

Chapter 21 Rate Base, Operating Expenses and Rate of Return

Rule 21

103 Inclusions and Exclusions

1. Donated Property

The rate base shall not include property donated to such utility without any consideration nor shall operating expenses include depreciation of such donated property.

2. Operating Expenses

The allowable operating expenses of a utility for ratemaking purposes shall include all necessary, prudent and reasonable expenses incurred or to be incurred in the rendition of the utility's service.

3. Specific Expense Items

The following expenditures are not considered allowable operating expenses:

- a. Any interest such utility paid, or credited, to its consumers in connection with refunds in a rate proceeding in which its rates were finally determined to be excessive.
- b. The cost of legislative-advocacy expenses.
- c. Expenditures for business gifts and entertainment that the Commission determines not to be in the public interest.
- d. Expenditures of any kind which the Commission determines not to have been prudently incurred or not incurred in the interest of the public.
- e. Attorneys' fees, costs and expenses associated with any adversarial proceeding, excluding periodic formulary rate plan evaluations, in which the public utility, ultimately, (i) is ordered or agrees to make a refund to ratepayers or (ii) is found to have or admits to having acted illegally or committed any wrongdoing associated with a regulated activity, excluding ordinary negligence. Attorneys' fees, costs and expenses associated with parts (i) and (ii) of this paragraph will be considered allowable operating expenses upon a showing by the public utility that such expenses were prudent, in the public interest and result in just and reasonable rates. Nothing in this paragraph shall be construed to diminish or restrain the Commission's authority as recognized in paragraph "d." above.

- f. Expenditures associated with private aircraft, except when supported by appropriate documentation and justification, submitted by the utility seeking recovery, showing that such expenses are reasonable and result in benefits to ratepayers. For purposes of this subsection, “appropriate documentation and justification” shall include, but not be limited to:
 - i An independent cost/benefit analysis, conducted by an entity selected by the Commission, from which the Commission may determine the percentage of private aircraft costs recoverable in rates. Such cost/benefit analysis shall be conducted at such intervals as the Commission may determine.
 - ii An accurate flight log with a detailed explanation of the purpose for which each passenger is traveling so that the Commission can determine that the flights were taken for utility business purposes only.

Source: Mississippi Code Annotated § 77-3-45

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