

SECOND REGULAR SESSION

# HOUSE BILL NO. 1878

99TH GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE MILLER.

5306H.011

D. ADAM CRUMBLISS, Chief Clerk

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## AN ACT

To amend chapter 393, RSMo, by adding thereto eleven new sections relating to ratemaking for gas corporations.

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

Section A. Chapter 393, RSMo, is amended by adding thereto eleven new sections, to  
2 be known as sections 393.1700, 393.1705, 393.1710, 393.1715, 393.1720, 393.1725, 393.1730,  
3 393.1735, 393.1740, 393.1745, and 393.1750, to read as follows:

**393.1700. Sections 393.1700 to 393.1750 are known as the "Rate Case  
2 Modernization Act".**

**393.1705. It shall be the policy of this state to apply sections 393.1700 to 393.1750  
2 to gas corporations that voluntarily choose to be subject to such sections in a manner that  
3 builds upon and extends traditional ratemaking elements and procedures to advance the  
4 interests of both utilities and their customers while contributing to economic growth within  
5 the state.**

**393.1710. 1. The provisions of section 386.020 defining words, phrases, and terms  
2 shall apply to and determine the meaning of all such words, phrases, or terms as used in  
3 sections 393.1700 to 393.1750.**

**2. As used in sections 393.1700 to 393.1750, the following terms shall mean:**

**(1) "Annual rate cap", an annual limitation on the amount of rate increase that  
5 may be made under the annual true-up in section 393.1725 equal to three percent of the gas  
6 corporation's previous year's Missouri gross, jurisdictional revenues, with excess amounts  
7 deferred and booked to a regulatory asset account for recovery in a later period;  
8**

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.

9           (2) "Annual true-up", an annual filing made by a participating gas corporation to  
10 reflect updated financial and operational results, utilizing the ratemaking and review  
11 process described in section 393.1725;

12           (3) "Cost management accountability" or "CMA", an adjustment mechanism used  
13 in the annual true-up to better hold a participating gas corporation accountable for, and  
14 incentivize effective management of, its costs, by comparing the updated operations and  
15 maintenance (O&M) expense to a performance benchmark approved in the periodic rate  
16 proceeding based on the normalized and annualized O&M expense in the then concluding  
17 year, updated for increases in the Consumers Price Index–For All Urban Consumers (CPI-  
18 U);

19           (4) "Cost stabilization reserve", a mechanism designed to moderate the impacts of  
20 significant extraordinary or force majeure expenses on the revenue requirement recovered  
21 through the annual true-up by permitting such costs to be deferred and booked to a  
22 regulatory asset account and amortized in rates beginning with the next annual true-up  
23 and extending over a period of three to five years unless a longer period is otherwise  
24 determined by the commission to be appropriate;

25           (5) "Earnings test", a mechanism that calculates the achieved earnings level during  
26 the updated test year period to determine if a rate change should be made as part of the  
27 annual true-up, based on any over- or under-earnings beyond a basis point range above  
28 or below the updated return on equity, subject to the annual rate cap;

29           (6) "Foundational elements", the ratemaking determinations and methods  
30 approved or modified by the commission listed under subsection 2 of section 393.1730, as  
31 updated or adjusted consistent with the processes and mechanisms set forth in sections  
32 393.1700 to 393.1750;

33           (7) "Grow and share", a provision of the CMA mechanism recognizing significant  
34 growth in the participating gas corporation or its parent corporation. If such growth  
35 occurs and the number of utility customers acquired by the participating gas corporation  
36 is greater than ten percent of the participating gas corporation's current number of  
37 customers, then the performance benchmark of the CMA shall not be reset until the second  
38 periodic rate review proceeding conducted after the grow and share provision became  
39 effective. After such period, the benchmark used for the annual true-up shall be reset  
40 based on the updated O&M expense in the preceding year;

41           (8) "Participating gas corporation", a gas corporation that elects to file an initiating  
42 general rate proceeding to update rates using annual true-up and periodic rate review  
43 proceedings under sections 393.1700 to 393.1750;

44           **(9) "Performance measurement indicators", service and operational metrics**  
45 **approved by the commission, utilized to hold a participating gas corporation accountable**  
46 **for managing satisfactory levels of performance in key areas including, but not limited to,**  
47 **safety, reliability, customer satisfaction, service, and operations;**

