

WEST VIRGINIA LEGISLATURE

2019 REGULAR SESSION

Introduced

House Bill 3092

FISCAL
NOTE

BY DELEGATES ATKINSON, CRISS, JEFFRIES, JENNINGS,

BUTLER, P. MARTIN AND COWLES

[Introduced February 12, 2019; Referred
to the Committee on Government Organization.]

1 A BILL to amend the Code of West Virginia, 1931, as amended, by adding thereto a new section,
 2 designated §24-2-1n, relating to creating a pilot program to encourage utility infrastructure
 3 development to certain lands; declaring certain legislative findings; defining certain terms;
 4 requiring the West Virginia Development Office to consider certain applications; requiring
 5 the Public Service Commission consider certain plans; providing the Public Service
 6 Commission with the authority to allow certain public utility infrastructure projects to
 7 recover certain costs via ratemaking; providing for the expiration of certain statutory
 8 provisions; and providing for an effective date of the provisions of this section.

Be it enacted by the Legislature of West Virginia:

ARTICLE 2. POWERS AND DUTIES OF PUBLIC SERVICE COMMISSION.

§24-2-1n. West Virginia Business Ready Sites Program.

1 (a) The Legislature finds and declares that:

2 (1) Presently, West Virginia’s available industrial sites lack competitiveness with industrial
 3 sites in surrounding states due in part to the lack of presently constructed, adequate utility
 4 infrastructure serving sites having industrial potential;

5 (2) Having as many construction ready industrial sites with adequately developed utility
 6 infrastructure will increase the state’s potential to attract new industrial projects to the state and
 7 advance the state’s economic development efforts;

8 (3) Incentivizing utilities to construct adequate public utility infrastructure and provide
 9 services to sites identified as having industrial potential will increase the likelihood that such sites
 10 are developed; and

11 (4) Increasing the number of industrial sites with adequate and fully developed utility
 12 services is in the public interest of the state.

13 (b) Definitions – For the purpose of this section:

14 (1) “Development Office” means the West Virginia Development Office;

15 (2) “Industrial Development Agency” means any incorporated organization, foundation,

16 association, or agency to whose members or shareholders no profit inures, which has as its
17 primary function the promotion, encouragement and development of industrial, commercial,
18 manufacturing and tourist enterprises or projects in this state; and

19 (3) "Industrial Development Site" means a land development containing a minimum of 50
20 contiguous acres that is identified by the Development Office as having potential for industrial
21 development and that does not currently have adequate public utility services from one or more
22 public utilities regulated by the Public Service Commission.

23 (c) The West Virginia Development Office shall conduct a pilot program known hereafter
24 as "The West Virginia Business Ready Sites Program" for the purpose of promoting economic
25 development in certain areas of the state by facilitating the construction of utility infrastructure
26 necessary to increase the attractiveness of such sites for industrial development within the state.

27 (d) An Industrial Development Agency may identify a potential Industrial Development Site
28 and apply to the Development Office for approval of the site as an Industrial Development Site.

29 (e) Upon receipt of the application, the Development Office shall determine whether the
30 potential Industrial Development Site has the attributes to accomplish the public purposes of this
31 section; and, upon determining that the site has such attributes, the Development Office shall
32 certify the site as an Industrial Development Site and communicate such certification to the
33 commission.

34 (f) After the Public Service Commission receives the certification described in subsection
35 (e) of this section, public utilities may file with the commission an application for a multi-year
36 comprehensive plan for infrastructure development to construct public utility infrastructure and
37 provide services to Industrial Development Sites. Subject to commission review and approval, a
38 plan may be amended and updated by the public utility as circumstances warrant. The recovery
39 of costs in support of the plans shall be allowed in the manner set forth in this section if the
40 proposed plans have been found to be prudent and useful.

41 (g) The application is in lieu of a proceeding pursuant to §24-2-11 of this code and shall

42 contain the following:

43 (1) A description of the infrastructure program, in such detail as the Public Service
44 Commission prescribes, and the projected annual amount (in approximate line sizes and feet),
45 general location, type, and projected installation timing of the facilities that the applicant proposes
46 to replace, construct, or improve;

47 (2) The projected net cost, on an annual basis, of the replacement, construction, or
48 improvements;

49 (3) The projected start date for the infrastructure program;

50 (4) The projected numbers of potential new customers that may be served by the
51 infrastructure program and the projected annual demand for public utility services of the
52 customers;

53 (5) The projected debt for the infrastructure program funding and the projected capital
54 structure for infrastructure program funding;

55 (6) A proposed cost recovery mechanism consistent with this section; and

56 (7) Other information the applicant considers relevant or the commission requires.

