



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1699

PRINTERS NO. 3719

PRIME SPONSOR: Ross

### COST / (REVENUE)

FUND	FY 2013/14	FY 2014/15
General Fund; Clean Air Fund	\$0	See Fiscal Impact

**SUMMARY:** House Bill 1699, Printer's Number 3719, provides for the regulation of certain reciprocal internal combustion engines.

**ANALYSIS:** This bill establishes the Reciprocal Internal Combustion Engine Act to regulate standby emergency generators that are compensated for their participation in PJM demand response programs. PJM, known as the Pennsylvania-New Jersey-Maryland Interconnection, is defined as the independent system operator and regional transmission organization authorized by the Federal Energy Regulatory Commission to manage the wholesale procurement of electricity and electric generation capacity serving the Commonwealth.

Beginning in 2015, each demand response generator must register with the Department of Environmental Protection (DEP) using a form provided by the department. The registration will include a \$100 fee, which is subject to annual adjustments to reflect upward changes in the Consumer Price Index.

The owner or operator of a demand response generating resource must also provide an annual report to DEP outlining the fuel types and amounts used; the daily and annual hours of operation, delineated by testing and maintenance hours, emergency hours and nonemergency hours; and additional information as requested by DEP, consistent with federal reporting requirements. Owners or operators must maintain each record for a minimum of five years.

DEP must prepare and submit an air quality impact study, as well as an annual list of registered generators to the Public Utility Commission (PUC) for an annual compliance audit. The cost for the study is provided for within the legislation stating that DEP may utilize \$250,000 of the unexpended Alternative Energy Series 2010B proceeds allocated to the department as part of the Alternative Energy Investment Act.

PUC must then conduct blind compliance audits to ensure that generators meet the requirements of the legislation. PUC must also request an annual listing from PJM of all demand response generating resources located in Pennsylvania to be compared with DEP's registration listing.

Prior to the air quality study being completed, the department may not promulgate additional regulations providing for the environmental control of demand response generating resources.

The legislation provides that, for a first offense, the PUC shall levy a \$300 civil penalty. For a second, subsequent or continuing offense, the penalty is \$500 plus \$25 per day for each day of continued violation. Fines and civil penalties collected by the PUC under this act shall be retained by the PUC for administration of the act.

This bill also states that it shall not apply to a generator that is not a demand response generating resource and that is operated in instances where there is onsite loss of electrical power or if the generator is being used solely to supply power as a result of a disruption in electric service.

This shall take effect immediately upon enactment.

**FISCAL IMPACT:** Enactment of this bill will have no adverse fiscal impact on Commonwealth funds. HB 1699 does provide for three different sources of revenues to support this program and the duties assigned to the Department of Environmental Protection (DEP) and the Public Utility Commission (PUC).

For example, beginning in 2014, and every two years thereafter, these generators must pay a \$100 registration fee to DEP. Such fees would be paid into the Clean Air Fund for the operation of the program and would be subject to annual adjustments to reflect upward changes in the Consumer Price Index. Collection of this fee is projected to generate at least \$100,000 in additional revenue with over 1,000 generators being required to register.

Secondly, up to \$250,000 of the costs to prepare the air quality impact study by the department shall be covered from the available balance and unexpended Alternative Energy Series 2010B proceeds as part of the Alternative Energy Investment Act (Act 1 of 2008).

Third, all fines and civil penalties assessed shall be retained by the PUC for administering this program. The legislation provides that, for a first offense, the PUC shall levy a \$300 civil penalty. For a second, subsequent or continuing offense, the penalty is \$500 plus \$25 per day for each day of continued violation.

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**DATE:** June 16, 2014

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*