

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 1015

DATE: March 11, 2013

Version: As amended by the author's H1015A1 amendment

Authors: Selcer

Subject: Recovery of natural gas pipeline assessment , repair, and replacement costs

Analyst: Bob Eleff

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Overview

House File 1015 amends section 216B.1635 that was enacted in 2007 to provide utilities with timely cost recovery outside of a general rate case for costs incurred to move or replace natural gas infrastructure required by a construction project initiated by a unit of government.

In 2011, Congress enacted the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, which includes provisions requiring utilities to assess the condition of all pipeline facilities and develop an annual plan for repair and replacement of facilities determined to warrant such action.

House File 1015 provides a process for complying with the federal statute. The utility submits a gas infrastructure project plan report to the Public Utilities Commission, the Department of Commerce and the Office of Pipeline Safety (OPS) describing the project, costs and in-service date. OPS verifies that the project consists of activities to determine the need for infrastructure replacement and to replace the infrastructure, and assesses the plan's appropriateness.

The commission may approve a rate schedule for the automatic annual adjustment of charges for these infrastructure costs, including a rate of return, income taxes on the rate of return, incremental property taxes and depreciation expense. The commission shall approve these rate adjustments if it finds that the costs to be recovered were or are expected to be prudently incurred and will achieve these improvements at the lowest reasonable costs. A utility may make only one filing annually under this provision.