

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

H

2

HOUSE BILL 352
Committee Substitute Favorable 4/19/17

Short Title: Rate Making/Water/Wastewater Public Utilities.

(Public)

Sponsors:

Referred to:

March 15, 2017

1 A BILL TO BE ENTITLED
2 AN ACT AUTHORIZING THE UTILITIES COMMISSION TO USE A FULLY
3 PROJECTED FUTURE TEST PERIOD IN RATE MAKING FOR WATER AND
4 WASTEWATER PUBLIC UTILITIES.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 62-133 is amended by adding a new subsection to read:

7 "(c1) As an alternative to the test period provided for in subsection (c) of this section, a
8 water or wastewater public utility, as defined in G.S. 62-3(23)a.2., may submit a request for
9 Commission approval to utilize a fully projected future test period, which shall consist of a
10 12-month period beginning on or after the date of filing of the application for a general rate
11 case.

12 (1) When submitting a request for a fully projected future test period under this
13 subsection, the utility shall provide an explanation as to why a fully
14 projected future test period is more representative of the utility's operations
15 than the test period prescribed in subsection (c) of this section. The
16 Commission shall grant the utility's request if the Commission finds it is in
17 the public interest.

18 (2) When utilizing a fully projected future test period under this subsection, the
19 Commission shall determine, for rate-making purposes, the projected rate
20 base at the end of the future test period. Probable future revenues and
21 expenses, including depreciation expense, accumulated depreciation and
22 amortization, and other accumulated charges and credits to the rate base
23 shall be annualized based on the plant and equipment projected to be in
24 operation as of the end of the future test period, and otherwise adjusted as
25 necessary to a representative ongoing level.

26 (3) The Commission shall adopt rules and regulations regarding information and
27 data to be submitted upon notification by a water or wastewater public utility
28 of its intent to use in a future rate case a fully projected future test period.

29 (4) No later than four months following the end of a fully projected future test
30 period utilized pursuant to this subsection, the utility shall file with the
31 Commission information and data evidencing all of the following items
32 during the fully projected future test period, adjusted as appropriate to reflect
33 the Commission's initial order setting rates in the proceeding:

34 a. Actual costs and in-service dates for capital investment, as well as all
35 actual and appropriately adjusted rate base balances as of the end of
36 the future test period.



- 1 b. Actual and appropriately adjusted operating revenues.
- 2 c. Actual and appropriately adjusted incurred expenses.
- 3 d. Realized rate-of-return, based on the appropriately adjusted revenues,
- 4 expenses, and rate base.
- 5 e. Any other information the Commission requests to use in
- 6 determining the accuracy of the fully projected future test year period
- 7 projections.
- 8 (5) The Commission shall adopt a rate adjustment mechanism to (i) track and
- 9 true-up any variations in the revenue requirement determined on the basis of
- 10 the information provided in subdivision (4) of this subsection from that used
- 11 to initially set rates in the general rate case proceeding and (ii) adjust the
- 12 initially set rates as appropriate on a going-forward basis, taking into account
- 13 all applicable adjustments initially made by the Commission."
- 14 **SECTION 2.** This act is effective when it becomes law and expires five years after
- 15 the effective date.