

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 107 Session of 2017

INTRODUCED BY GODSHALL, BAKER, BARRAR, CUTLER, FARRY, A. HARRIS, HEFFLEY, PICKETT, WHEELAND, ZIMMERMAN, D. COSTA AND KAMPF, JANUARY 23, 2017

AS REPORTED FROM COMMITTEE ON CONSUMER AFFAIRS, HOUSE OF REPRESENTATIVES, AS AMENDED, JUNE 20, 2018

AN ACT

1 Amending Title 66 (Public Utilities) of the Pennsylvania
2 Consolidated Statutes, in rates and distribution systems,
3 providing for recovery of natural gas distribution system
4 extension costs.

5 The General Assembly of the Commonwealth of Pennsylvania
6 hereby enacts as follows:

7 Section 1. Title 66 of the Pennsylvania Consolidated
8 Statutes is amended by adding a section to read:

9 ~~§ 1330. Recovery of natural gas distribution system extension~~ <--
10 ~~costs.~~

11 ~~(a) Authority.~~

12 ~~(1) A natural gas distribution company may petition the~~
13 ~~commission to approve the establishment of a distribution~~
14 ~~system extension charge to provide for the recovery on a full-~~
15 ~~and current basis through a reconcilable adjustment clause~~
16 ~~under section 1307 (relating to sliding scale of rates;~~
17 ~~adjustments) of the fixed, which shall consist of~~
18 ~~depreciation and pretax return, reasonable and prudent cost~~

1 ~~incurred to extend a facility to serve an unserved or~~  
2 ~~underserved area.~~

3 ~~(2) A natural gas distribution company may seek~~  
4 ~~authorization from the commission to recover through the~~  
5 ~~distribution system extension charge the costs of rebates or~~  
6 ~~buy down expenditures made by the company to reduce upfront~~  
7 ~~costs of in house piping and natural gas equipment owned by~~  
8 ~~the customer.~~

9 ~~(b) Petition. A petition for commission approval of a~~  
10 ~~distribution system extension charge shall include:~~

11 ~~(1) An initial tariff that includes a description of the~~  
12 ~~types of facility to be constructed, which may include~~  
13 ~~service lines, and the manner in which the costs will be~~  
14 ~~recovered through the distribution system extension charge.~~

15 ~~(2) Testimony, affidavits, exhibits or other evidence~~  
16 ~~that demonstrates that a distribution system extension charge~~  
17 ~~is in the public interest and will facilitate economically~~  
18 ~~feasible extensions to serve an unserved or underserved area~~  
19 ~~without unreasonably burdening existing customers of the~~  
20 ~~natural gas distribution company.~~

21 ~~(3) As a part of the initial tariff, a natural gas~~  
22 ~~distribution company may propose:~~

23 ~~(i) The establishment of a customer contribution~~  
24 ~~amount above which some or all of the costs are to be~~  
25 ~~recovered through the distribution system extension~~  
26 ~~charge.~~

27 ~~(ii) The establishment of a standard per mile~~  
28 ~~extension cost for all extension projects under this~~  
29 ~~mechanism, with costs in excess of the standard to be~~  
30 ~~recovered through the distribution system extension~~

1 ~~charge.~~

2 ~~(iii) Other mechanisms consistent with the public~~  
3 ~~interest and the policy of this section.~~

4 ~~(4) Following the filing of a petition, the commission~~  
5 ~~shall, after notice and opportunity to be heard, approve,~~  
6 ~~modify or reject the distribution system extension charge and~~  
7 ~~initial tariff. The commission shall hold evidentiary and~~  
8 ~~public input hearings as necessary to review the petition or~~  
9 ~~subsequent filings under the approved tariff.~~

10 ~~(c) Limitation. The distribution system extension charge~~  
11 ~~may not exceed 2.5% of the total amount billed to customers~~  
12 ~~under the applicable rates of the natural gas distribution~~  
13 ~~company. Upon petition of the natural gas distribution company,~~  
14 ~~the commission may grant a waiver of the 2.5% limit if the~~  
15 ~~commission finds that the waiver is in the public interest.~~

16 § 1330. RECOVERY OF NATURAL GAS DISTRIBUTION SYSTEM EXTENSION <--  
17 COSTS.

