



SENATE BILL 434: Cap/Clarify Utility Rate Mechanisms

2015-2016 General Assembly

Committee:	Senate Re-ref to Commerce. If fav, re-ref to Finance	Date:	April 23, 2015
Introduced by:	Sen. Rucho	Prepared by:	Heather Fennell Committee Counsel
Analysis of:	First Edition		

SUMMARY: *Senate Bill 434 would cap the integrity management rider (IMR) that allows recovery under a rate adjustment mechanism for costs incurred by a natural gas distribution companies to comply with federal gas pipeline safety requirements; and would clarify the water system improvements charges (WSIC) and sewer system improvement charges (SSIC), that allows a water or sewer public utility to recover costs associated with infrastructure investments.*

CURRENT LAW: G.S. 62-133.7A authorizes the Utilities Commission to adopt a rate adjustment mechanism for natural gas distribution companies to recover costs incurred to comply with federal gas pipeline safety requirements. A rate adjustment mechanism for this purpose may only be adopted in a general rate case if the Commission determines that the mechanism is in the public interest. Before costs can be recovered under this mechanism, the Commission must make a determination that the costs were prudently incurred. The Commission has authorized a natural gas company to adopt a rate adjustment mechanism to recover the costs in an Integrity Management Rider (IMR).

G.S. 62-133.12 authorizes the Commission to establish a rate adjustment mechanism in a general rate case to recover costs associated with infrastructure investments. The mechanism is only allowed when it is in the public interest, and may be modified or eliminated by the Commission if it is no longer in the public interest. Allowable infrastructure investments is limited to certain listed improvements found necessary by the Commission to enable the utility to provide safe, reliable, and efficient service in accordance with applicable water quality and wastewater standards. The Commission is authorized to establish procedures for truing up charges. The mechanism is limited to 5% of the total annual service revenues approved by the Commission in a general rate case. The Commission has authorized a water company to use the rate adjustment mechanism to recover water system improvements charges (WSIC) and sewer system improvement charges (SSIC).

BILL ANALYSIS: Senate Bill 434 would make changes to the two rate adjustment mechanisms.

IMR – The bill would adjust the IMR in the following ways:

- Clarifies that costs for routine maintenance and repair cannot be recovered in the rider.
- Provides that the Commission may modify or eliminate the rider if it is in the public interest.
- Allows the Commission to establish yearly reconciliations for the rider.
- Caps the annual costs that can be recovered under the mechanism at 4% of the total margin approved for the gas company in its last rate case.
- Provides that the rider will terminate at the earlier of four years, or the company’s next rate case.

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WSIC/SSIC – The bill would adjust the WSIC and SSIC in the following ways:

- Clarifies that the improvements for which costs can be recovered under the rider must be beyond the scope of normal operations.
- Makes other technical changes to clarify the specific costs that allowed to be recovered under the rider.

EFFECTIVE DATE: This act is effective July 1, 2015, and applies to riders adopted on or after that date.