

By: Representative Ellis

To: Public Utilities

HOUSE BILL NO. 1663

1 AN ACT TO AMEND SECTION 77-3-43, MISSISSIPPI CODE OF 1972, TO
2 AUTHORIZE THE PUBLIC SERVICE COMMISSION TO ALLOW THE RECOVERY IN
3 RATES OF REASONABLE COSTS FOR FIRE PROTECTION INFRASTRUCTURE UPON
4 PETITION BY UTILITY WATER SYSTEMS; AND FOR RELATED PURPOSES.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

6 **SECTION 1.** Section 77-3-43, Mississippi Code of 1972, is
7 amended as follows:

8 77-3-43. (1) In regulating the rates of any public utility
9 subject to the provisions of this chapter, the commission shall,
10 on hearing after reasonable notice, ascertain and fix the rate
11 base of the property of the public utility in such manner as to be
12 fair both to the public utility and to the consumer when the same
13 is relevant or material to the exercise of the jurisdiction of the
14 commission. The commission shall make readjustments from time to
15 time, and ascertain the cost of all new construction, extensions
16 and additions to the property of every public utility. In
17 arriving at such rate base, the commission shall give due
18 consideration to: (a) the reasonable original costs of the
19 property used and useful, or to be used and useful within a
20 reasonable time after the test period; (b) the portion of the cost
21 which has been consumed by previous use recovered by depreciation
22 expense; (c) the allowance for funds used during construction, not
23 to exceed on borrowed funds the true net interest cost of such
24 funds, computed according to the actuarial method, and, on the
25 equity component thereof, a rate of return granted on common
26 equity in the last rate proceedings before the commission, or if
27 such rate has not been established within the preceding three (3)
28 years, then the average rate of return actually earned on equity



29 during the preceding three (3) years; (d) any other elements
30 deemed by the commission to be material in determining the rate
31 base for rate-making purposes.

32 (2) Valuations of property of such a public utility for
33 rate-making purposes shall not include property purchased, labor
34 supplied or services rendered by any firm or corporation owned or
35 controlled in whole or in part, directly or indirectly, by such
36 public utility, or which owns or controls in whole or in part,
37 directly or indirectly, such public utility, unless such firm or
38 corporation permits the commission to have access to such of the
39 books and records of such firm or corporation as may be necessary
40 in the opinion of the commission to enable the commission to
41 determine whether such labor, materials, property or services
42 rendered were supplied at reasonable prices. The rate base shall
43 not include property donated to such utility without any
44 consideration nor shall operating expenses include depreciation of
45 such donated property.

46 (3) Whenever the commission is required in administering
47 this chapter to find the value of gas in the field where produced,
48 such value shall be determined as the amount paid therefor by the
49 public utility in the field pursuant to arm's length contract; and
50 in the absence of such arm's length contract, the fair market
51 value of such gas as a commodity in the field.

52 (4) The commission, in its discretion, when requested by
53 petition of a rate-jurisdictional public utility providing water
54 service as defined in Section 77-3-3(d)(iv), may allow to be
55 recovered in rates the reasonable costs of used and useful
56 facilities deemed necessary for fire protection. Such facilities
57 include fire hydrants, transmission and distribution mains,
58 storage facilities, pumping equipment or other facilities
59 associated with the provision of adequate water production,
60 storage and distribution for fire protection.



61 **SECTION 2.** This act shall take effect and be in force from
62 and after July 1, 2002.

