

# SENATE BILL NO. 5

103RD GENERAL ASSEMBLY

INTRODUCED BY SENATOR CIERPIOT.

0121S.03I

KRISTINA MARTIN, Secretary

## AN ACT

To repeal sections 137.122, 204.300, 204.610, 393.150, 393.320, and 393.1506, RSMo, and to enact in lieu thereof six new sections relating to utilities.

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

Section A. Sections 137.122, 204.300, 204.610, 393.150, 2 393.320, and 393.1506, RSMo, are repealed and six new sections 3 enacted in lieu thereof, to be known as sections 137.122, 4 204.300, 204.610, 393.150, 393.320, and 393.1506, to read as 5 follows:

137.122. 1. As used in this section, the following 2 terms mean:

3 (1) "Business personal property", tangible personal 4 property which is used in a trade or business or used for 5 production of income and which has a determinable life of 6 longer than one year except that supplies used by a business 7 shall also be considered business personal property, but 8 shall not include livestock, farm machinery, grain and other 9 agricultural crops in an unmanufactured condition, property 10 subject to the motor vehicle registration provisions of 11 chapter 301, property assessed under section 137.078, the 12 property of rural electric cooperatives under chapter 394, 13 or property assessed by the state tax commission under 14 chapters 151, 153, and 155, section 137.022, and sections 15 137.1000 to 137.1030;

16 (2) "Class life", the class life of property as set 17 out in the federal Modified Accelerated Cost Recovery System

**EXPLANATION-Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

18 life tables or their successors under the Internal Revenue  
19 Code as amended;

20 (3) "Economic or functional obsolescence", a loss in  
21 value of personal property above and beyond physical  
22 deterioration and age of the property. Such loss may be the  
23 result of economic or functional obsolescence or both;

24 (4) "Original cost", the price the current owner, the  
25 taxpayer, paid for the item without freight, installation,  
26 or sales or use tax. In the case of acquisition of items of  
27 personal property as part of an acquisition of an entity,  
28 the original cost shall be the historical cost of those  
29 assets remaining in place and in use and the placed-in-  
30 service date shall be the date of acquisition by the entity  
31 being acquired;

32 (5) "Placed in service", property is placed in service  
33 when it is ready and available for a specific use, whether  
34 in a business activity, an income-producing activity, a tax-  
35 exempt activity, or a personal activity. Even if the  
36 property is not being used, the property is in service when  
37 it is ready and available for its specific use;

38 (6) "Recovery period", the period over which the  
39 original cost of depreciable tangible personal property  
40 shall be depreciated for property tax purposes and shall be  
41 the same as the recovery period allowed for such property  
42 under the Internal Revenue Code.

43 2. To establish uniformity in the assessment of  
44 depreciable tangible personal property, each assessor shall  
45 use the standardized schedule of depreciation in this  
46 section to determine the assessed valuation of depreciable  
47 tangible personal property for the purpose of estimating the  
48 value of such property subject to taxation under this  
49 chapter.

50           3. For purposes of this section, and to estimate the  
 51 value of depreciable tangible personal property for mass  
 52 appraisal purposes, each assessor shall value depreciable  
 53 tangible personal property by applying the class life and  
 54 recovery period to the original cost of the property  
 55 according to the following depreciation schedule. The  
 56 percentage shown for the first year shall be the percentage  
 57 of the original cost used for January first of the year  
 58 following the year of acquisition of the property, and the  
 59 percentage shown for each succeeding year shall be the  
 60 percentage of the original cost used for January first of  
 61 the respective succeeding year as follows:

62	Year	Recovery Period in Years					
63		3	5	7	10	15	20
64	1	75.00	85.00	89.29	92.50	95.00	96.25
65	2	37.50	59.50	70.16	78.62	85.50	89.03
66	3	12.50	41.65	55.13	66.83	76.95	82.35
67	4	5.00	24.99	42.88	56.81	69.25	76.18
68	5		10.00	30.63	48.07	62.32	70.46
69	6			18.38	39.33	56.09	65.18
70	7			10.00	30.59	50.19	60.29
71	8				21.85	44.29	55.77
72	9				15.00	38.38	51.31
73	10					32.48	46.85
74	11					26.57	42.38
75	12					20.67	37.92
76	13					15.00	33.46
77	14						29.00
78	15						24.54

