

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013**

**SESSION LAW 2013-106
HOUSE BILL 710**

AN ACT TO PERMIT WATER UTILITIES TO ADJUST RATES FOR CHANGES IN COSTS BASED ON THIRD-PARTY RATES AND TO AUTHORIZE THE UTILITIES COMMISSION TO APPROVE A RATE ADJUSTMENT MECHANISM FOR WATER AND SEWER UTILITIES TO RECOVER COSTS FOR WATER AND SEWER SYSTEM IMPROVEMENTS.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 62 of the General Statutes is amended by adding a new section to read:

"§ 62-133.11. Rate adjustment for changes in costs based on third-party rates.

(a) The Commission shall permit a water or sewer public utility to adjust its rates approved pursuant to G.S. 62-133 to reflect changes in costs based solely upon changes in the rates imposed by third-party suppliers of purchased water or sewer service, including applicable taxes and fees.

(b) Any water or sewer public utility seeking to adjust its rates pursuant to this section shall file a verified petition in such form and detail as the Commission may require.

(c) The Commission shall issue an order approving, denying, or approving with modifications a rate adjustment requested pursuant to this section within 60 days of the date of filing of a completed petition, unless that time is for good cause extended up to a maximum of 90 days."

SECTION 2. Chapter 62 of the General Statutes is amended by adding a new section to read:

"§ 62-133.12. Rate adjustment mechanism based on investment in repair, improvement, and replacement of water and sewer facilities.

(a) The Commission may approve a rate adjustment mechanism in a general rate proceeding pursuant to G.S. 62-133 to allow a water or sewer public utility to recover through a system improvement charge the incremental depreciation expense and capital costs associated with the utility's reasonable and prudently incurred investment in eligible water and sewer system improvements. The Commission shall approve a rate adjustment mechanism authorized by this section only upon a finding that the mechanism is in the public interest. The frequency and manner of rate adjustments under the mechanism shall be as prescribed by the Commission.

(b) For purposes of this section, "eligible water system improvements" or "eligible sewer system improvements" shall include only those improvements found necessary by the Commission to enable the water or sewer utility to provide safe, reliable, and efficient service in accordance with applicable water quality and effluent standards.

(c) For purposes of this section, "eligible water system improvements" means:

- (1) Distribution system mains, valves, utility service lines (including meter boxes and appurtenances), meters, and hydrants installed as in-kind replacements.
- (2) Main extensions installed to eliminate dead ends and to implement solutions to regional water supply in order to comply with primary and, upon specific Commission approval, secondary drinking water standards.
- (3) Equipment and infrastructure installed to comply with primary drinking water standards.
- (4) Equipment and infrastructure installed at the direction of the Commission to comply with secondary drinking water standards.



- (5) Unreimbursed costs of relocating facilities due to highway projects.
- (d) For the purposes of this section, "eligible sewer system improvements" means:
- (1) Collection main extensions installed to implement solutions to wastewater problems.
 - (2) Improvements necessary to reduce inflow and infiltration to the collection system to comply with applicable State and federal law and regulations.
 - (3) Unreimbursed costs of relocating facilities due to highway construction or relocation projects.
 - (4) Pumps, motors, blowers, and other mechanical equipment installed as in-kind replacements for customers.
- (e) The Commission shall provide for audit and reconciliation procedures, including measures for refunds of any over-collections under the system improvement charge with interest pursuant to G.S. 62-130(e).
- (f) The Commission may eliminate or modify any rate adjustment mechanism authorized pursuant to this section upon a finding that it is not in the public interest.
- (g) Cumulative system improvement charges for a water or sewer utility pursuant to a rate adjustment mechanism approved by the Commission under this section may not exceed five percent (5%) of the total annual service revenues approved by the Commission in the water or sewer utility's last general rate case."

SECTION 3. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 5th day of June, 2013.

s/ Daniel J. Forest
President of the Senate

s/ Thom Tillis
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 4:30 p.m. this 12th day of June, 2013