



# HOUSE BILL 352: Rate Making/Water/Wastewater Public Utilities.

2017-2018 General Assembly

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<b>Committee:</b>		<b>Date:</b>	April 21, 2017
<b>Introduced by:</b>	Reps. Watford, Collins	<b>Prepared by:</b>	Layla Cummings Staff Attorney
<b>Analysis of:</b>	Second Edition		

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**OVERVIEW:** *House Bill 352 would allow the Utilities Commission to approve the use a future test year period to calculate costs to waste and wastewater utilities as an alternative to the historical test period currently used for establishing rates.*

[As introduced, this bill was identical to S340, as introduced by Sen. Meredith, which is currently in Senate Rules and Operations of the Senate.]

**CURRENT LAW:** Water and wastewater utilities' rates are fixed pursuant to the procedure and criteria established in G.S. 62-133 by the Utilities Commission. G.S. 61-133(c) provides that the test period to establish costs shall consist of 12 months' historical operating experience prior to the date the rate is proposed to become effective.

**BILL ANALYSIS:** The bill would create a future test year period as an alternative to the historical test year period used to determine costs and to establish rates for water and wastewater utilities. The water or wastewater utility may submit an application for Commission approval to use the future test period. The application must include an explanation to the Commission of why the future test period is more representative of the utility's operations than the historical test year.

The bill would direct the Commission to determine the rate base at the end of the future test year and to adopt rules regarding information to be submitted by a water or wastewater utility requesting to use a future test year.

The bill would require the water or wastewater utility to submit data to the Commission following the future test year and requires the Commission to adopt a rate adjustment mechanism that would true-up variations in the revenue requirement and to adjust rates going forward.

**EFFECTIVE DATE:** This act is effective when it becomes law and expires five years from the effective date.

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Director

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