

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 84th General Assembly
3 Regular Session, 2003
4

As Engrossed: H3/13/03 S4/3/03

A Bill

Act 1317 of 2003
HOUSE BILL 1571

5 By: Representatives Napper, Cleveland
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For An Act To Be Entitled

9 AN ACT TO ESTABLISH THE VALUE OF PUBLIC UTILITY
10 PROPERTY FOR RATEMAKING PURPOSES; AND FOR OTHER
11 PURPOSES.
12

Subtitle

14 AN ACT TO ESTABLISH THE VALUE OF PUBLIC
15 UTILITY PROPERTY FOR RATEMAKING
16 PURPOSES.
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 *SECTION 1. Arkansas Code Title 23, Chapter 4, Subchapter 1 is amended*
22 *by adding an additional section to read as follows:*

23 23-4-111. Valuation of public utility property for ratemaking
24 purposes.

25 (a) For the purposes of this section:

26 (1)(A) "Public utility" is a public utility as that term is
27 defined under § 23-1-101.

28 (B) However, a public utility is not an incumbent local
29 exchange carrier that has elected to be regulated under §§ 23-17-406 through
30 23-17-408 or § 23-17-412;

31 (2) "Original cost" means the cost incurred by a public utility
32 when plant or property was first devoted to public service; and

33 (3) "Net book value" means the original cost less reasonable
34 accumulated depreciation of the plant or property.

35 (b)(1) In determining the value of plant or property that is to be
36 included in the rate base upon which the public utility will be allowed the



1 opportunity to earn a return, the commission shall use the net book value of
2 the plant or property unless the commission determines that an adjustment is
3 appropriate under subsections (c), (d), or (e).

4 (2) However, for affiliate acquisitions the value of plant or
5 property that is to be included in the rate base upon which the public
6 utility will be allowed the opportunity to earn a return, the commission
7 shall use the net book value of the plant or property or a lesser amount but
8 in no event may the commission make an adjustment above net book value under
9 subsection (c).

10 (3) If the original cost of the plant or property is unknown,
11 the commission shall estimate the net book value.

12 (c) For plant or property acquired for an amount above net book value,
13 the commission may allow the recovery through rates of an amount greater than
14 net book value but not more than actual cost if the public utility can prove
15 by a preponderance of the evidence that:

16 (1) The original cost of the plant or property was reasonable
17 and prudent; and

18 (2) The public utility's customers will receive known and
19 measurable benefits that are at least equal to the incremental amount for
20 which the utility seeks recovery under this subsection (c).

21 (d) For plant or property acquired for an amount below net book value,
22 the commission may allow the recovery through rates of an amount greater than
23 the cost of acquisition but not more than the net book value if the public
24 utility can prove by a preponderance of the evidence that:

25 (1) The original cost of the plant or property was reasonable
26 and prudent; and

27 (2) The public utility's customers will receive known and
28 measurable benefits that are at least equal to the incremental amount for
29 which the utility seeks recovery under this subsection (d).

30 (e) The commission may allow the recovery through rates of an amount
31 less than net book value if the commission determines that the original cost
32 of the plant or property was not reasonable or was imprudent.

33 (f) However, for plant or property costs incurred in compliance with §
34 23-18-106(a), the public utility shall have a rebuttable presumption of
35 reasonableness and prudence for the purpose of the commission's
36 determinations in subsections (c), (d), and (e) of this section.

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/s/ Napper

APPROVED: 4/14/2003