

FIRST REGULAR SESSION

SENATE BILL NO. 136

103RD GENERAL ASSEMBLY

INTRODUCED BY SENATOR TRENT.

1305S.01I

KRISTINA MARTIN, Secretary

AN ACT

To repeal section 393.150, RSMo, and to enact in lieu thereof one new section relating to the test year for certain utilities.

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

Section A. Section 393.150, RSMo, is repealed and one new
2 section enacted in lieu thereof, to be known as section 393.150,
3 to read as follows:

393.150. 1. Whenever there shall be filed with the
2 commission by any gas corporation, electrical corporation,
3 water corporation or sewer corporation any schedule stating
4 a new rate or charge, or any new form of contract or
5 agreement, or any new rule, regulation or practice relating
6 to any rate, charge or service or to any general privilege
7 or facility, the commission shall have, and it is hereby
8 given, authority, either upon complaint or upon its own
9 initiative without complaint, at once, and if it so orders
10 without answer or other formal pleading by the interested
11 gas corporation, electrical corporation, water corporation
12 or sewer corporation, but upon reasonable notice, to enter
13 upon a hearing concerning the propriety of such rate,
14 charge, form of contract or agreement, rule, regulation or
15 practice, and pending such hearing and the decision thereon,
16 the commission upon filing with such schedule, and
17 delivering to the gas corporation, electrical corporation,
18 water corporation or sewer corporation affected thereby, a

19 statement in writing of its reasons for such suspension, may
20 suspend the operation of such schedule and defer the use of
21 such rate, charge, form of contract or agreement, rule,
22 regulation or practice, but not for a longer period than one
23 hundred and twenty days beyond the time when such rate,
24 charge, form of contract or agreement, rule, regulation or
25 practice would otherwise go into effect; and after full
26 hearing, whether completed before or after the rate, charge,
27 form of contract or agreement, rule, regulation or practice
28 goes into effect, the commission may make such order in
29 reference to such rate, charge, form of contract or
30 agreement, rule, regulation or practice as would be proper
31 in a proceeding initiated after the rate, charge, form of
32 contract or agreement, rule, regulation or practice had
33 become effective.

34 2. If any such hearing cannot be concluded within the
35 period of suspension, as above stated, the commission may,
36 in its discretion, extend the time of suspension for a
37 further period not exceeding six months, **the last day of**
38 **which period shall be considered the operation of law date.**
39 At any hearing involving a rate sought to be increased, the
40 burden of proof to show that the increased rate or proposed
41 increased rate is just and reasonable shall be upon the gas
42 corporation, electrical corporation, water corporation or
43 sewer corporation, and the commission shall give to the
44 hearing and decision of such questions preference over all
45 other questions pending before it and decide the same as
46 speedily as possible.

47 3. (1) **Beginning July 1, 2026, the test year for**
48 **proceedings under this section shall, if requested by a gas**
49 **corporation, water corporation, or sewer corporation, be a**
50 **future year consisting of the first twelve full calendar**

51 months after the operation of law date determined as
52 provided in subsections 1 and 2 of this section for
53 schedules stating new base rates filed by a gas corporation,
54 water corporation, or sewer corporation under this section,
55 unless the commission makes a determination that using a
56 future test year under this section is detrimental to the
57 public interest. For ratemaking purposes, the projected
58 total rate base at the end of the future test year as
59 authorized by the commission shall be used to establish new
60 base rates. Unless otherwise ordered by the commission, new
61 base rates shall not go into effect before the first day of
62 the future test year.

63 (2) With respect to gas corporations, water
64 corporations, or sewer corporations that elect to utilize a
65 future test year and notwithstanding section 393.270 to the
66 contrary, within forty-five days of the end of the future
67 test year, such gas corporation, water corporation, or sewer
68 corporation shall update its base rates that were approved
69 by the commission in its report and order issued under
70 subsections 1 and 2 of this section to reflect the total
71 rate base, annualized depreciation expense, income tax
72 expense, payroll expense, employee benefits (other than
73 pensions and other post-retirement benefits) and rate case
74 expense at the end of the future test year. The total
75 ending rate base and expense items reflected in this update
76 shall not be greater than the total ending rate base and
77 expense items approved by the commission in its report and
78 order establishing base rates. The commission and parties
79 to the case shall have sixty days to review the accuracy of
80 the updated information provided by a gas corporation, water
81 corporation, or sewer corporation. The commission shall
82 order the corporation to file new tariff sheets that reflect

83 the update, unless any party who was a party to the rate
84 case files a request for a hearing at which point the
85 commission shall suspend the filed tariffs and order a
86 procedural schedule.