79	16	20.08
80	17	20.00

81 Depreciable tangible personal property in all recovery  
82 periods shall continue in subsequent years to have the  
83 depreciation factor last listed in the appropriate column so  
84 long as it is owned or held by the taxpayer. The state tax  
85 commission shall study and analyze the values established by  
86 this method of assessment and in every odd-numbered year  
87 make recommendations to the joint committee on tax policy  
88 pertaining to any changes in this methodology, if any, that  
89 are warranted.

90 4. Such estimate of value determined under this  
91 section shall be presumed to be correct for the purpose of  
92 determining the true value in money of the depreciable  
93 tangible personal property, but such estimation may be  
94 disproved **by a taxpayer** by substantial and persuasive  
95 evidence of the true value in money under any method  
96 determined by the state tax commission to be correct,  
97 including, but not limited to, an appraisal of the tangible  
98 personal property specifically utilizing generally accepted  
99 appraisal techniques, and contained in a narrative appraisal  
100 report in accordance with the Uniform Standards of  
101 Professional Appraisal Practice or by proof of economic or  
102 functional obsolescence or evidence of excessive physical  
103 deterioration. For purposes of appeal of the provisions of  
104 this section, the salvage or scrap value of depreciable  
105 tangible personal property may only be considered if the  
106 property is not in use as of the assessment date.

107 5. This section shall not apply to business personal  
108 property placed in service before January 2, 2006. Nothing

109 in this section shall create a presumption as to the proper  
110 method of determining the assessed valuation of business  
111 personal property placed in service before January 2, 2006.

112 6. The provisions of this section are not intended to  
113 modify the definition of tangible personal property as  
114 defined in section 137.010.

115 7. (1) As of January 1, 2026, this section shall  
116 apply to all real property, placed in service at any time,  
117 that is stationary property used for transportation or  
118 storage of liquid and gaseous products including water,  
119 sewage, and natural gas that is not propane or LP gas, but  
120 not including petroleum products.

121 (2) To estimate the value of the real property  
122 described in this subsection, each assessor shall value such  
123 property by applying a twenty-year recovery period to the  
124 original cost of the property according to the twenty-year  
125 depreciation schedule set forth in subsection 3 of this  
126 section. Notwithstanding subsection 5 of this section, the  
127 presumption as to the proper method of determining the  
128 assessed value of such property shall apply regardless of  
129 when such property was placed in service.

130 (3) Each taxpayer owning real property described in  
131 this subsection shall provide to an assessor, no later than  
132 May first of the applicable tax year, the original cost and  
133 year placed in service of such property summarized in a  
134 format that is substantially similar to the real property  
135 reporting and valuation forms contained in section 7.4 of  
136 the state tax commission assessor manual (revision date  
137 March 23, 2016, or any revision adopted by the state tax  
138 commission thereafter). Upon the written request of the  
139 assessor, such information shall be provided for each taxing  
140 district within the assessor's jurisdiction. If requested

141 by the taxpayer, the assessor shall provide to the taxpayer  
142 geographic information system maps in readable layers on  
143 which a taxpayer may provide the information in this  
144 subsection. The taxpayer shall certify under penalty of  
145 perjury that the information provided to the assessor  
146 pursuant to this subsection is accurate to the best of its  
147 knowledge. All information provided to an assessor pursuant  
148 to this subsection shall be considered proprietary  
149 information and shall be accessible only to the assessor and  
150 the assessor's staff for internal use only.

