

State Corporation Commission 2020 Fiscal Impact Statement

1. Bill Number: HB835

House of Origin Introduced Substitute Engrossed
 Second House In Committee Substitute Enrolled

2. Patron: Sullivan

3. Committee: Labor and Commerce

4. Title: Utility Transfers Act; water and sewer utilities.

5. Summary: Authorizes a water or sewer public utility acquiring a water or sewer system to elect to have its rate base established by using the fair market value of the system assets instead of the system's depreciated original cost. Under the procedure established in this bill, the fair market value of the system is the average of three appraisals conducted by accredited and impartial utility valuation experts, who shall determine the fair market value of the system in compliance with the uniform standards of professional appraisal practice, employing cost, market, and income approaches to assessment of value. The bill provides that the rate base value of the acquired system assets is the authorized fees and costs plus the lesser of the purchase price negotiated between the acquiring utility and the selling utility or the fair market value.

6. Budget Amendment Necessary: Yes, see Item # 8.

7. Fiscal Impact Estimates: Fiscal Impact Estimates are Preliminary; see Item # 8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2020	\$221,667		02080
2021	\$443,333		02080
2022	\$443,333		02080
2023	\$443,333		02080
2024	\$443,333		02080
2025	\$443,333		02080
2026	\$443,333		02080

8. Fiscal Implications: The requirement that one utility valuation expert shall represent the Commission could result in regulatory consultant costs as estimated on a preliminary basis above in Item 7. The expenditure impact is based on the estimated average cost of the services provided by a utility valuation expert for the anticipated number of relevant proceedings each fiscal year. The anticipated number of relevant proceedings each fiscal year is based on recent history.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission

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10. Technical Amendment Necessary:

11. Other Comments: There is a companion bill in Senate Bill 831.

SCA/KBP 1/14/2020