48           **(10) "Periodic rate review proceeding", the process described in section 393.1730**  
49 **to review and, if necessary and appropriate, revise foundational elements used to establish**  
50 **rates in the annual true-up;**

51           **(11) "Revenue requirement", the amount of revenues to be in effect for the next**  
52 **annual period, as calculated in the annual true-up, including any adjustments resulting**  
53 **from application of the earnings test, subject to the annual rate cap, and any adjustment**  
54 **resulting from the application of the CMA and revenue stabilization mechanism;**

55           **(12) "Revenue stabilization mechanism", a mechanism that adjusts rates as part**  
56 **of the annual true-up to prevent an over- or under-recovery of authorized distribution**  
57 **revenues due to changes in usage by the participating gas corporation's residential**  
58 **customers and those non-residential customers with annual usage equivalent to, or less**  
59 **than, ten thousand decatherms;**

60           **(13) "Updated cost of capital", a calculation used to set rates in the annual true-up**  
61 **for the following annual period derived by multiplying the updated rate base by the ending**  
62 **pre-tax weighted average cost of capital of the participating gas corporation based on the**  
63 **updated return on equity and the updated interest rate;**

64           **(14) "Updated distribution revenues", the distribution-related revenues, annualized**  
65 **for changes in customer levels, that reflect amounts billed by the participating gas**  
66 **corporation during the updated test year, as adjusted to reflect the annualized revenues**  
67 **of the participating gas corporation's then effective infrastructure system replacement**  
68 **surcharge (ISRS), and accruals booked resulting from the application of the revenue**  
69 **stabilization mechanism but excluding revenues accounted for through the participating**  
70 **gas corporation's purchased gas adjustment and actual cost adjustment;**

71           **(15) "Updated ineligible expenses", the updated test year operations and**  
72 **maintenance expenses of the same kind and character as those commonly disallowed by the**  
73 **commission in the participating gas corporation's initiating general rate proceeding or**  
74 **periodic rate review proceeding. Such ineligible expenses shall be excluded from the rates**  
75 **established in any annual true-up unless or until a reviewing court or the commission**  
76 **subsequently determines that such costs were properly includable in rates;**

77           **(16) "Updated interest rate", the weighted average interest rate for the**  
78 **participating gas corporation's long-term debt and preferred stock outstanding as of the**

79 end of the updated test year which is used to determine the updated cost of capital for  
80 purposes of setting rates in the annual true-up;

81 (17) "Updated operations and maintenance expense" or "updated O&M expense",  
82 the normalized and annualized distribution operations and maintenance expense incurred  
83 by the participating gas corporation during the updated test year, calculated by reflecting  
84 the normalized and annualized net dollar amount in FERC Accounts 700 through 950  
85 "Operation Expenses", less any updated ineligible expenses in such accounts. Such  
86 updated O&M expense is to be used for determining the participating gas corporation's  
87 performance under the cost management accountability mechanism and making any  
88 resulting rate adjustment as part of the corporation's annual true-up;

89 (18) "Updated other expenses", the normalized and annualized depreciation and  
90 amortization expenses, as well as all federal, state and local taxes, other than gross-receipts,  
91 sales and other similar pass-through taxes;

92 (19) "Updated rate base", the ending updated test year balances for the  
93 participating gas corporation's investments in net utility property, plant, and equipment,  
94 including reset ISRS investment amounts, adjusted for related accumulated deferred  
95 income taxes, plus cash working capital and working capital, as adjusted consistent with  
96 the methodology established for the participating gas corporation in its initiating general  
97 rate proceeding or periodic rate review proceeding, plus the ending balance of any cost  
98 stabilization reserve amount. The updated rate base excludes investments being recovered  
99 through the participating gas corporation's purchased gas adjustment and actual cost  
100 adjustment;

101 (20) "Updated return on equity", the return on equity authorized for the  
102 participating gas corporation in its initiating general rate proceeding or periodic rate  
103 review proceeding, adjusted each year in the annual true-up for results of the performance  
104 measurement indicators and capital market changes, reflected in long-term United States  
105 Treasury Bond yield rates;

106 (21) "Updated test year", the historic annual period between the effective dates of  
107 each annual true-up, which is used as the beginning and ending point for establishing the  
108 revenue requirement in the annual true-up process.