204.300. 1. In all counties except counties of the  
2 first classification which have a charter form of government  
3 and which contain all or any portion of a city with a  
4 population of three hundred fifty thousand or more  
5 inhabitants, the governing body of the county, by  
6 resolution, order, or ordinance, shall appoint five  
7 trustees, the majority of whom shall reside within the  
8 boundaries of the district. In the event the district  
9 extends into any county bordering the county in which the  
10 greater portion of the district lies, the presiding  
11 commissioner or other chief executive officer of the  
12 adjoining county shall be an additional member of the  
13 appointed board of trustees. **Subject to the provisions of**  
14 **section 105.454**, the trustees may be paid reasonable  
15 compensation by the district for their services[; except  
16 that, any compensation schedule shall be approved by  
17 resolution of the board of trustees] **outside their duties as**  
18 **trustees. Each trustee of the board may receive an**  
19 **attendance fee not to exceed one hundred dollars for**  
20 **attending each regularly called board meeting, or special**  
21 **meeting, but shall not be paid for attending more than two**  
22 **meetings in any calendar month, except that in a county of**

23 **the first classification, a trustee shall not be paid for**  
24 **attending more than four meetings in any calendar month.**  
25 **However, no trustee shall be paid more than one attendance**  
26 **fee if such trustee attends more than one board meeting in a**  
27 **calendar week. Each trustee of the board shall be**  
28 **reimbursed for his or her actual expenditures in the**  
29 **performance of his or her duties on behalf of the district.**

30 The board of trustees shall be responsible for the control  
31 and operation of the sewer district. The term of each board  
32 member shall be five years; except that, members of the  
33 governing body of the county sitting upon the board shall  
34 not serve beyond the expiration of their term as members of  
35 such governing body of the county. The first board of  
36 trustees shall be appointed for terms ranging from one to  
37 five years so as to establish one vacancy per year  
38 thereafter. If the governing body of the county with the  
39 right of appointment under this section fails to appoint a  
40 trustee to fill a vacancy on the board within sixty days  
41 after receiving written notice from the common sewer  
42 district of the existence of such vacancy, then the vacancy  
43 may be filled by a majority of the remaining members then in  
44 office of the board of trustees of such common sewer  
45 district. **Subject to the provisions of section 105.454,** the  
46 trustees may be paid reasonable compensation by the district  
47 for their services [; except that, any compensation schedule  
48 shall be approved by resolution, order, or ordinance of the  
49 governing body of the county. Any and all expenses incurred  
50 in the performance of their duties shall be reimbursed by  
51 the district] **outside their duties as trustees. Each**  
52 **trustee of the board may receive an attendance fee not to**  
53 **exceed one hundred dollars for attending each regularly**  
54 **called board meeting, or special meeting, but shall not be**

55 **paid for attending more than two meetings in any calendar**  
56 **month, except that in a county of the first classification,**  
57 **a trustee shall not be paid for attending more than four**  
58 **meetings in any calendar month. However, no trustee shall**  
59 **be paid more than one attendance fee if such trustee attends**  
60 **more than one board meeting in a calendar week. Each**  
61 **trustee of the board shall be reimbursed for his or her**  
62 **actual expenditures in the performance of his or her duties**  
63 **on behalf of the district.** The board of trustees shall have  
64 the power to employ and fix the compensation of such staff  
65 as may be necessary to discharge the business and purposes  
66 of the district, including clerks, attorneys, administrative  
67 assistants, and any other necessary personnel. The board of  
68 trustees shall select a treasurer, who may be either a  
69 member of the board of trustees or another qualified  
70 individual. The treasurer selected by the board shall give  
71 such bond as may be required by the board of trustees. The  
72 board of trustees shall appoint the sewer engineer for the  
73 county in which the greater part of the district lies as  
74 chief engineer for the district, and the sewer engineer  
75 shall have the same powers, responsibilities and duties in  
76 regard to planning, construction and maintenance of the  
77 sewers, and treatment facilities of the district as he now  
78 has by virtue of law in regard to the sewer facilities  
79 within the county for which he is elected. If there is no  
80 sewer engineer in the county in which the greater part of  
81 the district lies, the board of trustees may employ a  
82 registered professional engineer as chief engineer for the  
83 district under such terms and conditions as may be necessary  
84 to discharge the business and purposes of the district. The  
85 provisions of this subsection shall not apply to any county  
86 of the first classification which has a charter form of



87 government and which contains all or any portion of a city  
88 with a population of three hundred fifty thousand or more  
89 inhabitants.

