



HOUSE BILL 351: Utilities/Rate Base/Fair Value Determination.

2017-2018 General Assembly

Committee:		Date:	August 13, 2018
Introduced by:		Prepared by:	Jennifer McGinnis
Analysis of:	S.L. 2018-51		Staff Attorney

OVERVIEW: *S.L. 2018-51 allows water and wastewater public utilities to use fair value determination to calculate the rate base when purchasing a water or wastewater system owned by a municipality, county, or other governmental entity.*

CURRENT LAW: The statutes require regulated public utilities to establish a rate base calculated on the original cost of the public utility system.

BILL ANALYSIS: The act makes an exception to the required calculation of rate based on the original cost of a system, to allow water and wastewater utilities that acquire systems from municipalities, counties, or other governmental entities to use a fair value determination as an alternative methodology to establish a rate base. The system must receive three different appraisals, one of which must come from an appraiser representing the Public Staff of the Utilities Commission, and the averaging of the appraisals would constitute fair value. If the Commission finds, however, that the average of the appraisals will not result in a reasonable fair value, the Commission may adjust the fair value as it deems appropriate and in the public interest. The rate base is the lesser of the purchase price negotiated between the parties to the sale or the fair value plus fees and costs authorized.

The public utility must apply for Commission approval to determine the rate base value of the acquired system. The application must identify deficiencies in the system, needed infrastructure improvements for the next five years, and projected rate impacts for the next five years.

The Commission will have the discretion to classify the acquired system as a separate entity for ratemaking purposes to avoid impacts to customers not served by the system.

EFFECTIVE DATE: The act became effective June 14, 2018.

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Director



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