

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.

Act 434 of the Regular Session

1 State of Arkansas
2 87th General Assembly
3 Regular Session, 2009

A Bill

HOUSE BILL 1898

4
5 By: Representatives Hawkins, J. Burris, Cash, Cook, Cooper, Dale, J. Dickinson, Everett, Gaskill,
6 George, Glidewell, Hardy, Hoyt, Hyde, Kidd, King, Overbey, Patterson, Ragland, Rice, J. Rogers,
7 Slinkard, L. Smith, Wells, B. Wilkins
8 By: Senators Horn, Altes, G. Baker, Bledsoe, Bookout, Broadway, Bryles, Capps, Glover, Hendren, B.
9 Johnson, D. Johnson, J. Key, Laverty, Luker, P. Malone, Miller, Salmon, T. Smith, Steele, Teague, R.
10 Thompson, Trusty, Whitaker, Wilkinson, D. Wyatt

For An Act To Be Entitled

11
12
13 AN ACT TO REQUIRE THE ARKANSAS PUBLIC SERVICE
14 COMMISSION TO PERMIT STORM COST RESERVE
15 ACCOUNTING FOR ELECTRIC PUBLIC UTILITIES WHEN
16 REQUESTED; AND FOR OTHER PURPOSES.

Subtitle

17
18
19 TO REQUIRE THE ARKANSAS PUBLIC SERVICE
20 COMMISSION TO PERMIT STORM COST RESERVE
21 ACCOUNTING FOR ELECTRIC PUBLIC UTILITIES
22 WHEN REQUESTED.

23
24
25
26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

27
28 SECTION 1. Arkansas Code Title 23, Chapter 4, Subchapter 1 is amended
29 to add an additional section to read as follows:

30 23-4-112. Reserve accounting for storm restoration costs.

31 (a) This section applies to storm restoration costs incurred on or
32 after January 1, 2009.

33 (b) Upon application by an electric public utility and after notice
34 and hearing, the Arkansas Public Service Commission shall permit an electric
35 public utility to establish a storm cost reserve account consistent with the



1 then current Federal Energy Regulatory Commission Uniform System of Accounts,
 2 as modified to allow a debit balance to reflect the excess of storm
 3 restoration costs over the amount recovered in rates or otherwise credited to
 4 the storm cost reserve account.

5 (c) The use of reserve accounting under this section is subject to the
 6 following:

7 (1)(A) The initial amount included in the storm cost reserve
 8 account for an electric public utility shall be the amount included in the
 9 electric public utility's currently approved rates for storm restoration
 10 costs.

11 (B) Thereafter, in future rate proceedings, the commission
 12 shall determine the appropriate level of the storm cost reserve account
 13 considering the electric public utility's historical costs associated with
 14 normal storm damage and other factors;

15 (2) As a condition of an electric public utility's recovery of
 16 storm restoration costs through rates or inclusion of storm restoration costs
 17 in the storm cost reserve account, the commission shall audit, analyze,
 18 examine, and adjust all storm restoration costs to ensure that only
 19 reasonable and prudent storm restoration costs are included in the storm cost
 20 reserve account or are recoverable through rates;

21 (3) Simple interest on any balance, credit, or debit in the
 22 storm cost reserve account shall accrue at a rate equal to the electric
 23 public utility's last approved rate-base rate of return;

24 (4)(A) An electric public utility shall only charge operations
 25 and maintenance storm restoration costs that are not otherwise recovered
 26 against the balance in the storm cost reserve account.

27 (B) The commission shall ensure that the storm restoration
 28 costs charged to the storm cost reserve account are:

29 (i) Timely;

30 (ii) Specific to restoring retail electric service
 31 in Arkansas; and

32 (iii) Subject to any ratemaking adjustments of the
 33 types of expenses included in the storm restoration costs that are consistent
 34 with the determination in the electric public utility's most recent
 35 application for a general change in rates.

36 (C) An electric public utility shall:

1 (i) File a quarterly report with the commission
2 identifying each instance in which the electric public utility records storm
3 restoration costs in the storm cost reserve account; and

4 (ii) Provide with the quarterly report required by
5 this subdivision (b)(4)(C) supporting documentation prescribed by the
6 commission that includes without limitation:

7 (a) Vegetation management spending; and

8 (b) Labor costs;

9 (5)(A) If an electric public utility spends less on storm
10 restoration costs than the amount included in the electric public utility's
11 currently approved rates for storm restoration costs in any calendar year,
12 the electric public utility shall credit to the storm cost reserve account
13 any difference between the amount in rates and the amount actually spent on
14 storm restoration costs during that calendar year.

15 (B) If an electric public utility has received any of the
16 following payments to offset storm restoration costs, the electric public
17 utility shall credit those payments to the storm cost reserve account:

18 (i) Insurance Payments;

19 (ii) Payments from a governmental entity; or

20 (iii) Any other third-party payments; and

21 (6)(A) The commission shall determine the following in the
22 electric public utility's next application for a general change in rates:

23 (i) The recovery of any debit balance in the
24 electric public utility's storm cost reserve account through the electric
25 public utility's rates and charges over a reasonable period; or

26 (ii) The appropriate ratemaking treatment of any
27 credit balance in the electric public utility's storm cost reserve account.

28 (B) After notice and hearing and a finding that it is in
29 the public interest, the commission may approve other ratemaking treatment
30 otherwise allowed by law of any balance, credit, or debit in the electric
31 public utility's storm cost reserve account.

32 (C) The commission shall establish the method of recovery
33 of a debit balance in the electric public utility's storm cost reserve
34 account and may impose conditions to ensure that amounts recovered through
35 rates are reasonable and prudent.

36 (d) This section:

1 (1) Does not prevent the commission from adjusting an electric
2 public utility's rate of return associated with the increased certainty of
3 recovery of the electric public utility's storm restoration costs as a result
4 of establishing a storm cost reserve account under this section; and

5 (2) Does not prevent an electric utility from petitioning the
6 commission to approve other methods of addressing storm restoration costs and
7 the recovery of storm restoration costs through rates as allowed by law.

8
9 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
10 General Assembly of the State of Arkansas that due to the severe ice storm
11 that struck portions of the state on January 27 and 28, 2009, some of the
12 electric public utilities operating in Arkansas have incurred significant
13 costs in restoring electric service; that electric utility service is
14 essential to the public health and welfare for the preservation of food
15 supplies, heating and cooling of buildings, and operation of commerce that
16 public electric utilities must have financial resources on hand to purchase
17 replacement equipment and to field repair crews swiftly in order to
18 accomplish the prompt restoration of electric service; and that this act is
19 immediately necessary to provide public electric utilities the financial
20 resources necessary to restore service in a timely manner. Therefore, an
21 emergency is declared to exist and this act being immediately necessary for
22 the preservation of the public peace, health, and safety shall become
23 effective on:

24 (1) The date of its approval by the Governor;

25 (2) If the bill is neither approved nor vetoed by the Governor,
26 the expiration of the period of time during which the Governor may veto the
27 bill; or

28 (3) If the bill is vetoed by the Governor and the veto is
29 overridden, the date the last house overrides the veto.

30
31 **APPROVED: 3/18/2009**