

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

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SENATE BILL 434

Short Title: Cap/Clarify Utility Rate Mechanisms. (Public)

Sponsors: Senator Rucho (Primary Sponsor).

Referred to: Rules and Operations of the Senate.

March 26, 2015

A BILL TO BE ENTITLED

AN ACT TO CAP AND SUNSET THE RATE ADJUSTMENT MECHANISM FOR  
NATURAL GAS DISTRIBUTION COMPANIES FOR PIPELINE SAFETY COSTS AND  
TO CLARIFY THE RATE ADJUSTMENT MECHANISM FOR WATER AND SEWER  
FACILITIES.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 62-133.7A reads as rewritten:

**"§ 62-133.7A. Rate adjustment mechanism for natural gas local distribution company rates.**

(a) In setting rates for a natural gas local distribution company in a general rate case proceeding under G.S. 62-133, the Commission may adopt, implement, modify, or eliminate a rate adjustment mechanism to enable the company to recover the reasonable and prudently incurred capital investment and associated costs of complying with federal gas pipeline safety requirements, including a return based on the company's then authorized return. Costs incurred for routine maintenance, repair, and replacement of system components shall not be included in a rate adjustment mechanism authorized under this section.The Commission shall adopt, implement, modify, or eliminate a rate adjustment mechanism authorized under this section only upon a finding by the Commission that the mechanism is in the public interest. The Commission may eliminate or modify any rate adjustment mechanism authorized pursuant to this section upon a finding that it is not in the public interest.

(b) The Commission shall provide for audit and reconciliation procedures, including measures for refunds of any overcollections under the adjustment mechanism with interest pursuant to G.S. 62-130(e).

(c) Annual costs recovered under a rate adjustment mechanism authorized under this section shall not exceed four percent (4%) of the total base margin approved by the Commission in the Company's last general rate case. A rate adjustment mechanism authorized under this section shall terminate the earlier of the company's next general rate case or four years after the adoption of the mechanism by the Commission."

**SECTION 2.** G.S. 133.12 reads as rewritten:

**"§ 62-133.12. Rate adjustment mechanism based on investment in repair, improvement, and replacement of water and sewer facilities.**

(a) The Commission may approve a rate adjustment mechanism in a general rate proceeding pursuant to G.S. 62-133 to allow a water or sewer public utility to recover through a system improvement charge the incremental depreciation expense and capital costs associated with the utility's reasonable and prudently incurred investment in eligible water and sewer system ~~improvements~~improvement projects. The Commission shall approve a rate adjustment



1 mechanism authorized by this section only upon a finding that the mechanism is in the public  
2 interest. The frequency and manner of rate adjustments under the mechanism shall be as  
3 prescribed by the Commission. For the purposes of this section, "improvement projects" means  
4 unique, temporary endeavors that are beyond the scope of normal operations of the water or  
5 sewer utility.

6 (b) For purposes of this section, "eligible water system ~~improvements~~improvement  
7 projects" or "eligible sewer system ~~improvements~~improvement projects" shall include only  
8 those ~~improvements~~improvement projects found necessary by the Commission to enable the  
9 water or sewer utility to provide safe, reliable, and efficient service in accordance with  
10 applicable water quality and effluent standards.

11 (c) For purposes of this section, "eligible water system ~~improvements~~improvement  
12 projects" means:

- 13 (1) ~~Distribution~~In kind replacements of distribution system mains,  
14 hydropneumatic storage tanks, valves, utility service lines (including meter  
15 boxes and appurtenances), meters, and hydrants installed as in-kind  
16 replacements.~~hydrants.~~
- 17 (2) Main extensions installed to eliminate dead ends and to implement solutions  
18 to regional water supply in order to comply with primary and, upon specific  
19 Commission approval, secondary drinking water standards.
- 20 (3) Equipment and infrastructure installed to comply with primary drinking  
21 water standards.
- 22 (4) Equipment and infrastructure installed at the direction of the Commission to  
23 comply with secondary drinking water standards.
- 24 (5) ~~Unreimbursed costs of relocating facilities~~Facility relocations due to  
25 highway construction or relocation projects.

26 (d) For the purposes of this section, "eligible sewer system ~~improvements~~improvement  
27 projects" means:

- 28 (1) Collection main extensions installed to ~~implement solutions to~~ alternative  
29 wastewater ~~problems~~treatment facilities.
- 30 (2) Improvements necessary to ~~reduce inflow and infiltration to the collection~~  
31 ~~system~~ to comply with applicable State and federal law and  
32 ~~regulations~~regulations regarding inflow and infiltration to collection system.
- 33 (3) ~~Unreimbursed costs of relocating facilities~~Facility relocations due to  
34 highway construction or relocation projects.
- 35 (4) ~~Pumps, motors, blowers, and other mechanical equipment installed as~~  
36 ~~in-kind replacements for customers.~~Replacements of collection system  
37 duplex pump stations, including pumps, controls, electrical and related  
38 equipment.

39 (e) The Commission shall provide for audit and reconciliation procedures, including  
40 measures for refunds of any over-collections under the system improvement charge with  
41 interest pursuant to G.S. 62-130(e).

42 (f) The Commission may eliminate or modify any rate adjustment mechanism  
43 authorized pursuant to this section upon a finding that it is not in the public interest.

44 (g) Cumulative system improvement charges for a water or sewer utility pursuant to a  
45 rate adjustment mechanism approved by the Commission under this section may not exceed  
46 five percent (5%) of the total annual service revenues approved by the Commission in the water  
47 or sewer utility's last general rate case."

48 **SECTION 3.** This act is effective July 1, 2015, and applies to rate adjustment  
49 mechanism adopted after that date.