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|---------------|---|
| <b>SB 179</b> | <b>Allows for utility companies to recover costs through alternate rate plans</b> |
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|                        |   |                           |         |
|------------------------|---|---------------------------|---------|
| <b>Sponsor:</b>        | <i>Griesheimer</i>                          | <i>Co-Sponsor(s)</i>      |         |
| <b>LR Number:</b>      | 0983S.05T                                   | <b>Fiscal Note:</b>       | 0983-05 |
| <b>Committee:</b>      | <u>Commerce, Energy and the Environment</u> |                           |         |
| <b>Last Action:</b>    | 7/14/2005 - Signed by Governor              | <b>Journal Page:</b>      |         |
| <b>Title:</b>          | SS SCS SB 179                               | <b>Calendar Position:</b> |         |
| <b>Effective Date:</b> | January 1, 2006                             |                           |         |

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### Current Bill Summary

SS/SCS/SB 179 - This act pertains to cost recovery for utility companies.

The act provides the opportunity for any electrical corporation to make application to the public service commission in order to utilize interim energy charges or periodic rate adjustments to recover costs of fuel and purchased power. The act allows the commission to include in such rate schedules features intended to provide incentives to improve efficiency and cost-effectiveness for the utility's fuel and purchased power procurement.

The act provides the opportunity for any electrical, gas or water corporation to make application to the public service commission in order to utilize periodic rate adjustments to recover costs related to environmental compliance. The costs here can be capital or expense. The act stipulates a cap on this rate adjustment, any such adjustment shall not exceed two and one-half percent per year. There is a carry over provision in the language, however any such carry over shall respect and stay within the limit set for the annual cap.

The act allows for limited adjustments for changes in customer usage for variations in weather and/or conservation.

The act provides the commission with the discretion to approve, modify or reject any adjustment mechanism after hearing and considering all relevant factors. The act lays out the standards by which any electrical, gas or water corporation must meet in order to have an adjustment mechanism approved by the commission:

- The mechanism is reasonably designed to provide the utility with a sufficient opportunity to earn a fair return on equity;

- The mechanism includes provisions for an annual true-up; correct any over or under collections through subsequent rate adjustments or refunds
- For any utility applying for a fuel or environmental cost mechanism, a rate case must be filed within four years from the commission's order implementing the mechanism. The act also modifies this time frame by adding language that would "stop the clock" if for some reason, the adjustment mechanism is prohibited; in other words, if you cannot use the mechanism for a certain period of time, that time does not count towards the four year limit.
- For any utility applying for a fuel or environmental cost mechanism, a prudence review shall accompany such a mechanism no less than every eighteen months, and shall require a refund of any imprudently incurred cost.

Any mechanism approved by the commission shall remain in effect until the commission orders otherwise. Any charges passed to the customer as a result of an approved mechanism shall be separately disclosed on each customer bill. The commission may take into account any business risk resulting from the mechanism in setting the corporation's allowed return. The act explicitly states that any decision made by the commission shall be binding for the entire term of the plan.

The act allows companies to apply for adjustment mechanisms prior to the promulgation of rules governing the application process by the commission, however, the act directs the commission to have these rules in place prior to any decisions being made with regard to these applications.

The effective date of the act is January 1, 2006.

MEGAN WORD

| <b>SB 179</b> | <b>Allows for utility companies to recover costs through alternate rate plans</b>   |                 |
|---------------|---|-----------------|
| 1/13/2005     | S First Read  | <u>S81</u>      |
| 1/18/2005     | Second Read and Referred S Commerce, Energy and the Environment Committee           | <u>S90</u>      |
| 2/8/2005      | Hearing Conducted S Commerce, Energy and the Environment Committee                  |                 |
| 2/16/2005     | SCS Voted Do Pass S Commerce, Energy and the Environment Committee (0983S.04C)      |                 |
| 2/17/2005     | Reported from S Commerce, Energy and the Environment Committee to Floor w/SCS       | <u>S248</u>     |
| 2/23/2005     | Bill Placed on Informal Calendar  | <u>S275</u>     |
| 3/2/2005      | SS for SCS S offered (Griesheimer) (0983S.05F)                                      | <u>S336</u>     |
| 3/2/2005      | SA 1 to SS for SCS S offered (Bray)--(0983S05.01F)                                  | <u>S336-337</u> |
| 3/2/2005      | Bill Placed on Informal Calendar  | <u>S337</u>     |
| 3/2/2005      | SA 1 to SS for SCS S defeated   | <u>S339-340</u> |
| 3/2/2005      | SA 2 to SS for SCS S offered & defeated (Kennedy)--(0983S05.03S)                    | <u>S340</u>     |
| 3/2/2005      | SA 3 to SS for SCS S offered & adopted (Shields)--(0983S05.01S)                     | <u>S340</u>     |
| 3/2/2005      | SA 4 to SS for SCS S offered & defeated (Bray)--(0983S05.02F)                       | <u>S340-341</u> |
| 3/2/2005      | SS for SCS, as amended, S adopted   | <u>S341</u>     |
| 3/2/2005      | Perfected   | <u>S341</u>     |
| 3/3/2005      | Reported Truly Perfected S Rules Committee  | <u>S351</u>     |
| 3/3/2005      | Referred S Governmental Accountability and Fiscal Oversight Committee               | <u>S351</u>     |
| 3/7/2005      | Hearing Conducted S Governmental Accountability & Fiscal Oversight Committee        |                 |
| 3/7/2005      | Voted Do Pass S Governmental Accountability and Fiscal Oversight Committee          |                 |
| 3/7/2005      | Reported from S Governmental Accountability and Fiscal Oversight Committee to Floor | <u>S370</u>     |
| 3/8/2005      | S Third Read and Passed   | <u>S382</u>     |
| 3/8/2005      | H First Read  | <u>H523</u>     |
| 3/9/2005      | H Second Read   | <u>H530</u>     |
| 3/15/2005     | Referred H Utilities Committee  | <u>H647</u>     |
| 3/16/2005     | Hearing Conducted H Utilities Committee   |                 |
| 3/30/2005     | Voted Do Pass H Utilities Committee   |                 |
| 4/4/2005      | Reported Do Pass H Utilities Committee  | <u>H914</u>     |
| 4/4/2005      | Referred to Rules Committee pursuant to Rule 25(26)(f)                              | <u>H914</u>     |
| 4/6/2005      | Hearing Conducted H Rules Committee   |                 |

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|-----------|---|--------------|
| 4/6/2005  | Voted Do Pass H Rules Committee (w/no time limit for debate on third reading) |              |
| 4/25/2005 | Referred H Fiscal Review Committee  | H1221        |
| 4/26/2005 | Fiscal Review not necessary   | H1273        |
| 4/27/2005 | H Third Read and Passed   | H1293 / S819 |
| 4/27/2005 | Truly Agreed To and Finally Passed  | S819         |
| 5/20/2005 | Reported Duly Enrolled S Rules Committee                                      | S1361        |
| 5/20/2005 | Signed by Senate President  | S1362        |
| 5/26/2005 | Signed by House Speaker   | H2065        |
| 5/26/2005 | Delivered to Governor   | S1367        |
| 7/14/2005 | Signed by Governor  |              |



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