

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, KAMPF AND BARBIN, JANUARY 23, 2017

AS AMENDED ON SECOND CONSIDERATION, HOUSE OF REPRESENTATIVES, SEPTEMBER 25, 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~~ 1331. Recovery of natural gas distribution system <--
10 extension 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 reasonable and prudent costs, which
18 shall consist of depreciation and pretax return, incurred to

1 extend a facility to serve an unserved or underserved area.  
2 For city natural gas distribution operations, recoverable  
3 costs shall be amounts reasonably expended or incurred to  
4 extend a facility to serve an unserved or underserved area  
5 and associated financing costs, if any, including debt  
6 service, debt service coverage and issuance costs.

7 (2) The distribution system extension charge may recover  
8 only those costs to extend a facility that are uneconomic  
9 under the criteria for main extension in the tariff of the  
10 natural gas distribution company as approved by the  
11 commission.

12 (3) Any capital costs and expenses recovered through the  
13 distribution system extension charge shall be reasonable,  
14 prudent and used and useful in providing service.

15 (4) The distribution system extension charge shall be  
16 reset at zero as of the effective date of new base rates that  
17 provide for prospective recovery of the annual costs  
18 previously recovered under the distribution system extension  
19 charge.

20 (b) Petition.--A petition for commission approval of a  
21 distribution system extension charge shall include all of the  
22 following:

23 (1) An initial tariff that includes a description of the  
24 types of facility to be constructed, which may include  
25 service lines, and the manner in which the costs will be  
26 recovered through the distribution system extension charge.

27 (2) Testimony, affidavits, exhibits or other evidence  
28 that demonstrates that a distribution system extension charge  
29 is in the public interest and will facilitate economically  
30 feasible extensions to serve an unserved or underserved area

1 without unreasonably burdening existing customers of the  
2 natural gas distribution company. A distribution system  
3 expansion charge shall be deemed to facilitate economically  
4 feasible extensions when testimony, affidavits, exhibits or  
5 other evidence demonstrate that a project would not be  
6 constructed without the use of the charge.

7 (3) The establishment of a customer contribution amount  
8 above which some or all of the costs are to be recovered  
9 through the distribution system extension charge. The  
10 following apply:

11 (i) A residential customer with a gross monthly  
12 household income level at or below 250% of the Federal  
13 poverty level shall not be required to pay a customer  
14 contribution amount. The costs otherwise payable by the  
15 residential customer shall be deemed uneconomic costs and  
16 recovered through the distribution system extension  
17 charge.

18 (ii) A customer contribution amount may be paid by a  
19 residential customer, at the customer's option, through a  
20 one-time lump sum payment or in accordance with a  
21 provision in a natural gas company's commission-approved  
22 tariff which provides for incremental payments designed  
23 to spread payment of a customer contribution amount over  
24 a fixed time period.

25 (4) A PUBLIC EDUCATION PLAN REGARDING THE DISTRIBUTION <--  
26 SYSTEM EXTENSION CHARGE AND OTHER RELATED ISSUES.

27 (c) Extensions costs.--As a part of the initial tariff under  
28 subsection (b), a natural gas distribution company may propose  
29 any of the following:

30 (1) The establishment of a standard per-mile extension

1 cost for all extension projects under this mechanism, with  
2 costs in excess of the standard to be recovered through the  
3 distribution system extension charge.

4 (2) Other mechanisms consistent with the public interest  
5 and the policies specified under this section.

6 (d) Hearing.--After the filing of a petition under  
7 subsection (b), the commission shall, after notice and  
8 opportunity to be heard, approve, modify or reject the  
9 distribution system extension charge and initial tariff. The  
10 commission shall hold evidentiary and public input hearings as  
11 necessary to review the petition or subsequent filings under the  
12 approved tariff.

13 (e) Limitation.--The distribution system extension charge  
14 may not exceed 1.5% of the amount billed to customers under the  
15 applicable distribution rates of the natural gas distribution  
16 company.

17 (f) Expiration.--This section shall expire December 31,  
18 2028.

19 (g) Definitions.--As used in this section, the following  
20 words and phrases shall have the meanings given to them in this  
21 subsection:

22 "Underserved area." An area in which natural gas service is  
23 already available in a portion of a community or municipality  
24 and the natural gas distribution company has identified  
25 significant potential for natural gas demand in portions of the  
26 community or municipality where service is not currently  
27 available.

28 "Unserved area." An area in which a group of potential  
29 customers are located in close proximity to an existing natural  
30 gas distribution main.

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