

FIRST REGULAR SESSION

# HOUSE BILL NO. 925

98TH GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE FRAKER.

1978H.011

D. ADAM CRUMBLISS, Chief Clerk

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## AN ACT

To amend chapter 393, RSMo, by adding thereto one new section relating to cost recovery for electrical corporations.

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

Section A. Chapter 393, RSMo, is amended by adding thereto one new section, to be known as section 393.1400, to read as follows:

**393.1400. 1. For purposes of this section, the following terms shall mean:**

**(1) "Commission", the public service commission;**

**(2) "Electrical corporation", the same as defined in section 386.020;**

**(3) "Qualifying electric plant", shall consist of the following to the extent the plant does not increase revenues by allowing service to new customers:**

**(a) Replacements or modernizations of existing information technology systems and transmission and distribution facilities, including meters, that are obsolete, have worn out, or are in a deteriorated condition, or if reasonably necessary to maintain or improve customer reliability, or to comply with applicable reliability standards, and replacements or modernizations of existing generation facility components that are obsolete, have worn out, or are in a deteriorated condition, or if reasonably necessary to maintain or improve the reliability of an existing generation facility;**

**(b) Implementation of electric grid automation technologies, including automated switches, supervisory control and data acquisition devices, wireless sensors, fault indicating devices or information technology systems, and other devices to improve customer reliability or to comply with applicable reliability or security standards, and construction of transmission and distribution facilities, whether replacements, modernizations, or new**

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18 facilities, to harden the electrical grid against damage from severe weather events or  
19 earthquakes;

20 (c) Capital projects that, if not being recovered in a rate schedule authorized by  
21 subsection 2 of section 386.266, are undertaken to comply with federal, state, or local law,  
22 regulation, rule, or to comply with state electrical corporation-owned solar generation  
23 requirements;

24 (4) "Relevant period", a period starting on the date on which rate base additions  
25 are accounted for in developing an electrical corporation's revenue requirement in a  
26 general rate proceeding, and ending on the date on which rate base additions are  
27 accounted for in the electrical corporation's subsequent general rate proceeding, with the  
28 first relevant period starting on the effective date of this section.

29 2. Notwithstanding any provisions of sections 393.130, 393.140, 393.150, 393.260,  
30 and 393.270 to the contrary, electrical corporations shall defer depreciation expense and  
31 return, calculated as provided for in this section, associated with all of the projects that  
32 constitute qualifying electric plant placed in service during each relevant period. The  
33 qualifying electric plant shall be deemed to have been placed in service on the fifteenth day  
34 of the month. The amounts so deferred shall be recorded to a separate regulatory asset  
35 account, and the balance in the regulatory asset account for the relevant period shall be  
36 included in the electrical corporation's rate base in each of the electrical corporation's  
37 general rate proceedings without any offset, reduction, or adjustment based upon  
38 consideration of any other factor or otherwise. The amounts deferred to the regulatory  
39 asset account under this section shall be subject to adjustment to reflect any prudence  
40 disallowances ordered by the commission in the general rate proceeding in which the  
41 qualifying electric plant for which deferrals were recorded is first included in its rate base.  
42 The regulatory assets created under this section shall include carrying costs at the electrical  
43 corporation's weighted average cost of capital from the electrical corporation's most  
44 recently completed general rate proceeding concluded prior to the relevant period, and  
45 shall be amortized and recovered in rates, subject to the limitations of subsection 6 of this  
46 section, beginning with the effective date of rates in the general rate proceeding if the  
47 regulatory asset account balance is first included in its rate base, over thirty-five years.

48 3. For purposes of calculating deferred depreciation expense and return:

49 (1) Deferred depreciation expense shall equal the original cost of each project  
50 included in the qualifying electric plant placed in service during the relevant period less  
51 retirements of plant replaced by such qualifying electric plant, multiplied by the  
52 depreciation rate applicable to qualifying projects, calculated using the depreciation rates  
53 used to set rates in the electrical corporation's most recent completed general rate

54 proceeding concluded prior to the end of the relevant period, adjusted to account for the  
55 time the project is in service prior to the end of the relevant period;

56 (2) Deferred return shall equal the sum of the original cost of all projects that  
57 constitute qualifying electric plant placed in service during the relevant period less  
58 accumulated depreciation on such project, and also less the marginal increase in  
59 accumulated deferred income tax assets and liabilities, including deferred tax assets from  
60 net operating losses, attributable to such projects in the aggregate, with that difference  
61 multiplied by the electrical corporation's weighted average cost of capital used to  
62 determine the electrical corporation's revenue requirement in the electrical corporation's  
63 most recently completed general rate proceeding concluded prior to the relevant period,  
64 adjusted to account for the time each such project is in service prior to the end of the  
65 relevant period, plus applicable federal, state, and local income or excise taxes.

66 4. Depreciation expense and return from the end of any relevant period to the  
67 effective date of rates in the general rate proceeding if deferrals related to qualifying  
68 electric plant placed in service during that general rate proceeding are included in the  
69 electrical corporation's rate base shall also be deferred on qualifying electric plant placed  
70 in service during that relevant period. The depreciation expense and return shall be  
71 recorded to the regulatory asset account that will be included in the electrical corporation's  
72 rate base in the electrical corporation's next general rate proceeding, together with  
73 deferrals of depreciation expense and return for qualifying electric plant placed in service  
74 during the relevant period applicable to the electrical corporation's general rate  
75 proceeding.

76 5. In each general rate proceeding, the revenue requirement resulting from the  
77 inclusion of sums deferred to a regulatory asset account authorized under this section in  
78 rate base and the amortization of such a regulatory asset shall be allocated to each rate  
79 class in the same manner as the remainder of the change in the revenue requirement is  
80 allocated. Notwithstanding the immediately preceding sentence, an electrical corporation's  
81 rates charged to customers in a rate class if a minimum billing demand of five megawatts  
82 or more is required shall be calculated to exclude the impact of the change in the revenue  
83 requirement resulting from the regulatory assets authorized under this section. The sum  
84 of revenues that would have been produced but for this exclusion shall not be collected  
85 from other customers.

86 6. Notwithstanding the foregoing provisions of this section, the impact on the  
87 revenue requirement caused solely by the inclusion of the balance of the regulatory asset  
88 created during the most recent relevant period in rate base in any general rate proceeding  
89 shall not exceed the maximum revenue requirement impact determined in the following

90 manner: the maximum revenue requirement impact shall be a percentage determined by  
91 multiplying one percent by the number of completed months since the date through which  
92 rate base additions were accounted for in the electrical corporation's most recently  
93 completed general rate proceeding, divided by twelve. The remaining balance of that  
94 regulatory asset shall not be recoverable in rates.

95 7. Nothing in this section shall limit the commission's authority to authorize an  
96 electrical corporation to defer depreciation expense and return associated with  
97 nonqualifying electric plant for recovery in a general rate proceeding.

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