

HCS HB 654 -- UTILITIES

SPONSOR: Emery (Schoeller)

COMMITTEE ACTION: Voted "do pass" by the Committee on Utilities by a vote of 10 to 2.

This substitute establishes the Missouri Residential and Small Business Energy Efficiency Investment Act and changes the laws regarding utility company rate adjustments.

MISSOURI RESIDENTIAL AND SMALL BUSINESS ENERGY EFFICIENCY INVESTMENT ACT

The Missouri Residential and Small Business Energy Efficiency Investment Act is established which requires the Missouri Public Service Commission to allow electric and gas corporations to implement and recover costs related to commission-approved energy efficiency programs aimed at customers. In its main provisions, the substitute:

- (1) Requires the commission to develop cost recovery methods that value energy efficiency investments equal to or better than traditional supply-side investments by the company;
- (2) Requires any cost recovery method to take into account lost energy sales associated with energy efficiency;
- (3) Allows the commission to reduce or exempt energy efficiency costs for low-income customers and caps the amount that a customer of any rate class must pay at \$5,000 per month;
- (4) Requires the commission to provide oversight, allows it to adopt rules and procedures, and allows it to approve certain settlements and tariff provisions to ensure that electric and gas corporations achieve the goals of the substitute; and
- (5) Specifies annual reporting requirements for electric and gas companies on energy efficiency activities.

UTILITY COMPANY RATE ADJUSTMENTS

Currently, rate adjustments in the purchase price of natural gas which have been approved by the Missouri Public Service Commission are exempt from certain provisions regarding business license taxation. The substitute allows any adjustments to include the gas cost portion of net write-offs incurred by a gas corporation in providing service to its customers. Any write-off may only be recovered once through the gas corporation's purchased gas adjustment rates. A true-up of the gas cost

portion of net write-offs is required once every year, and the commission must annually review a gas corporation's records to ensure that it is prudently pursuing the moneys owed by its customers.

The substitute increases from three to five years the period of time that a gas corporation is able to collect an infrastructure system replacement surcharge without holding a general rate proceeding before the commission.

An electric corporation is allowed to file a petition and proposed rate schedule with the Missouri Public Service Commission to establish or change infrastructure system replacement surcharges (ISRS) rate schedules that will allow for the adjustment of the corporation's rates and charges for the recovery of costs for eligible infrastructure system replacements. The commission cannot approve an ISRS if it would produce total annualized ISRS revenues below the lesser of \$1 million or 0.5% of the corporation's base revenue level approved by the commission in the corporation's most recent general rate proceeding or if it would produce total annualized ISRS revenues exceeding 10% of the corporation's base revenue level approved at the most recent general rate proceeding. The period of collection on an ISRS is limited to five years, but may be extended if the corporation has filed for or is the subject of a new general rate proceeding.

The substitute specifies the procedures for the application and hearing as well as the accounting methods and procedures to be used for the surcharges.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$126,715 in FY 2010, \$153,531 in FY 2011, and \$158,139 in FY 2012. No impact on Other State Funds in FY 2010, FY 2011, and FY 2012.

PROPONENTS: Supporters say that the bill will allow invoices and prices to more accurately reflect the cost of gas at the time it is incurred by a company and a company to more quickly adjust rates depending on the market price of a product that has had great deviation in prices in the past. This could often benefit customers when gas prices decrease as the company will be able to adjust rates downward quickly and not be unjustly enriched.

Testifying for the bill were Representative Schoeller; Missouri Energy Development Association; Ameren UE; Atmos Energy Corporation; Laclede Gas Company; John Rich, Mid-America Assistance Coalition; and Empire District Electric Company.

OPPONENTS: Those who oppose the bill say that it will constitute single-issue ratemaking which is not the normal ratemaking

process and provides consumers less protection. The bill unjustly shifts the burden for bad debt collection from companies to customers.

Testifying against the bill were Consumers Council of Missouri; AARP; and Office of Public Counsel.