87 4. A gas corporation, water corporation, or sewer
88 corporation that requests a test year under subsection 3 of
89 this section shall not recover the costs of any plant
90 investments made during the test year period under any of
91 the mechanisms provided for in sections 393.1000, 393.1003,
92 393.1006, 393.1009, 393.1012, 393.1015, 393.1500, 393.1503,
93 393.1506, or 393.1509.

94 5. For a gas corporation, water corporation, or sewer
95 corporation that elected to use a future test year, a
96 reconciliation of the rate base at the end of the future
97 test year shall be provided to the commission within forty-
98 five days of the end of the future test year. If the actual
99 rate base is less than the rate base used to set base rates
100 in the prior general rate proceeding under subsections 1 and
101 2 of this section, and notwithstanding section 393.270 to
102 the contrary, the portion of the annual revenue requirement
103 comprising the rate base difference shall be returned to
104 customers. The revenue requirement shall be calculated
105 using rate base, depreciation expense, income tax expense,
106 and the pre-tax rate of return from the prior general rate
107 proceeding under subsections 1 and 2 of this section. The
108 difference in revenue requirement shall be placed into a
109 regulatory liability to be returned to customers in the next
110 general rate proceeding with such regulatory liability to
111 accrue carrying costs at the utility's weighted average cost
112 of capital.

113 6. The commission may take into account any change in
114 business risk to the corporation resulting from

115 implementation of the adjustment mechanism in setting the
116 corporation's allowed return in any rate proceeding, in
117 addition to any other changes in business risk experienced
118 by the corporation.

119 7. For a gas corporation, water corporation, or sewer
120 corporation that elected to use a future test year, a
121 reconciliation of payroll expense, employee benefits except
122 for pensions and other post retirement benefits, and rate
123 case expense at the end of the future test year shall be
124 provided to the commission within forty-five days of the end
125 of the future test year. If the actual amounts for these
126 expenses are less than the amounts used to calculate the
127 revenue requirement in the prior general rate proceeding
128 under subsections 1 and 2 of this section, and
129 notwithstanding section 393.270 to the contrary, the
130 differences shall be returned to customers. The difference
131 in revenue requirement shall be placed into a regulatory
132 liability to be returned to customers in the next general
133 rate case with such regulatory liability to accrue carrying
134 costs at the utility's weighted average cost of capital.

135 8. The commission may promulgate rules to implement
136 the provisions of this section. Any rule or portion of a
137 rule, as that term is defined in section 536.010, that is
138 created under the authority delegated in this section shall
139 become effective only if it complies with and is subject to
140 all of the provisions of chapter 536 and, if applicable,
141 section 536.028. This section and chapter 536 are
142 nonseverable and if any of the powers vested with the
143 general assembly pursuant to chapter 536 to review, to delay
144 the effective date, or to disapprove and annul a rule are
145 subsequently held unconstitutional, then the grant of

146 rulemaking authority and any rule proposed or adopted after
147 August 28, 2025, shall be invalid and void.

148 9. For purposes of this section, the following terms
149 shall mean:

150 (1) "Base rates", rates or charges for public utility
151 service other than rates or charges under any rate
152 adjustment mechanism including, but not limited to, those
153 approved under the provisions of sections 386.266, 393.1000,
154 393.1009, 393.1030, 393.1075, and 393.1500;

155 (2) "Revenue requirement", the amount of retail
156 revenues from base rates charged to retail customers for
157 public utility service needed for a public utility to
158 recover its cost to provide utility service including
159 reasonable and necessary expenses, prudent investments, and
160 the cost of capital.

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