

HOUSE BILL NO. 243

99TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE DAVIS.

0752H.011

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To amend chapter 386, RSMo, by adding thereto two new sections relating to utilities.

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

Section A. Chapter 386, RSMo, is amended by adding thereto two new sections, to be known as sections 386.251 and 386.252, to read as follows:

386.251. 1. As used in sections 386.251 through 386.252, the following terms 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 through 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;**

(4) **“Authorized revenue”, the revenue requirement associated with the customer class of residential, commercial, public authority and sale for resale for the annual period set by the commission in a general rate proceeding, exclusive of commission approved surcharges such as infrastructure system replacement surcharge adjustments approved under sections 393.1000 through 393.1015, and environmental cost adjustments approved under subsection 2 of section 386.266;**

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.

19 (5) “Authorized production costs”, the cost of chemicals, power, purchased water,
20 and waste disposal for the annual period set by the commission in a general rate
21 proceeding;

22 (6) “Commission”, the Missouri public service commission;

23 (7) “Recovery period”, the period the commission approves for administering RSM
24 adjustments, not to exceed twelve months;

25 (8) “RSM”, revenue stabilization mechanism;

26 (9) “Tariff district”, water or sewer corporation operating districts with the same
27 tariff rates.

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

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

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

11 2. The RSM rate schedules shall account and adjust for revenue variations within
12 each applicable customer class by tariff district, net of production cost variations. Systems
13 acquired by a water or sewer corporation utilizing an RSM shall be excluded from RSM
14 rate schedules until the acquiring water or sewer corporation’s next general rate
15 proceeding.

16 3. Within thirty days of the last day of each annual period, the water or sewer
17 corporation shall file an RSM rate schedule or revised rate schedule to credit or surcharge
18 each applicable customer class by tariff district over the recovery period the difference
19 between the actual revenues net of actual production costs during the preceding annual
20 period and the authorized revenues net of authorized production costs determined in the
21 corporation’s most recent general rate proceeding. Any surcharge resulting from the RSM
22 will be applied by a volumetric rate by customer class by tariff district and collected during
23 the recovery period, while any credit will be allocated equally among customers within
24 each customer class by tariff district and applied as a one-time lump sum credit on the
25 customer’s utility bill as soon as administratively feasible. The annual total of any RSM
26 adjustments surcharged to residential customers shall not exceed ten percent of the
27 corporation's authorized revenue approved by the commission in the corporation's most

28 recent general rate proceeding, provided any revenue deficiency not recovered because of
29 this limitation shall be deferred for recovery in the subsequent recovery period.

30 4. The annual RSM filings shall include a reconciliation component that will
31 compare the approved RSM adjustment revenues to the actual RSM adjustment revenues.
32 The difference between the two shall be included in the RSM adjustment calculation to be
33 surcharged or credited during the following recovery period.

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

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

40 (2) Determining whether any subsequent revisions to such rate schedules accurately
41 reflect the difference between the actual revenues billed net of actual production costs
42 during the annual period under review and the authorized revenues net of authorized
43 production costs in the corporation's most recent general rate proceeding; and

44 (3) Ordering any adjustments to the water or sewer corporation's next RSM rate
45 schedule filing that may be necessary to achieve these outcomes. Any such order making
46 adjustments to the RSM rate schedule shall be effective no later than thirty days after the date
47 of issuance of such order.

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

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

53 8. A water or sewer corporation may terminate such RSM rate schedules in a
54 general rate proceeding; provided that, the commission shall order any rate adjustments
55 necessary to return to or recover from customers the difference between the actual
56 revenues net of actual production costs during the last annual period and the authorized
57 revenues net of authorized production costs in the corporation's most recent general rate
58 proceeding.

59 9. The commission shall have authority to promulgate rules for the implementation
60 of sections 386.251 through 386.252, but only to the extent such rules are consistent with
61 and do not delay the implementation of the provisions of sections 386.251 through 386.252.
62 Any rule or portion of a rule, as that term is defined in section 536.010, that is created
63 under the authority delegated in this section shall become effective only if it complies with

64 and is subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This
65 section and chapter 536 are nonseverable and if any of the powers vested with the general
66 assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove
67 and annul a rule are subsequently held unconstitutional, then the grant of rulemaking
68 authority and any rule proposed or adopted after August 28, 2017, shall be invalid and
69 void.

70 **10. No later than December 31, 2024, the commission shall prepare and file with**
71 **the secretary of the senate and the chief clerk of the house of the general assembly a report**
72 **on what impact, if any, the implementation of RSM rate schedules have had on water and**
73 **sewer corporations and their customers. Participating water and sewer corporations shall**
74 **cooperate in good faith to provide the data necessary for the preparation of the report**
75 **required by this subsection.**

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