18 (A) AUTHORITY.--

19 (1) A NATURAL GAS DISTRIBUTION COMPANY MAY PETITION THE  
20 COMMISSION TO APPROVE THE ESTABLISHMENT OF A DISTRIBUTION  
21 SYSTEM EXTENSION CHARGE TO PROVIDE FOR THE RECOVERY ON A FULL  
22 AND CURRENT BASIS THROUGH A RECONCILABLE ADJUSTMENT CLAUSE  
23 UNDER SECTION 1307 (RELATING TO SLIDING SCALE OF RATES;  
24 ADJUSTMENTS) OF THE FIXED REASONABLE AND PRUDENT COSTS, WHICH  
25 SHALL CONSIST OF DEPRECIATION AND PRETAX RETURN, INCURRED TO  
26 EXTEND A FACILITY TO SERVE AN UNSERVED OR UNDERSERVED AREA.  
27 FOR CITY NATURAL GAS DISTRIBUTION OPERATIONS, RECOVERABLE  
28 COSTS SHALL BE AMOUNTS REASONABLY EXPENDED OR INCURRED TO  
29 EXTEND A FACILITY TO SERVE AN UNSERVED OR UNDERSERVED AREA  
30 AND ASSOCIATED FINANCING COSTS, IF ANY, INCLUDING DEBT

1 SERVICE, DEBT SERVICE COVERAGE AND ISSUANCE COSTS.

2 (2) THE DISTRIBUTION SYSTEM EXTENSION CHARGE MAY RECOVER  
3 ONLY THOSE COSTS TO EXTEND A FACILITY THAT ARE UNECONOMIC  
4 UNDER THE CRITERIA FOR MAIN EXTENSION IN THE TARIFF OF THE  
5 NATURAL GAS DISTRIBUTION COMPANY AS APPROVED BY THE  
6 COMMISSION.

7 (3) ANY CAPITAL COSTS AND EXPENSES RECOVERED THROUGH THE  
8 DISTRIBUTION SYSTEM EXTENSION CHARGE SHALL BE REASONABLE,  
9 PRUDENT AND USED AND USEFUL IN PROVIDING SERVICE.

10 (4) THE DISTRIBUTION SYSTEM EXTENSION CHARGE SHALL BE  
11 RESET AT ZERO AS OF THE EFFECTIVE DATE OF NEW BASE RATES THAT  
12 PROVIDE FOR PROSPECTIVE RECOVERY OF THE ANNUAL COSTS  
13 PREVIOUSLY RECOVERED UNDER THE DISTRIBUTION SYSTEM EXTENSION  
14 CHARGE.

15 (B) PETITION.--A PETITION FOR COMMISSION APPROVAL OF A  
16 DISTRIBUTION SYSTEM EXTENSION CHARGE SHALL INCLUDE ALL OF THE  
17 FOLLOWING:

18 (1) AN INITIAL TARIFF THAT INCLUDES A DESCRIPTION OF THE  
19 TYPES OF FACILITY TO BE CONSTRUCTED, WHICH MAY INCLUDE  
20 SERVICE LINES, AND THE MANNER IN WHICH THE COSTS WILL BE  
21 RECOVERED THROUGH THE DISTRIBUTION SYSTEM EXTENSION CHARGE.

22 (2) TESTIMONY, AFFIDAVITS, EXHIBITS OR OTHER EVIDENCE  
23 THAT DEMONSTRATES THAT A DISTRIBUTION SYSTEM EXTENSION CHARGE  
24 IS IN THE PUBLIC INTEREST AND WILL FACILITATE ECONOMICALLY  
25 FEASIBLE EXTENSIONS TO SERVE AN UNSERVED OR UNDERSERVED AREA  
26 WITHOUT UNREASONABLY BURDENING EXISTING CUSTOMERS OF THE  
27 NATURAL GAS DISTRIBUTION COMPANY. A DISTRIBUTION SYSTEM  
28 EXPANSION CHARGE SHALL BE DEEMED TO FACILITATE ECONOMICALLY  
29 FEASIBLE EXTENSIONS WHEN TESTIMONY, AFFIDAVITS, EXHIBITS OR  
30 OTHER EVIDENCE DEMONSTRATE THAT A PROJECT WOULD NOT BE

1 CONSTRUCTED WITHOUT THE USE OF THE CHARGE.

2 (3) THE ESTABLISHMENT OF A CUSTOMER CONTRIBUTION AMOUNT  
3 ABOVE WHICH SOME OR ALL OF THE COSTS ARE TO BE RECOVERED  
4 THROUGH THE DISTRIBUTION SYSTEM EXTENSION CHARGE. THE  
5 FOLLOWING APPLY:

6 (I) A RESIDENTIAL CUSTOMER WITH A GROSS MONTHLY  
7 HOUSEHOLD INCOME LEVEL AT OR BELOW 250% OF THE FEDERAL  
8 POVERTY LEVEL SHALL NOT BE REQUIRED TO PAY A CUSTOMER  
9 CONTRIBUTION AMOUNT. THE COSTS OTHERWISE PAYABLE BY THE  
10 RESIDENTIAL CUSTOMER SHALL BE DEEMED UNECONOMIC COSTS AND  
11 RECOVERED THROUGH THE DISTRIBUTION SYSTEM EXTENSION  
12 CHARGE.