393.1715. 1. A gas corporation may elect to become a participating gas corporation  
2 by filing with the commission an initiating general rate proceeding in which it shall provide  
3 notice of its election to participate in the update process established under sections  
4 393.1700 to 393.1750. Such initiating general rate proceeding is to be conducted in  
5 accordance with the procedures and requirements established by the commission for  
6 general rate proceedings. The commission shall, with the assistance of the parties to the

7 proceeding, prepare and approve a supplement to the detailed reconciliation required to  
8 be filed under subsection 4 of section 386.420, setting forth any additional information  
9 required for the participating gas corporation's periodic rate review proceeding and the  
10 foundational elements to be used in calculating rates for the annual true-up. Such  
11 foundational elements shall include a full and complete description and specification of:

12 (1) The calculation methods to be used to determine the cash working capital  
13 requirement, including the revenue and expense lag for each revenue and expense item to  
14 be considered in establishing such revenue requirement component in the annual true-up;

15 (2) The calculation methods to be used to determine working capital items,  
16 including regulatory assets or liabilities receiving rate base treatment, as well as customer  
17 deposits, contributions in aid of construction, and other investments required for business  
18 purposes, such as materials and supplies, inventories, and prepaid items;

19 (3) Each regulatory asset or liability to be included in rates, including the ending  
20 balance of each regulatory asset or liability, whether rate base treatment is afforded in  
21 working capital, and the annual amortization amount to be included in rates in the annual  
22 true-up;

23 (4) Each item in the cost stabilization reserve, including the ending balance of each  
24 regulatory asset or liability, whether rate base treatment is afforded, and the annual  
25 amortization amount to include in rates in the annual true-up;

26 (5) The weighted capital structure to be included in rates in the annual true-up,  
27 including the weighting used for each component consistent with the actual long-term  
28 capitalization of the participating gas corporation, provided that the participating gas  
29 corporation's equity component is no less than forty percent and no more than sixty  
30 percent of its total capital structure and is within ten percentage points of the equity  
31 component of its parent corporation's capital structure, if any;

32 (6) The return on equity to be used to calculate rates, including the starting  
33 benchmark capital market rate to be used for the annual true-up, as calculated based on  
34 most recent twelve-month average of the thirty-year United States Treasury Bond yield of  
35 the then longest duration published by the Board of Governors in its weekly H.15  
36 Statistical Release or successor publication;

37 (7) The performance measurement indicators to be used to measure the  
38 participating gas corporation's performance, and depending on actual results achieved,  
39 potentially adjust the participating gas corporation's updated return on equity in the  
40 annual true-up. No fewer than four and no more than six metrics are to be established and  
41 approved by the commission for use in the annual true-up. A benchmark range of  
42 acceptable performance is to be established based on the participating gas corporation's

43 historical experience in the area measured over the most recent five years, or shorter  
44 period if consistent information is not available, and such range should be reasonably  
45 achievable. Each metric is assigned a value of five basis points, and performance levels  
46 above or below the benchmark range shall be used to increase or decrease, respectively,  
47 the subsequent updated return on equity;

48 (8) The defined performance benchmark cost level for O&M expense to be used for  
49 the CMA mechanism for the subsequent annual true-ups to compare against the updated  
50 O&M expense. Such benchmark shall be set based on the updated O&M expense in the  
51 then concluding updated test year, subject to the grow and share provision of the CMA;

52 (9) The categories and types of ineligible operating expenses to be excluded from  
53 rates in the annual true-up, including the associated FERC accounts;

54 (10) The methodologies to be used to allocate joint and common costs included in  
55 rates between the participating gas corporation and its affiliates to the extent the  
56 methodologies differ from those in the commission-approved cost allocation manual;

57 (11) The billing determinants to be used to establish rates for use in the annual  
58 true-up and revenue stabilization mechanism processes;

59 (12) The class cost of service method to be used to allocate costs between and within  
60 each customer class, including the rate design to be used for each class, together with a  
61 specification of the method to be used to allocate any increase or decrease in revenue  
62 requirement for the annual true-up;

63 (13) The depreciation rates to be used to establish rates included in the annual true-  
64 up; and

65 (14) The templates to be used for the surveillance reports that shall be submitted  
66 on a quarterly basis to report current operating expenses, rate base, revenues, and  
67 performance metrics used in the annual true-up.

