

HB 925 -- COST RECOVERY FOR ELECTRICAL CORPORATIONS

SPONSOR: Fraker

This bill allows qualifying electrical corporations to defer certain expenses for the operation and modernization of existing facilities and the construction of new capital projects and recover these expenses in a general rate case.

An amount deferred must be recorded to a separate regulatory asset account, and the balance in the regulatory asset account for the relevant period must be included in the electrical corporation's rate base in each of the electrical corporation's general rate proceedings without any offset, reduction, or adjustment based upon consideration of any other factor or otherwise. The amounts deferred to the regulatory asset account under these provisions must be subject to adjustment to reflect any prudence disallowances ordered by the commission in the general rate proceeding in which the qualifying electric plant for which deferrals were recorded is first included in its rate base. The regulatory assets created under these provisions must include carrying costs at the electrical corporation's weighted average cost of capital from the electrical corporation's most recently completed general rate proceeding concluded prior to the relevant period and must be amortized and recovered in rates beginning with the effective date of rates in the general rate proceeding if the regulatory asset account balance is first included in its rate base, over 35 years.

A formula for calculation of deferred depreciation expense and return is specified in the bill and at each general rate proceeding, the revenue requirement resulting from the application of the formula must be allocated to each rate class in the same manner as the remainder of the change in the revenue requirement is allocated. An electrical corporation's rates charged to customers in a rate class if a minimum billing demand of five megawatts or more is required must be calculated to exclude the impact of the change required by the bill. The sum of revenues that would have been produced but for this exclusion must not be collected from other customers.

The impact on the revenue requirement caused solely by the inclusion of the balance of the regulatory asset created during the most recent relevant period in rate base in any general rate proceeding must not exceed the maximum revenue requirement impact determined in the following manner: the maximum revenue requirement impact must be a percentage determined by multiplying 1% by the number of completed months since the date through which rate base additions were accounted for in the electrical corporation's most recently completed general rate proceeding,

divided by 12. The remaining balance of that regulatory asset must not be recoverable in rates.

The bill does not limit the commission's authority to authorize an electrical corporation to defer depreciation expense and return associated with non-qualifying electric plant for recovery in a general rate proceeding.