

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1676 Session of
1977

INTRODUCED BY B. F. O'BRIEN, TRELLO, GOODMAN, McCALL, F. TAYLOR,
BURNS, C. GEORGE, GATSKI, STAIRS, FISHER, DAVIES, LEVI, LEHR,
McLANE, SCHWEDER, MUSTO, DeWEESE, SHUPNIK, SWEET, O'CONNELL,
MISCEVICH, ABRAHAM, GAMBLE, WANSACZ, GALLEN AND YAHNER,
SEPTEMBER 28, 1977

REFERRED TO COMMITTEE ON MINES AND ENERGY MANAGEMENT,
SEPTEMBER 28, 1977

AN ACT

1 Amending the act of May 28, 1937 (P.L.1053, No.286), entitled
2 "An act relating to the regulation of public utilities;
3 defining as public utilities certain corporations, companies,
4 associations, and persons; providing for the regulation of
5 public utilities, including, to a limited extent,
6 municipalities engaging in public utility business, by
7 prescribing, defining, and limiting their duties, powers, and
8 liabilities, and regulating the exercise, surrender or
9 abandonment of their powers, privileges, and franchises;
10 defining and regulating contract carriers by motor vehicle
11 and brokers in order to regulate effectively common carriers
12 by motor vehicle; conferring upon the Pennsylvania Public
13 Utility Commission the power and duty of supervising and
14 regulating persons, associations, companies, and
15 corporations, including, to a limited extent, municipal
16 corporations subject to this act, and administering the
17 provisions of this act; authorizing the commission to fix
18 temporary rates; placing the burden of proof on public
19 utilities to sustain their rates and certain other matters;
20 authorizing a permissive or mandatory sliding scale method of
21 regulating rates; providing for the supervision of financial
22 and contractual relations between public utilities and
23 affiliated interests, and supervision and regulation of
24 accounts and securities or obligations issued, assumed, or
25 kept by persons, associations, companies, corporations or
26 municipal corporations subject to this act; conferring upon
27 the commission power to vary, reform, or revise certain
28 contracts; conferring upon the commission the exclusive power
29 to regulate or order the construction, alteration,
30 relocation, protection, or abolition of crossings of

1 facilities of public utilities, and of such facilities by or
2 over public highways, to appropriate property for the
3 construction or improvement of such crossings, and to award
4 or apportion resultant costs and damages; authorizing owners
5 of such property to sue the Commonwealth for such damages;
6 providing for ejectment proceedings in connection with the
7 appropriation of property for crossings; conferring upon the
8 commission power to control and regulate budgets of public
9 utilities; imposing upon persons, associations, companies,
10 and corporations (except municipal corporations) subject to
11 regulation, the cost of administering this act; prescribing
12 and regulating practice and procedure before the commission
13 and procedure for review by the courts of commission action;
14 giving the court of common pleas of Dauphin County exclusive
15 original jurisdiction over certain proceedings; prescribing
16 penalties, fines, and imprisonment for violations of the
17 provisions of this act and regulations and orders of the
18 commission, and the procedure for enforcing such fines and
19 penalties; and repealing legislation supplied and superseded
20 by or inconsistent with this act," providing for test
21 generation and sliding scale of rates for electric utilities.

22 The General Assembly of the Commonwealth of Pennsylvania

23 hereby enacts as follows:

24 Section 1. Section 2, act of May 28, 1937 (P.L.1053,
25 No.286), known as the "Public Utility Law," is amended by adding
26 a clause to read:

27 Section 2. Definitions.--The following words, terms and
28 phrases shall have the meanings ascribed to them in this
29 section, unless the context clearly indicates otherwise.

30 * * *

31 (19.1) "Test Generation" means power generated by a unit
32 which is not yet commercially operative.

33 * * *

34 Section 2. Subsection (c) of section 307 of the act, amended
35 October 7, 1976 (P.L.1057, No.215), is amended to read:

36 Section 307. Sliding Scale of Rates.--* * *

37 (c) In [any method] automatically adjusting rates to reflect
38 changes in fossil fuel cost under [this section] section 307.1,
39 the fuel cost used in computing the adjustment shall be
40 limited[, in the case of an electric utility,] to the cost of

1 such fuel delivered to the utility at the generating site at
2 which it is to be consumed, and the cost of disposing of solid
3 waste from scrubbers or other devices designed so that the
4 consumption of Pennsylvania-mined coal at the generating site
5 would comply with the sulfur oxide emission standards prescribed
6 by the Commonwealth of Pennsylvania. The cost of fuel handling
7 after such delivery, or of waste disposal, other than as
8 prescribed above, shall be excluded from such computation. In
9 [any method] automatically adjusting rates to reflect changes in
10 fuel cost other than fossil fuel cost under [this section]
11 section 307.1, the fuel cost used in computing the adjustment
12 shall be limited[, in the case of an electric utility,] to the
13 cost of such fuel delivered to the utility at the generating
14 site at which it is to be consumed after deducting therefrom the
15 present salvage or reuse value of such fuel, as shall be
16 established by commission rule or order. The method to be used
17 by an electric utility in automatically adjusting rates to
18 reflect changes in fuel costs under this section shall be in
19 accordance with section 307.1.