68 2. If the gas corporation has had new rates become effective in the past two years  
69 as a result of a general rate proceeding, the commission shall, upon the filing of a notice by  
70 the gas corporation requesting such action, conduct a proceeding to consider and  
71 determine only those foundational elements that were not otherwise identified by  
72 agreement or by a commission order in the general rate proceeding, provided that the  
73 commission, in its sole discretion, may consider changes to the return on equity previously  
74 established. Such proceeding is to be conducted and concluded within five months and not  
75 result in any change in rates.

393.1720. 1. As part of the initiating general rate proceeding, the commission shall  
2 approve a revenue stabilization mechanism for a participating gas corporation to address  
3 the over- or under-recovery of revenue due to weather and conservation-related changes

4 in usage by residential customers and nonresidential customers with annual usage  
5 equivalent to, or less than, ten thousand decatherms. The adjustment shall utilize a  
6 deferral account, with interest applied at the participating gas corporation's short-term  
7 cost of debt, to track and book as a regulatory liability or asset, as applicable, any excessive  
8 or deficient revenue due to a change in the assumed commodity use per customer  
9 established in the periodic rate review proceeding. Such deferral account shall amortize  
10 the difference on an earnings-neutral basis and be excluded from the earnings test. No  
11 adjustment shall be made for a variance in the determinants based on number of  
12 customers.

13       **2. Rates shall be adjusted by the amount necessary to return to, or recover from,**  
14 **customers over the subsequent twelve-month period the difference between the per**  
15 **customer revenues actually billed by the participating gas corporation during the most**  
16 **recent updated test year for the customers identified in subsection 1 of this section and the**  
17 **per customer revenues authorized in the participating gas corporation's initiating general**  
18 **rate proceeding or periodic rate review proceeding for such customers. The billing**  
19 **determinants used to set rates for such customers in the initiating general rate proceeding**  
20 **or periodic rate review proceeding shall be compared to the billing determinants realized**  
21 **during the updated test year for those same customers to determine the amount of the**  
22 **necessary adjustment. Revenue variations accounted and adjusted for in the participating**  
23 **gas corporation's purchased gas adjustment, actual cost adjustment, and ISRS are not to**  
24 **be considered.**

393.1725. 1. At least forty-five days prior to the end of each updated test year, the  
2 participating gas corporation shall file tariffs, rate schedules, and minimum filing  
3 requirements, including full and complete schedules and supporting documentation, to be  
4 used to establish and allocate the revenue requirement to be reflected in rates in the  
5 corporation's annual true-up based on an application of the foundational elements most  
6 recently determined by the commission to actual results and application of the CMA,  
7 earnings test, and other updates and adjustments authorized by Sections 393.1700 to  
8 393.1750. Any rate changes resulting from such filing shall be placed into effect on an  
9 interim basis on the date following the end of the current updated test year, subject to  
10 refund. The commission, at its discretion, may implement a future test year for the annual  
11 update.

12       **2. The participating gas corporation's annual true-up filing shall be based upon the**  
13 **most recent three quarters of information on the participating gas corporation's books and**  
14 **a pro forma forecast for the remaining quarter. Such forecast shall be of sufficient line-**  
15 **item detail to permit adequate review by commission staff, and updated actual results shall**

16 be filed at least thirty days before the commission staff's recommendation is due. Any  
17 supporting information that is proprietary or confidential may be submitted on a  
18 confidential basis under the commission's rules governing such matters.