90 2. In any county of the first classification which has  
91 a charter form of government and which contains all or any  
92 portion of a city with a population of three hundred fifty  
93 thousand or more inhabitants, [and in any county of the  
94 first classification without a charter form of government  
95 and which has a population of more than sixty-three thousand  
96 seven hundred but less than seventy-five thousand,] there  
97 shall be a ten-member board of trustees to consist of the  
98 county executive, the mayors of the five cities constituting  
99 the largest users by flow during the previous fiscal year,  
100 the mayors of three cities which are not among the five  
101 largest users and who are members of the advisory board of  
102 the district established pursuant to section 204.310, and  
103 one member of the county legislature to be appointed by the  
104 county executive, with the concurrence of the county  
105 legislature. If the county executive does not appoint such  
106 members of the county legislature to the board of trustees  
107 within sixty days, the county legislature shall make the  
108 appointments. The advisory board members shall be appointed  
109 annually by the advisory board. In the event the district  
110 extends into any county bordering the county in which the  
111 greater portion of the district lies, the number of members  
112 on the board of trustees shall be increased to a total of  
113 eleven and the presiding commissioner or county executive of  
114 the adjoining county shall be an additional member of the  
115 board of trustees. The trustees **of a district with an**  
116 **eleven-member board and located in two counties** shall  
117 receive no compensation for their services[, ] but may be  
118 compensated for their reasonable expenses normally incurred

119 in the performance of their duties. **Each trustee of a ten-**  
120 **member board may receive an attendance fee not to exceed one**  
121 **hundred dollars for attending each regularly called board**  
122 **meeting, or special meeting, but shall not be paid for**  
123 **attending more than two meetings in any calendar month.**  
124 **However, no trustee of a ten-member board shall be paid more**  
125 **than one attendance fee if such trustee attends more than**  
126 **one board meeting in a calendar week. Each trustee of a ten-**  
127 **member board shall be reimbursed for his or her actual**  
128 **expenditures in the performance of his or her duties on**  
129 **behalf of the district. Subject to the provisions of**  
130 **section 105.454, the trustees of a ten-member board may be**  
131 **paid reasonable compensation by the district for their**  
132 **services outside their duties as trustees.** The board of  
133 trustees may employ and fix the compensation of such staff  
134 as may be necessary to discharge the business and purposes  
135 of the district, including clerks, attorneys, administrative  
136 assistants, and any other necessary personnel. The board of  
137 trustees may employ and fix the duties and compensation of  
138 an administrator for the district. The administrator shall  
139 be the chief executive officer of the district subject to  
140 the supervision and direction of the board of trustees and  
141 shall exercise the powers, responsibilities and duties  
142 heretofore exercised by the chief engineer prior to  
143 September 28, 1983. The administrator of the district may,  
144 with the approval of the board of trustees, retain  
145 consulting engineers for the district under such terms and  
146 conditions as may be necessary to discharge the business and  
147 purposes of the district. The provisions of this subsection  
148 shall only apply to counties of the first classification  
149 which have a charter form of government and which contain

150 all or any portion of a city with a population of three  
151 hundred fifty thousand or more inhabitants.

204.610. 1. There shall be five trustees, appointed  
2 or elected as provided for in the circuit court decree or  
3 amended decree of incorporation for a reorganized common  
4 sewer district, who shall reside within the boundaries of  
5 the district. Each trustee shall be a voter of the district  
6 and shall have resided in said district for twelve months  
7 immediately prior to the trustee's election or appointment.  
8 A trustee shall be at least twenty-five years of age and  
9 shall not be delinquent in the payment of taxes at the time  
10 of the trustee's election or appointment. Regardless of  
11 whether or not the trustees are elected or appointed, in the  
12 event the district extends into any county bordering the  
13 county in which the greater portion of the district lies,  
14 the presiding commissioner or other chief executive officer  
15 of the adjoining county shall be an additional member of the  
16 board of trustees, or the governing body of such bordering  
17 county may appoint a citizen from such county to serve as an  
18 additional member of the board of trustees. Said additional  
19 trustee shall meet the qualifications set forth in this  
20 section for a trustee.

