

# Why Missouri Needs ISRS: Infrastructure Strengthening and Regulatory Streamlining

**M**issouri's electric infrastructure is aging while consumers' expectations for reliability are rising. A new report, *Electric Utility Regulatory Practices in Missouri*,<sup>1</sup> details the challenges and opportunities we face.

## Key Findings

- ▶ In Missouri, our regulatory structure often results in utilities' having to wait two years before recovering costs for infrastructure investments.

**These delays drive up costs** and act as a barrier to making needed investment.

- ▶ Missouri ranks **near the bottom of the country** on regulatory lag, the time between when costs are incurred and when they are recovered.

- ▶ Of the 178 utilities with credit ratings assessed by Standard & Poor's, 11 have worse debt ratings than Ameren Missouri and Empire Electric, and 38 have worse debt ratings than KCP&L.

- ▶ According to Standard & Poor's, **only four states have worse regulatory environments** in regards to supporting credit for utilities.

- ▶ The low credit ratings of the state's electric utilities **have a negative impact on the cost of capital** to make infrastructure investments.

## Higher Costs and Lost Jobs

As ratings agencies downgrade Missouri's electric utilities due to regulatory lag, the resulting higher costs are passed to consumers. Missouri's regulatory lag and lower credit ratings make it more difficult for utilities to make needed infrastructure investments that will **increase reliability and attract jobs**.

## The Missouri Solution: ISRS

Legislation introduced by Sen. Mike Kehoe and Rep. Jeanie Riddle would help to modernize Missouri's outdated regulatory framework. Their bill, Infrastructure Strengthening and Regulatory Streamlining, would allow more timely reimbursement of infrastructure investments so these dollars can be more quickly reinvested in other infrastructure.

Similar legislation for water and gas utilities has created jobs and improved system reliability. And ISRS for water and gas has improved the credit ratings of the state's water and gas utilities, reducing costs of capital.

## An Opportunity to Invest in the Future

Infrastructure investment would mean **jobs for Missourians now**, when we need them. In the long-term, a modern and efficient power grid will help attract manufacturing and high-tech industries.

The time is ideal for ISRS for electric utilities. Missouri can take advantage of historically low interest rates and available labor.

Missourians for a Balanced Energy Future



<sup>1</sup>James R. Moody & Associates, *Electric Utility Regulatory Practices in Missouri*, March 2013