19       **3. The minimum filing requirements shall include the following elements and**  
20 **approaches:**

21       **(1) Financial reports for the participating gas corporation's regulated Missouri**  
22 **utility operations for the updated test year as such financial reports are finalized based on**  
23 **actual results, including the income statement, balance sheet, and cash flow statement with**  
24 **line-item detail matching the level of the FERC Form 2 or the annual distribution utility**  
25 **report provided to the commission as adjusted to reflect the application of the foundational**  
26 **elements approved in the initiating general rate proceeding or the most recently concluded**  
27 **periodic rate review proceeding;**

28       **(2) Accounting schedules of the type normally provided in a general rate case**  
29 **proceeding showing updated rate base amounts, including ending balances for regulatory**  
30 **assets and liabilities and cost stabilization reserve amounts, as well as annual amortization**  
31 **amounts to be included in rates, and updated ineligible operating expenses that are**  
32 **consistent with the determinations made by the commission in in the initiating general rate**  
33 **proceeding or most recently concluded periodic rate review proceeding; and cost of service**  
34 **schedules normally provided in a general rate proceeding along with any detailed schedules**  
35 **used to annualize, normalize, or otherwise adjust each updated distribution revenue,**  
36 **updated O&M expense, updated other expense, and updated cost of capital item for**  
37 **ratemaking purposes;**

38       **(3) Accounting schedules showing the results of the earnings test performed using**  
39 **the schedules and amounts prepared under this subdivision. If the return achieved in the**  
40 **updated test year exceeds or falls below a range of fifty percentage points of the updated**  
41 **return on equity, such test shall determine the increase or decrease to the revenue**  
42 **requirement necessary to bring the return back to the updated return on equity, subject**  
43 **to the annual rate cap. The updated return on equity shall first apply adjustments based**  
44 **on the results of the performance measurement indicators and capital market changes as**  
45 **follows:**

46       **(a) Performance measurement indicator adjustments comparing performance**  
47 **achieved during the updated test year for each metric to the benchmark range of expected**  
48 **performance approved in the most recent periodic rate review proceeding. For each**  
49 **instance in which the participating gas corporation's performance exceeds the benchmark**  
50 **range of performance for the metric, five basis points will be added to the updated return**  
51 **on equity used for the earnings test in the current annual true-up. For each instance in**



52 which the participating gas corporation's performance falls below the benchmark range  
53 of performance, five basis points shall be subtracted from the updated return on equity  
54 used for the earnings test in the current annual true-up. No change in the updated return  
55 on equity shall be made for a performance level that falls within the benchmark  
56 performance range. To the extent the participating gas corporation's performance in  
57 relation to a specific metric was adversely affected during the updated test year by  
58 significant changes in its operational systems or processes done to enhance the quality of  
59 utility service, or by extraordinary events beyond the participating gas corporation's  
60 control, no adjustment for that metric shall be made to the updated return on equity;

61 (b) The updated return on equity used for the earnings test in the current annual  
62 true-up shall be adjusted for capital market changes by comparing the starting benchmark  
63 capital market rate determined in the initiating general rate proceeding or periodic rate  
64 review proceeding to any increase or decrease in the twelve-month average of the thirty-  
65 year United States Treasury Bond yield during the applicable updated test year with the  
66 difference applied to adjust the updated return on equity;

67 (4) A calculation of the CMA, comparing achieved updated O&M expense during  
68 the updated test year to the performance benchmark O&M expense level determined at the  
69 initiating general rate proceeding or the most recently completed periodic rate review  
70 proceeding. An update to that benchmark shall be applied using an inflation factor equal  
71 to the CPI-U factor for the updated test year, whichever is greater. To the extent the  
72 updated O&M expense exceeds or falls below the updated performance benchmark by  
73 more than one percent, half of that difference shall be credited or charged to customers  
74 with such credits or charges excluded from the earnings test.

75 3. Within four months of the filing of the annual true-up, the commission staff shall  
76 submit its recommendation verifying that the revenue requirement was calculated and  
77 implemented in conformity with this section and based on prudently incurred costs or  
78 identifying with specificity any ways in which the update filing was not in conformity with  
79 the requirements of this section.

80 4. If the parties to the annual true-up are unable to jointly recommend a revenue  
81 requirement to the commission within twenty days of the filing of the commission staff's  
82 report, the commission shall establish a procedural schedule so that any contested issues  
83 may be adjudicated by the commission with a report and order resolving such differences  
84 issued within five months after the filing of the commission staff's report and making  
85 permanent the interim rates filed by the participating gas corporation to the extent such  
86 rates have been calculated in compliance with the requirements of sections 393.1700 to  
87 393.1750. Any adjustments made by the commission to the revenue requirement are to be

88 reflected in the next annual true-up filing made by the participating gas corporation,  
89 subject to judicial review.

