

State Corporation Commission 2012 Fiscal Impact Statement

1. Bill Number: HB559

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Marshall, D.W.

3. Committee: Commerce and Labor

4. Title: Natural gas utility infrastructure.

- 5. Summary:** Natural gas utility infrastructure. Permits a natural gas utility to construct the necessary facilities of a qualifying project and to recover the eligible infrastructure development costs necessary to develop the eligible infrastructure for designated projects in future rates. Eligible infrastructure development costs include the investment, which includes costs including planning, development, and construction costs and, if applicable, an allowance for funds used during construction, in facilities to be used in the delivery of natural gas, or supplemental or substitute forms of gas. Such costs also include (i) a return on investment calculated using the utility's weighted average cost of capital based on its regulatory capital structure used in determining the natural gas utility's base rates in effect during the construction period; (ii) a revenue conversion factor that includes income taxes and an allowance for bad debt expense; (iii) operating and maintenance expense; (iv) depreciation calculated using the natural gas utility's currently approved depreciation rates applicable to each general plant account; and (v) property taxes, reduced by the non-gas revenue received by the natural gas utility from providing sales or transportation service to the customer occupying the qualifying project and to any other customer served directly from the subject eligible infrastructure. A qualifying project is an economic development project requiring natural gas service as to which the natural gas utility has made a good faith determination that (a) it is located in an area where adequate natural gas infrastructure is not available; (b) eligible infrastructure will provide opportunities for increased natural gas usage and economic development benefits in the area of the eligible infrastructure in addition to those provided by the subject project; (c) either the developer or occupant of the proposed project is prepared to provide a binding commitment to the natural gas utility for needed capacity for a period of at least five years from the date gas is made available, which commitment covers a level of service no less than 50 percent of the capacity of the gas facilities to serve such project, or the natural gas utility receives a financial guaranty from the developer or state or local government in the amount of at least 50 percent of the estimated investment to be made by the natural gas utility in the proposed project; (d) the natural gas utility has negotiated with the project's developer or occupant in an attempt to reach agreement on a commitment for the entire aid to construction otherwise required to cover the cost of the necessary eligible infrastructure; and (e) the projected non-gas revenues from the proposed project will not be sufficient to cover the cost of service associated with the

necessary eligible infrastructure after accounting for any aid to construction contributed by the developer of the project or the person that will occupy the proposed project. Natural gas utilities are required to account for the actual monthly eligible infrastructure development costs incurred on the cumulative investment in eligible infrastructure in excess of any aid to construction contributed by the developer of the project or the person that will occupy the proposed project as a deferred cost until new base rates and charges that incorporate eligible infrastructure development costs become effective for the utility. Transportation and storage quantities of contracts entered into by a natural gas utility for the acquisition of upstream pipeline capacity to meet the reasonably anticipated service requirements of a qualifying project and other service requirements to be served through the eligible infrastructure shall be deemed prudent and reasonable.

- 6. Budget Amendment Necessary:** No
- 7. Fiscal Impact Estimates:** No fiscal impact on the State Corporation Commission
- 8. Fiscal Implications:** None on the State Corporation Commission
- 9. Specific Agency or Political Subdivisions Affected:** State Corporation Commission
- 10. Technical Amendment Necessary:** None noted
- 11. Other Comments:** Also see Senate Bill 511.

Date: 1/17/12 SDL