flanigan, Missouri American Water, Missouri Energy Development Association, and Laclede Gas.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say the current infrastructure replacement surcharge process is an appropriate tool and leads to efficient outcomes.

Testifying on the bill was the Missouri Public Service Commission.