21 2. [The trustees shall receive no compensation for  
22 their services but may be compensated for reasonable  
23 expenses normally incurred in the performance of their  
24 duties.] **Each trustee of the board may receive an attendance  
25 fee not to exceed one hundred dollars for attending each  
26 regularly called board meeting, or special meeting, but  
27 shall not be paid for attending more than two meetings in  
28 any calendar month. However, no trustee shall be paid more  
29 than one attendance fee if such trustee attends more than  
30 one board meeting in a calendar week. Each trustee of the**

31 **board shall be reimbursed for his or her actual expenditures**  
32 **in the performance of his or her duties on behalf of the**  
33 **district. Subject to the provisions of section 105.454, the**  
34 **trustees may be paid reasonable compensation by the district**  
35 **for their services outside their duties as trustees.** The  
36 board of trustees may employ and fix the compensation of  
37 such staff as may be necessary to discharge the business and  
38 purposes of the district, including clerks, attorneys,  
39 administrative assistants, and any other necessary  
40 personnel. The board of trustees may employ and fix the  
41 duties and compensation of an administrator for the  
42 district. The administrator shall be the chief executive  
43 officer of the district subject to the supervision and  
44 direction of the board of trustees. The administrator of  
45 the district may, with the approval of the board of  
46 trustees, retain consulting engineers for the district under  
47 such terms and conditions as may be necessary to discharge  
48 the business and purposes of the district.

49 3. Except as provided in subsection 1 of this section,  
50 the term of office of a trustee shall be five years. The  
51 remaining trustees shall appoint a person qualified under  
52 this section to fill any vacancy on the board. The initial  
53 trustees appointed by the circuit court shall serve until  
54 the first Tuesday after the first Monday in June or until  
55 the first Tuesday after the first Monday in April, depending  
56 upon the resolution of the trustees. In the event that the  
57 trustees are elected, said elections shall be conducted by  
58 the appropriate election authority under chapter 115.  
59 Otherwise, trustees shall be appointed by the county  
60 commission in accordance with the qualifications set forth  
61 in subsection 1 of this section.

62           4. Notwithstanding any other provision of law, if  
63 there is only one candidate for the post of trustee, then no  
64 election shall be held, and the candidate shall assume the  
65 responsibilities of office at the same time and in the same  
66 manner as if elected. If there is no candidate for the post  
67 of trustee, then no election shall be held for that post and  
68 it shall be considered vacant, to be filled under the  
69 provisions of subsection 3 of this section.

          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.

393.320. 1. As used in this section, the following  
2 terms mean:

3 (1) "Large water public utility", a public utility:

4 (a) That regularly provides water service [or sewer  
5 service] to more than eight thousand customer connections,  
6 regularly provides sewer service to more than eight thousand  
7 customer connections, or regularly provides a combination of  
8 either to more than eight thousand customer connections; and

9 (b) That provides safe and adequate service but shall  
10 not include a sewer district established under Section  
11 30(a), Article VI of the Missouri Constitution, sewer  
12 districts established under the provisions of chapter 204,  
13 249, or 250, public water supply districts established under  
14 the provisions of chapter 247, or municipalities that own  
15 water or sewer systems;

16 (2) "Small water utility", a public utility that  
17 regularly provides water service or sewer service to eight  
18 thousand or fewer customer connections; a water district  
19 established under the provisions of chapter 247 that  
20 regularly provides water or sewer service to eight thousand  
21 or fewer customer connections; a sewer district established  
22 under the provisions of chapter 204, 249, or 250 that  
23 regularly provides sewer service to eight thousand or fewer  
24 customer connections; or a water system or sewer system

25 owned by a municipality that regularly provides water  
26 service or sewer service to eight thousand or fewer customer  
27 connections; and all other entities that regularly provide  
28 water service or sewer service to eight thousand or fewer  
29 customer connections.

