



**This Bill Analysis
reflects the
contents of the bill
as it was presented
in committee.**

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

2017-2018 General Assembly

Committee:	House Energy and Public Utilities	Date:	April 25, 2017
Introduced by:	Reps. Watford, Collins	Prepared by:	Layla Cummings Committee Counsel
Analysis of:	PCS to First Edition H351-CSTS-2		

OVERVIEW: *The Proposed Committee Substitute (PCS) to House Bill 351 would allow 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. The PCS makes the following changes:*

- *Clarify that two separate appraisers shall make a valuation of the system.*
- *An application to the Utilities Commission (Commission) to determine rates would include a 5-year plan for infrastructure improvements and the projected rate for the next 5 years.*
- *The Commission would have discretion to classify the system as a separate entity for ratemaking purposes.*

[As introduced, this bill was identical to S339, as introduced by Sen. Meredith, which is currently in Senate Rules and Operations of the Senate.]

CURRENT LAW: Currently, regulated public utilities establish a rate base calculated on the original cost of the public utility system.

BILL ANALYSIS: The PCS would allow water and wastewater utilities that acquire systems from municipalities, counties, or other governmental entities to use a fair value determination to establish a rate base. The system would receive two different appraisals and the averaging of the appraisals would constitute fair value. The rate base would be 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 would apply for Commission approval to determine the rate base value of the acquired system. The application would identify deficiencies in the system, needed infrastructure improvements for the next five years, and projected rate impacts for the next five years.

The Commission would 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 would become effective when it becomes law.

H351-SMTS-4 (CSTS-2) -v-3

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