

1 VIRGINIA ACTS OF ASSEMBLY — CHAPTER

2 *An Act to amend the Code of Virginia by adding a section numbered 56-264.3, relating to water and*
3 *sewerage companies; cost allocation and rate design.*

4 [S 1427]

5 Approved

6 **Be it enacted by the General Assembly of Virginia:**7 **1. That the Code of Virginia is amended by adding a section numbered 56-264.3 as follows:**8 **§ 56-264.3. Cost allocation and rate design.**

9 *A. The provisions of this section shall apply in any proceeding in which the Commission is required*
10 *to determine, pursuant to § 56-234, if (i) rates charged by water and sewerage companies with fewer*
11 *than 10,000 customer accounts, inclusive of their subsidiaries, are reasonable and just and (ii)*
12 *customers using water and sewerage services under like conditions are being charged uniformly for*
13 *such services.*

14 *B. Any rate application or proposal submitted to the Commission that would allocate the revenue*
15 *requirement of a water or sewerage company with fewer than 10,000 customer accounts, inclusive of*
16 *their subsidiaries, among more than one class of customers shall be supported by a class cost-of-service*
17 *study that is designed to allocate revenues on the basis of cost causation and to assign credit for*
18 *contributions in aid of construction, not previously addressed in a utility acquisition transaction or the*
19 *most recent approved rate case application, to the customer class that made the contributions.*

20 *C. In setting rates, the Commission shall not find that any allocation of the revenue requirement to a*
21 *particular class of customers that is greater than the portion of the revenue requirement that can be*
22 *attributed to that class on the basis of a cost-of-service study of the type described in subsection B is*
23 *just and reasonable unless the allocation is otherwise supported by substantial evidence.*

24 *D. In any proceeding pursuant to § 56-234 regarding the rates charged by water and sewerage*
25 *companies, the revenues to be produced by rates as designed for any particular class of customers shall*
26 *not provide an anticipated return on equity more than 25 percent greater or less than the return on*
27 *equity used to set rates for the company as a whole, unless otherwise supported by clear and convincing*
28 *evidence. The effect of this provision on class rate design shall not be considered in establishing the*
29 *return on equity used to set rates for the company as a whole.*

ENROLLED

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