30 2. The procedures contained in this section may be  
31 chosen by a large water public utility, and if so chosen  
32 shall be used by the public service commission to establish  
33 the ratemaking rate base of a small water utility during an  
34 acquisition.

35 3. (1) An appraisal shall be performed by three  
36 appraisers. One appraiser shall be appointed by the small  
37 water utility, one appraiser shall be appointed by the large  
38 water public utility, and the third appraiser shall be  
39 appointed by the two appraisers so appointed. Each of the  
40 appraisers shall be a disinterested person who is a  
41 certified general appraiser under chapter 339.

42 (2) The appraisers shall:

43 (a) Jointly prepare an appraisal of the fair market  
44 value of the water system and/or sewer system. The  
45 determination of fair market value shall be in accordance  
46 with Missouri law and with the Uniform Standards of  
47 Professional Appraisal Practice; and

48 (b) Return their appraisal, in writing, to the small  
49 water utility and large water public utility in a reasonable  
50 and timely manner.

51 (3) If all three appraisers cannot agree as to the  
52 appraised value, the appraisal, when signed by two of the  
53 appraisers, constitutes a good and valid appraisal.

54 4. Nothing in this section shall prohibit a party from  
55 declining to proceed with an acquisition or be deemed as  
56 establishing the final purchase price of an acquisition.

57           5. (1) The lesser of the purchase price or the  
58 appraised value, together with the reasonable and prudent  
59 transaction, closing, and transition costs incurred by the  
60 large water public utility, shall constitute the ratemaking  
61 rate base for the small water utility as acquired by the  
62 acquiring large water public utility; provided, however,  
63 that if the small water utility is a public utility subject  
64 to chapter 386 and the small water utility completed a rate  
65 case prior to the acquisition, the public service commission  
66 may select as the ratemaking rate base for the small water  
67 utility as acquired by the acquiring large water public  
68 utility a ratemaking rate base in between:

69           (a) The lesser of the purchase price or the appraised  
70 value, together with the reasonable and prudent transaction,  
71 closing, and transition costs incurred by the large water  
72 public utility unless such transaction, closing, and  
73 transition costs are elsewhere recoverable in rates; and

74           (b) The ratemaking rate base of the small water  
75 utility as ordered by the public service commission in the  
76 small water utility's last previous rate case as adjusted by  
77 improvements and depreciation reserve since the previous  
78 rate case together with the transaction, closing, and  
79 transition costs incurred by the large water public utility  
80 unless such transaction, closing, and transition costs are  
81 elsewhere recoverable in rates. If the small water utility  
82 and large water public utility proceed with the sale, any  
83 past-due fees due to the state from the small water utility  
84 or its customers under chapter 640 or 644 shall be resolved  
85 prior to the transfer of ownership or the liability for such  
86 past-due fees becomes the responsibility of the large water  
87 public utility. Such fees shall not be included in the  
88 large water public utility's rate base.

89           (2) The public service commission shall issue its  
90 decision establishing the ratemaking rate base of the small  
91 water utility in its order approving the acquisition. **For**  
92 **any acquisition with an appraised value of five million**  
93 **dollars or less, such decision shall be issued within six**  
94 **months from the submission of the application by the large**  
95 **public water utility to acquire the small water utility.**

96           (3) Prior to the expiration of the six-month period,  
97 the public service commission staff or the office of public  
98 counsel may request, upon a showing of good cause, from the  
99 public service commission an extension for approval of the  
100 application for an additional thirty days.

101           6. Upon the date of the acquisition of a small water  
102 utility by a large water public utility, whether or not the  
103 procedures for establishing ratemaking rate base provided by  
104 this section have been utilized, the small water utility  
105 shall, for ratemaking purposes, become part of an existing  
106 service area, as defined by the public service commission,  
107 of the acquiring large water public utility that is either  
108 contiguous to the small water utility, the closest  
109 geographically to the small water utility, or best suited  
110 due to operational or other factors. This consolidation  
111 shall be approved by the public service commission in its  
112 order approving the acquisition.

