



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

2017-2018 General Assembly

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<b>Committee:</b>		<b>Date:</b>	June 14, 2018
<b>Introduced by:</b>	Reps. Watford, Collins	<b>Prepared by:</b>	Jennifer McGinnis
<b>Analysis of:</b>	Fourth Edition		Staff Attorney

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**OVERVIEW:** *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.*

[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 bill would 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 would 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 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 bill would become effective when it becomes law.

Karen Cochrane-Brown  
Director



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