

HB 397 -- WATER AND SEWER INFRASTRUCTURE

SPONSOR: Wallingford

Currently, water corporations with more than 1,000 customers are required to use a competitive bidding process for no less than 10% of the corporation's external expenditures for planned infrastructure projects on the water corporation's distribution system. This bill requires a competitive bidding process be used for 20% of the corporation's external expenditures for such projects.

The bill also establishes the "Missouri Water and Sewer Infrastructure Act", which specifies that a water or sewer company may file a petition and proposed rate schedules with the Public Service Commission to create or change an infrastructure rate adjustment (WSIRA) that provides for the recovery of pretax revenues associated with eligible infrastructure projects. The WSIRA and any future changes must meet specific requirements.

The Commission cannot approve a WSIRA for a water or sewer corporation that has not had a general rate proceeding decided or dismissed within the past three years of the filing of a WSIRA petition unless the corporation has filed for or is the subject of a pending general rate proceeding. A corporation cannot collect a WSIRA for more than three years unless the corporation had filed for or is the subject of a new rate proceeding. In such case, the WSIRA can be collected until the effective date of the new rate schedules.

At the time the corporation files a petition to establish or change a WSIRA, it must submit proposed WSIRA rate schedules and supporting documentation, and it must also serve the Office of Public Counsel with a copy of the petition, rate schedules, and documentation. Upon filing, the Commission must publish a notice of the filing, and conduct an examination of the proposed WSIRA, as specified in the bill. The Commission may hold a hearing on the petition and any associated WSIRA rate schedules. If the Commission finds that a petition complies with the requirements, the Commission must enter an order authorizing the corporation to implement the WSIRA. A corporation may effectuate a change in its WSIRA no more than twice in every 12-month period.

The bill specifies information the Commission may consider in determining the appropriate pretax revenues and how the WSIRA is calculated. If this information is unavailable and the Commission has not provided it on an agreed-upon basis, the Commission must use the last authorized overall pretax weighted average cost of capital for a WSIRA or the last authorized overall pretax weighted average cost of capital in a general rate proceeding for the

corporation. At the end of each 12-month period that the WSIRA is in effect, the corporation must reconcile the differences between the revenues from a WSIRA and the appropriate pretax revenues found by the Commission for that period and submit the reconciliation and proposed WSIRA to the Commission for approval to recover or credit the difference.

A corporation that has a WSIRA must file revised WSIRA schedules when new base rates and charges become effective following a general rate proceeding that includes the WSIRA eligible costs in the base rates. Once the eligible costs are included in corporation's base rates, the corporation must reconcile any previously unreconciled WSIRA revenues to ensure that revenues resulting from the WSIRA match as closely as possible the appropriate pretax revenues.

A corporation's filing of a petition to establish or change a WSIRA is not considered a request for a general increase in the corporation's base rates and charges. Nothing in this bill impairs the authority of the Commission to review the prudence or eligibility of specific projects in the proposed WSIRA.

This bill is the same as SB 44 (2021) and similar to HB 2094 (2020).