113           7. Any new permit issued pursuant to chapters 640 and  
114 644, when a small water utility is acquired by a large water  
115 public utility, shall include a plan to resolve all  
116 outstanding permit compliance issues. After the transfer of  
117 ownership, the acquiring large public water utility shall  
118 continue providing service to all customers that were served  
119 by the small water utility at the time of sale.

120           8. This section is intended for the specific and  
121 unique purpose of determining the ratemaking rate base of  
122 small water utilities and shall be exclusively applied to  
123 large water public utilities in the acquisition of a small  
124 water utility. This section is not intended to apply beyond  
125 its specific purpose and shall not be construed in any  
126 manner to apply to electric corporations, natural gas  
127 corporations, or any other utility regulated by the public  
128 service commission.

          393.1506. 1. Notwithstanding any provisions of  
2 chapter 386 and this chapter to the contrary, a water or  
3 sewer corporation that provides water [or sewer] service to  
4 more than eight thousand customer connections, **sewer service**  
5 **to more than eight thousand customer connections, or a**  
6 **combination of either to more than eight thousand customer**  
7 **connections** may file a petition and proposed rate schedules  
8 with the commission to establish or change a WSIRA that will  
9 provide for the recovery of the appropriate pretax revenues  
10 associated with the eligible infrastructure system projects,  
11 less the appropriate pretax revenues associated with any  
12 retired utility plant that is being replaced by the eligible  
13 infrastructure system projects. The WSIRA shall not produce  
14 revenues in excess of fifteen percent of the water or sewer  
15 corporation's base revenue requirement approved by the  
16 commission in the water or sewer corporation's most recent  
17 general rate proceeding; provided, however, that neither  
18 WSIRA revenues attributable to replacement of customer-owned  
19 lead service lines, nor any reconciliation amounts described  
20 in subdivision (2) of subsection 5 of section 393.1509,  
21 shall count toward the program cap. The WSIRA and any  
22 future changes thereto shall be calculated and implemented  
23 in accordance with the provisions of sections 393.1503 to

24 393.1509. WSIRA revenues shall be subject to refund based  
25 upon a finding and order of the commission, to the extent  
26 provided in subsections 5 and 8 of section 393.1509.

27 2. The commission shall not approve a WSIRA for a  
28 water or sewer corporation that has not had a general rate  
29 proceeding decided or dismissed by issuance of a commission  
30 order within the past three years of the filing of a  
31 petition pursuant to this section unless the water or sewer  
32 corporation has filed for or is the subject of a new general  
33 rate proceeding.

34 3. In no event shall a water or sewer corporation  
35 collect a WSIRA for a period exceeding three years unless  
36 the water or sewer corporation has filed for or is the  
37 subject of a pending general rate proceeding; provided that  
38 the WSIRA may be collected until the effective date of new  
39 rate schedules established as a result of the new general  
40 rate proceeding or until the subject general rate proceeding  
41 is otherwise decided or dismissed by issuance of a  
42 commission order without new rates being established.

43 4. Except as provided in this subsection, in no event  
44 shall a water or sewer corporation collect a WSIRA if also  
45 collecting revenues from a commission approved  
46 infrastructure system replacement surcharge as provided in  
47 sections 393.1000 to 393.1006. In no event shall a customer  
48 be charged both an infrastructure system replacement  
49 surcharge as provided in sections 393.1000 to 393.1006 and a  
50 WSIRA. In the event a water or sewer corporation is  
51 collecting infrastructure system replacement surcharge  
52 revenues under sections 393.1000 to 393.1006, that was  
53 approved prior to August 28, 2021, when the initial WSIRA is

54 filed, the approved infrastructure system replacement  
55 surcharge revenues shall be included in the new WSIRA filing.

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