57 (h) Upon filing of the application, the applicant shall publish, in the form the Public Service
58 Commission directs, which form shall include, but not be limited to, the anticipated rates and, if
59 any, rate increase under the proposal, by average percentage and dollar amount for customers
60 within a class of service, as a Class I legal advertisement in compliance with the provisions of
61 §59-3-1 et seq of this code, the publication area to be each county in which service is provided
62 by the public utility, a notice of the filing of the application, and that the commission shall hold a
63 hearing on the application within 90 days of the notice; unless no opposition to the rate change is
64 received by the commission within one week of the proposed hearing date, in which case the
65 hearing can be waived, and issue a final order within 150 days of the application filing date.

66 (i) Upon notice and hearing, if required by the Public Service Commission, the commission
67 shall approve the infrastructure program and allow expedited recovery of costs related to the

68 expenditures as provided in subsection (j) of this section if the commission finds that the
69 expenditures and the associated rate requirements are just, reasonable, and are not contrary to
70 the public interest: *Provided*, That the commission may approve infrastructure programs
71 undertaken in connection with a maximum of 10 Industrial Development Sites under this program:
72 *Provided, however*, That no more than four Industrial Development Sites shall be located in any
73 one congressional district, as such congressional districts are defined in §1-2-3 of this code on
74 the effective date of this section.

75 (j) Upon Public Service Commission approval, utilities will be authorized to implement the
76 infrastructure programs and to recover related incremental costs, net of contributions to recovery
77 of return and depreciation and property tax expenses directly attributable to the infrastructure
78 program provided by new customers served by the infrastructure program investments, if any, as
79 provided in the following:

80 (1) An allowance for return shall be calculated by applying a rate of return to the average
81 planned net incremental increase to rate base attributable to the infrastructure program for the
82 coming year, considering the projected amount and timing of expenditures under the
83 infrastructure program plus any expenditures in previous years of the infrastructure program. The
84 rate of return shall be determined by utilizing the rate of return on equity authorized by the Public
85 Service Commission in the public utility's most recent rate case proceeding or in the case of a
86 settled rate case, a rate of return on equity as determined by the commission, and the projected
87 cost of the public utility's debt during the period of the infrastructure program to determine the
88 weighted cost of capital based upon the public utility's capital structure.

89 (2) Income taxes applicable to the return allowed on the infrastructure program shall be
90 calculated for inclusion in rates.

91 (3) Incremental depreciation and property tax expenses directly attributable to the
92 infrastructure program shall be estimated for the upcoming year.

93 (4) Following Public Service Commission approval of its infrastructure program, a public

94 utility shall place into effect rates that include an increment that recovers the allowance for return,
95 related income taxes, depreciation, and property tax expenses associated with the public utility's
96 estimated infrastructure program investments for the upcoming year, net of contributions to
97 recovery of those incremental costs provided by new customers served by the infrastructure
98 program investments, if any, ("incremental cost recovery increment"). In each year subsequent to
99 the order approving the infrastructure program and an incremental cost recovery increment, the
100 public utility shall file a petition with the commission setting forth a new proposed incremental cost
101 recovery increment based on investments to be made in the subsequent year, plus any under-
102 recovery or minus any over-recovery of actual incremental costs attributable to the infrastructure
103 program investments, for the preceding year.

104 (k) The public utility may make any accounting accruals necessary to establish a
105 regulatory asset or liability through which actual incremental costs incurred and costs recovered
106 through the rate mechanism are tracked.

107 (l) Utilities may defer incremental operation and maintenance expenditures attributable to
108 regulatory and compliance-related requirements introduced after the public utility's last rate case
109 proceeding and not included in the public utility's current base rates. In a future rate case, the
110 Public Service Commission may allow recovery of the deferred costs amortized over a reasonable
111 period of time to be determined by the commission provided the commission finds that the costs
112 were reasonable and prudently incurred and were not reflected in rates in prior rate cases.

113 (m) The provisions of this section shall expire on December 31, 2024. The expiration of
114 this section shall not affect the cost recovery of constructing project that is commenced pursuant
115 to this section prior to such date.

116 (n) The provisions of this section are effective upon passage.

NOTE: The purpose of this bill is to create and implement the West Virginia Business Ready Sites Program.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.