13 (II) A CUSTOMER CONTRIBUTION AMOUNT MAY BE PAID BY A  
14 RESIDENTIAL CUSTOMER, AT THE CUSTOMER'S OPTION, THROUGH A  
15 ONE-TIME LUMP SUM PAYMENT OR IN ACCORDANCE WITH A  
16 PROVISION IN A NATURAL GAS COMPANY'S COMMISSION-APPROVED  
17 TARIFF WHICH PROVIDES FOR INCREMENTAL PAYMENTS DESIGNED  
18 TO SPREAD PAYMENT OF A CUSTOMER CONTRIBUTION AMOUNT OVER  
19 A FIXED TIME PERIOD.

20 (C) EXTENSIONS COSTS.--AS A PART OF THE INITIAL TARIFF UNDER  
21 SUBSECTION (B), A NATURAL GAS DISTRIBUTION COMPANY MAY PROPOSE  
22 ANY OF THE FOLLOWING:

23 (1) THE ESTABLISHMENT OF A STANDARD PER-MILE EXTENSION  
24 COST FOR ALL EXTENSION PROJECTS UNDER THIS MECHANISM, WITH  
25 COSTS IN EXCESS OF THE STANDARD TO BE RECOVERED THROUGH THE  
26 DISTRIBUTION SYSTEM EXTENSION CHARGE.

27 (2) OTHER MECHANISMS CONSISTENT WITH THE PUBLIC INTEREST  
28 AND THE POLICIES SPECIFIED UNDER THIS SECTION.

29 (D) HEARING.--AFTER THE FILING OF A PETITION UNDER  
30 SUBSECTION (B), THE COMMISSION SHALL, AFTER NOTICE AND

1 OPPORTUNITY TO BE HEARD, APPROVE, MODIFY OR REJECT THE  
2 DISTRIBUTION SYSTEM EXTENSION CHARGE AND INITIAL TARIFF. THE  
3 COMMISSION SHALL HOLD EVIDENTIARY AND PUBLIC INPUT HEARINGS AS  
4 NECESSARY TO REVIEW THE PETITION OR SUBSEQUENT FILINGS UNDER THE  
5 APPROVED TARIFF.

6 (E) LIMITATION.--THE DISTRIBUTION SYSTEM EXTENSION CHARGE  
7 MAY NOT EXCEED 1.5% OF THE AMOUNT BILLED TO CUSTOMERS UNDER THE  
8 APPLICABLE DISTRIBUTION RATES OF THE NATURAL GAS DISTRIBUTION  
9 COMPANY.

10 (F) EXPIRATION.--THIS SECTION SHALL EXPIRE DECEMBER 31,  
11 2028.

12 (G) DEFINITIONS.--AS USED IN THIS SECTION, THE FOLLOWING  
13 WORDS AND PHRASES SHALL HAVE THE MEANINGS GIVEN TO THEM IN THIS  
14 SUBSECTION:

15 "UNDERSERVED AREA." AN AREA IN WHICH NATURAL GAS SERVICE IS  
16 ALREADY AVAILABLE IN A PORTION OF A COMMUNITY OR MUNICIPALITY  
17 AND THE NATURAL GAS DISTRIBUTION COMPANY HAS IDENTIFIED  
18 SIGNIFICANT POTENTIAL FOR NATURAL GAS DEMAND IN PORTIONS OF THE  
19 COMMUNITY OR MUNICIPALITY WHERE SERVICE IS NOT CURRENTLY  
20 AVAILABLE.

21 "UNSERVED AREA." AN AREA IN WHICH A GROUP OF POTENTIAL  
22 CUSTOMERS ARE LOCATED IN CLOSE PROXIMITY TO AN EXISTING NATURAL  
23 GAS DISTRIBUTION MAIN.

24 Section 2. This act shall take effect in 60 days.