90         **5. The revenue requirement to be in effect for the next annual period shall include**  
91 **a rebasing of all ISRS costs implemented and in effect during the updated test period. Any**  
92 **participating gas corporation shall be permitted to make filings under sections 393.1009**  
93 **to 393.1015, provided that the annual rate cap, timing, periodic rate review proceeding**  
94 **requirements, and rebasing of ISRS charges set forth in this subsection shall be substituted**  
95 **for any similar rate caps, ISRS rebasing, or general rate proceeding requirements under**  
96 **sections 393.1009 to 393.1015.**

97         **6. Any annual rate adjustment resulting from the application of the earnings test**  
98 **shall not, when combined with any ISRS charges reset in the annual true-up during the**  
99 **same annual period, exceed an annual increase equal to three percent of the prior year's**  
100 **Missouri gross jurisdictional revenues. In addition to the rate adjustment, the**  
101 **participating gas corporation is permitted to collect any applicable gross receipts tax, sales**  
102 **tax, or other similar pass-through taxes, and such taxes are not to be counted against the**  
103 **annual rate cap. Any costs not recovered as a result of the annual rate cap limitation on**  
104 **rate adjustments shall be deferred, at a carrying cost each month equal to the participating**  
105 **gas corporation's net of tax, long-term cost of capital, or recovery in a subsequent year's**  
106 **annual true-up or periodic rate review proceeding.**

**393.1730. 1. After every third rate year effectuating an annual true-up, the**  
2 **participating gas corporation shall file a periodic rate review proceeding at least six months**  
3 **prior to the participating gas corporation's next annual true-up filing. Such filing shall**  
4 **include the participating gas corporation's proposed positions and supporting**  
5 **documentation on each of the foundation elements identified in subsection 1 of section**  
6 **393.1715.**

7         **2. Within sixty days of such filing, interested parties may present their own**  
8 **positions and evidence on the matters addressed in the filing within sixty days of the filing**  
9 **date and the participating gas corporation shall be allowed to respond to such positions**  
10 **and evidence within ninety days of the filing date. If any issues remain to be resolved**  
11 **between the parties, the commission shall schedule a hearing to commence within one**  
12 **hundred twenty days of the filing date, and issue an order presenting its determinations**  
13 **and findings on each item within five months of the filing date of the periodic rate review**  
14 **proceeding. Such determinations shall be used to set rates in subsequent annual true-ups,**  
15 **subject to the right of the participating gas corporation and other parties to seek judicial**  
16 **review of the determinations in accordance with applicable law. The existence of a judicial**  
17 **review proceeding shall not preclude a participating gas corporation from filing, or the**

18 commission from processing, any subsequent initiating general rate proceeding, annual  
19 true-up, or periodic rate review proceeding.

20 **393.1735. 1. Within six months of the effective date of sections 393.1700 to**  
21 **393.1750, any participating gas corporation may file, and the commission shall approve,**  
22 **tariffs authorizing programs designed to retain or attract businesses, jobs, and investment**  
23 **within the state of Missouri or extend gas service to new areas. Such programs may**  
24 **achieve this goal by providing discounted rates or financing arrangements on terms that,**  
25 **at a minimum, recover the depreciation, property tax, and carrying cost of any incremental**  
26 **investment and any incremental variable costs incurred to serve such customer or**  
27 **customers while making some positive contribution to the participating gas corporation's**  
28 **fixed costs of serving other customers.**

29 **2. The rates approved by the commission during the annual true-up shall reflect**  
30 **the actual annualized revenues being received under the discounted rate or long-term**  
31 **financing arrangement.**

32 **393.1740. A participating gas corporation may voluntarily terminate its**  
33 **participation in the update process at the conclusion of any updated test year. Upon**  
34 **termination, whether such termination occurs by operation of law, by voluntary action of**  
35 **a participating gas corporation, or for any other reason, the then current rates established**  
36 **under this section shall remain in effect until such time as new rates are set under section**  
37 **393.150, subject to any adjustment that may be made to such rates based on the**  
38 **commission staff's audit of the last updated test year.**

