

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Establishment of a Working)	
Case Regarding a Commission Rule Governing)	File No. AW-2021-0070
Revenue Stabilization Mechanisms)	

Public Counsel’s Initial Comments

The Office of the Public Counsel (OPC) offers its initial comments regarding potential Public Service Commission (Commission) rules governing revenue stabilization mechanisms (RSM) per Section 386.266.3, RSMo as follows:

1. **Create a Rule for Section 386.266.4:** OPC notes that the Staff of the Public Service Commission’s (Staff) request for a working docket is limited in scope to the RSM in 386.266.3. The Missouri Legislature amended this subsection in 2018 via Senate Bill (SB) 564 to offer an RSM to electrical corporations. However, the Legislature also simultaneously amended Section 386.266 with SB 705 to include a new subsection 4 detailing a similar RSM for water corporations. Given the related nature of both subsections, and the scope of this working docket being for multiple types of public utilities, it would be efficient and logical to draft an RSM rule that covers subsection 3 and 4 of section 386.266. Crafting a rule that encompasses the water corporation RSM portion of Section 386.266 should also enable stakeholders to achieve uniform treatment amongst industries, and prevent customer confusion. A customer is far more likely to understand her bill if the RSM for her gas and electric provider operates the same as her water utility.

2. **Reduction in Rate of Return:** A company that receives an RSM to account for changes in revenues due to fluctuating customer use necessarily has reduced business risk. This reduced business risk should result in a reduced allowed rate of return (ROR), through a reduced return on equity (ROE), or allow an increase in the percentage of debt in the ratemaking capital structure. Therefore, any draft RSM rule should incorporate a provision requiring a reduction to the allowed

ROR through a decrease in the ROE, or increase the percentage of debt in the authorized capital structure should the Commission approve an RSM request.

3. **Surveillance Monitoring Reports:** Just like the Commission's FAC rule, the utilities seeking and using an RSM should supply the Commission and OPC with monthly information and surveillance monitoring reports. The surveillance reports can be key for setting an RSM based on the revenue coming from "eligible customer classes" as statute defines that term.

4. **Economic Downturn Provision:** OPC recommends that a provision be included in a draft rule to adjust any RSM in the event of an economic recession. A draft rule can incorporate the National Bureau of Economic Research's ("NBER") definition for an economic recession, which states "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial population, and wholesale-retail sales." In such an event any revenue loss attributable to the economic recession would not be adjusted for in the RSM, recognizing that the RSM has already been designed to adjust only for the impact of weather and conservation on customer usage

Wherefore, OPC offers its initial comments and suggestions for a draft RSM rule.

Respectfully,

OFFICE OF THE PUBLIC COUNSEL

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, on this 9th Day of October, 2020, with notice of the same being sent to all counsel of record.

/s/ Caleb Hall