20 * * *

21 Section 3. The act is amended by adding a section to read:

22 Section 307.1. Electric Utility Rates.--(a) A charge or
23 credit will be made when an electric utility company's estimated
24 twelve-month average cost per kilowatt hour of electric energy
25 which it expects to sell is 0.001 mills per kilowatt-hour above
26 or below that allowable in its basic rate. In estimating such
27 twelve-month average cost per kilowatt-hour of electric energy
28 the electric utility company shall include the cost of that
29 electric energy which it expects to produce itself and that
30 electric energy which it expects to purchase and receive as

1 interchange, less estimated receipts for the cost of electric
2 energy which it expects to sell or deliver as interchange to
3 other electric utilities: Provided, however, That the costs of
4 test generation and generation from new units expected to be
5 placed in service during the twelve-month period shall be
6 excluded from such average.

7 (b) To the extent permitted, the excess value of test
8 generation over the cost of fuel consumed for that generation
9 shall be credited to a separate deferred test energy account
10 maintained by the electric utility company to be amortized in
11 charges to the customers when the costs of the unit from which
12 it was produced have been reflected in base rates.

13 (c) The estimated twelve-month average cost for the second
14 and all succeeding twelve-month periods after the effective date
15 of this act will be adjusted to amortize, as a part of such
16 estimated twelve-month average cost, any under or over recovery
17 which may have accrued during the prior twelve-month period.
18 Such under or over recovery shall be charged or credited to a
19 separate deferred energy account to be maintained by the
20 electric utility company.

21 (d) Any credit balance in the separate deferred energy
22 account and the separate deferred test energy account shall be
23 credited with interest, monthly, at an annual rate the same as
24 the most recent overall rate of return authorized by the
25 commission. Such interest shall become a part of the balance in
26 the separate deferred energy accounts. Interest shall not be
27 allowable for any charges upon these accounts.

28 (e) Any debit balance in the separate deferred energy
29 accounts, as such debit balance shall exist from time to time,
30 shall constitute assets of the electric utility company to be

1 realized from its customers by amortization in accordance with
2 subsection (c). Any credit balance which shall exist from time
3 to time shall constitute a liability of the electric utility
4 company to its customers to be amortized in accordance with
5 subsection (c).

6 (f) At least thirty days prior to a new generating facility
7 being placed in commercial service, a new determination shall be
8 made of the electric utility company's estimated twelve-month
9 average cost of energy which reflects the expected impact of the
10 availability of energy from such facility on the electric
11 utility company's cost of energy during the twelve-month period
12 after such facility is placed in commercial service including
13 amortization over such twelve-month period of any credit or
14 debit balance in the separate deferred energy account.

15 (g) In the event that (1) a major change in the electric
16 utility company's estimated twelve-month average cost occurs, or
17 (2) the debit balance in the separate deferred energy expense
18 account exceeds such amount as the commission shall determine,
19 or (3) the credit balance in such separate account exceeds such
20 amount as the commission shall determine, a new estimated
21 twelve-month average cost may be determined and filed which
22 provides for the amortization over such period of the debit or
23 credit balance in the separate deferred energy expense account.

24 (h) When a change in the net charge or credit determined
25 pursuant to subsections (a), (f) or (g)(1) is to be placed in
26 effect, the electric utility company shall file with the
27 commission, not later than thirty days preceding the effective
28 date, a schedule setting forth the amount of such net charge or
29 credit and the first day when such changed net charge or credit
30 shall be applied, together with the data showing the details of

1 the calculation of such net charge or credit. Notice of such
2 filing will be given in such manner as shall be prescribed by
3 the commission and an opportunity for public review and comment
4 on such filing will be afforded on the fifteenth day following
5 such filing, or, if such day shall not be a day on which the
6 commission is open for the conduct of its business, then on the
7 next succeeding business day of the commission. Notwithstanding
8 the filing of any comments thereon, such changed net charge or
9 credit shall be placed in effect on the date specified in such
10 schedule. However, if so directed by the commission, amounts
11 received by the electric utility company pursuant to such
12 schedule may be subject to possible refund by adjustment from
13 the deferred energy account with interest at a rate to be
14 specified by the commission. The commission shall approve or
15 disapprove such schedule within ninety days of its filing.

16 (i) When a change in the net charge or credit determined
17 pursuant to subsection (g)(2) or (3) is to be placed in effect,
18 the electric utility company shall file with the commission, not
19 later than fifteen days preceding the effective date, a schedule
20 setting forth the amount of such net charge or credit and the
21 first day when such changed net charge or credit shall be
22 applied, together with the data showing the details of the
23 calculations of such net charge or credit. Such changed net
24 charge or credit shall be placed in effect, subject to possible
25 refund by adjustment from the deferred energy account, with
26 interest at a rate to be specified by the commission, on the
27 date specified in such schedule. Notice of a filing pursuant to
28 this will be given in such a manner as shall be prescribed by
29 the commission and an opportunity for public review and comment
30 on such filing will be afforded on the day set by the

1 commission. The commission shall either approve or disapprove
2 such schedule within ninety days of its filing.

3 (j) The energy adjustment clause of an electric utility
4 company will reflect the voltage at which service is taken by
5 multiplying the computed composite adjustment factor by factors
6 which reflect energy losses at secondary, primary and
7 transmission levels. These factors will be revised and filed
8 with the commission as changes in the basis of their
9 calculations warrant.

10 (k) The electric utility company shall file quarterly
11 reports with the commission setting forth such information as
12 the commission shall determine in order to affect the purposes
13 of this act.

14 Section 4. This act shall take effect immediately.