39 **393.1745. 1. Notwithstanding any provisions of chapters 386 or 393 to the contrary,**  
40 **subsections 2 and 3 of the ISRS provisions of section 393.1012 shall not apply to a**  
41 **participating gas corporation whose rates are set under sections 393.1700 to 393.1750.**

42 **2. In order for a gas corporation to file a petition with the commission to establish**  
43 **or change an ISRS, such corporation shall, by July 1, 2019, develop and file with the**  
44 **commission a pre-qualification process for contractors seeking to participate in competitive**  
45 **bidding to install ISRS-eligible gas utility plant projects. Under the pre-qualification**  
46 **process, the gas corporation shall specify certain eligibility requirements typically accepted**  
47 **by the industry including, but not limited to, experience, performance criteria, safety**  
48 **policies, and insurance or indemnification requirements to be met by any contractor**  
49 **seeking to participate in competitive bidding to install ISRS-eligible gas utility plant**  
50 **projects. Contractors that meet the pre-qualification criteria set by the gas corporation**  
51 **shall be eligible to participate in the competitive bidding process for installing ISRS-**  
52 **eligible gas utility plant projects, with the winning bid awarded to the contractor making**  
53 **the overall lowest and best bid, as defined in subsection 2 of section 34.010. The gas**

16 corporation shall file, by January 1, 2020, a verified statement with the commission  
17 confirming that it has in place a prequalification process for the competitive bidding of  
18 ISRS-eligible gas utility plant projects and that such process conforms with the  
19 requirements of this section. The commission has the authority to verify the statement to  
20 ensure compliance with this section. After January 1, 2020, the gas corporation shall  
21 submit with each petition filing to establish or change an ISRS a verified statement  
22 confirming that it is using a competitive bidding process for no less than ten percent of the  
23 combined external installation expenditures made by the gas corporation's operating units  
24 in Missouri for installing ISRS eligible gas utility plant projects, and that such process  
25 conforms with the requirements set forth in this section. The commission has the authority  
26 to verify the statement to ensure compliance with this section. Nothing in this section shall  
27 be construed as requiring any gas corporation to use a pre-qualified contractor or  
28 competitive bidding process in the case of an emergency project, or to terminate any  
29 existing contract with a contractor prior to its expiration; provided however, that the use  
30 of any preexisting contract for the installation of ISRS-eligible gas utility plant projects  
31 shall not qualify as fulfilling the ten percent requirement set forth in this section beyond  
32 December 31, 2020. For contractors not qualifying through the competitive bid process,  
33 the gas corporation, upon request from the contractor, shall provide information from the  
34 process in which the contractor can be informed as to how to be better positioned to qualify  
35 for such bid opportunities in the future.

36         3. By December 31, 2021, and annually thereafter, the commission shall submit a  
37 report to the general assembly on the effects of subsection 4 of this section, including gas  
38 corporation compliance, potential legislative action regarding subsection 4 of this section,  
39 the costs of installing ISRS-eligible gas utility plant projects prior to the implementation  
40 of subsection 4 of this section compared to after the implementation of subsection 4 of this  
41 section, and any other information regarding the processes established under subsection  
42 4 of this section that the commission deems necessary.

43         4. Nothing in this section shall be construed as diminishing in any way the current  
44 authority and rights of the commission, on its own motion, public counsel, or other  
45 authorized entity, to file a complaint under section 386.390 alleging that the rates or  
46 charges of the gas corporation are unreasonable or unlawful, provided that the  
47 reasonableness and lawfulness of the rates of a participating gas corporation, as defined  
48 in subdivision (10) of subsection 2 of section 393.1710, shall be governed exclusively by the  
49 processes and procedures set forth in sections in 393.1700 to 393.1750.

       393.1750. On or after December 31, 2025, the commission shall prepare and file  
2 with the general assembly a report on the impact of sections 393.1700 to 393.1750 on

**3 participating gas corporations and their customers. Participating gas corporations shall**  
**4 cooperate in good faith to provide the data necessary for the preparation of the report**  
**5 required by this section.**

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