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HOUSE BILL NO. 1770

Offered January 9, 2013

Prefiled January 8, 2013

A *BILL to amend the Code of Virginia by adding a section numbered 56-235.10, relating to natural gas utilities; recovery of eligible safety activity costs.*

Patron—Miller

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. **That the Code of Virginia is amended by adding a section numbered 56-235.10 as follows:**
§ 56-235.10. Recovery of eligible safety activity costs; administration; procedure.

A. As used in this section:

"Eligible safety activity costs" means a natural gas utility's operation and maintenance expenditures that are related to (i) the development, implementation, or execution of the natural gas utility's integrity management program developed in conformance with 49 CFR Part 192, Subpart P - Gas Distribution Pipeline Integrity Management or (ii) programs or measures implemented to comply with regulations issued by the Commission or a federal regulatory body with jurisdiction over pipeline safety.

"Natural gas utility" means any investor-owned public service company engaged in the business of furnishing natural gas service to the public.

B. In order to enhance pipeline safety in the Commonwealth, when the requirements of this section have been satisfied, a natural gas utility shall be permitted to recover eligible safety activity costs incurred on and after January 1, 2013, in future rates as provided in this section. The natural gas utility shall maintain the burden of demonstrating that the eligible safety activity costs have been prudently incurred and that the criteria of this section have been satisfied.

C. A natural gas utility shall account for eligible safety activity costs to be recovered pursuant to this section as deferred costs, including carrying costs at the utility's most recently approved pre-tax return on the accumulated unrecovered balance of eligible safety activity costs, net of the associated deferred tax. The eligible safety activity costs deferred hereunder shall be included in new base rates and charges instituted pursuant to a Commission order establishing or confirming customer rates in a rate case using the cost of service methodology set forth in § 56-235.2 or a performance-based regulation plan authorized by § 56-235.6. Such deferred costs shall be accounted for as a regulatory asset and shall not be subject to write-off or write-down by the Commission in an earnings test filing made pursuant to Commission rules governing utility rate increases and annual informational filings. Notwithstanding the foregoing, in the event that a utility's base rates include eligible safety activity costs, the utility shall only be permitted to defer the level of eligible safety activity costs that are in excess of the level reflected in base rates.

D. Deferral of eligible safety activity costs pursuant to this section shall have no effect on the recovery of any other cost by the natural gas utility and shall not be included in any computation relative to a performance-based regulation plan revenue-sharing mechanism.

INTRODUCED

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