
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1730 Session of
2003

INTRODUCED BY SEMMEL, LEDERER, REICHLEY, DENLINGER, HORSEY,
SAYLOR AND SOLOBAY, JUNE 26, 2003

REFERRED TO COMMITTEE ON CONSUMER AFFAIRS, JUNE 26, 2003

AN ACT

1 Amending Title 66 (Public Utilities) of the Pennsylvania
2 Consolidated Statutes, providing for management audits of
3 public utilities.

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

6 Section 1. Section 516 of Title 66 of the Pennsylvania
7 Consolidated Statutes is amended to read:

8 § 516. [Audits] Management audits of certain utilities.

9 (a) General rule.--The commission shall [provide for] have
10 the power to provide for management audits of any electric, gas,
11 telephone or water utility whose plant in service is valued at
12 not less than \$10,000,000. [The audits shall include an
13 examination of management effectiveness and operating
14 efficiency. The commission shall establish procedures for audits
15 of the operations of utilities as provided in this section.
16 Audits shall be conducted at least once every five years unless
17 the commission finds that a specific audit is unnecessary, but
18 in no event shall audits be conducted less than once every eight

1 years.] Absent special circumstances involving health, safety or
2 welfare, audits shall not be conducted in a frequency greater
3 than once every five years, nor shall an audit commence sooner
4 than five years after the completion of the previous audit. The
5 commission may establish procedures for audits of the operations
6 of utilities as provided in this section and shall have the
7 discretion to have such audits performed by its staff or by
8 independent auditors. A summary of the audits [mandated]
9 authorized by this subsection shall be released to the public,
10 and a complete copy of the audits shall be provided to the
11 Office of Trial Staff and the Office of Consumer Advocate.

12 [(b) Management efficiency investigations.--In addition to
13 the audits mandated by subsection (a), the commission shall
14 appoint a management efficiency investigator who shall
15 periodically examine the management effectiveness and operating
16 efficiency of all utilities required to be audited under
17 subsection (a) and monitor the utility company responses to the
18 audits required by subsection (a). For the purposes of carrying
19 out the periodic audit required by this subsection and for
20 carrying out the monitoring of audits required by subsection
21 (a), the commission is hereby empowered to direct the management
22 efficiency investigator to conduct such investigations through
23 and with teams made up of commission staff and/or independent
24 consulting firms; further, the commission may designate specific
25 items of management effectiveness and operating efficiency to be
26 investigated. The management efficiency investigator shall
27 provide an annual report to the commission, the affected
28 utility, the Office of Trial Staff and the Office of Consumer
29 Advocate detailing the findings of such investigations.]

30 (c) Use of independent auditing firms.--The commission may

1 require an audit under subsection (a) [or (b)] to be performed
2 by an independent consulting firm. When the commission[, under
3 either subsection (a) or (b),] orders an audit to be performed
4 by an independent consulting firm, the commission, after
5 consultation with the utility, shall select the firm and require
6 the utility to enter into a contract with the firm providing for
7 payment of the firm by the utility. The terms of the contract
8 shall include all reasonable expenses directly related to the
9 performance of the audit [or to the management efficiency
10 investigation activities of independent consulting firms at the
11 utility,] as well as [their] the preparation and presentation of
12 testimony in any contested litigation which may be undertaken as
13 a result of the audit findings [under subsection (a) or (b)].
14 That contract shall require the audit firm to work under the
15 direction of the commission.

16 (d) Other powers of commission unaffected.--This section is
17 not intended to alter or repeal any existing powers of the
18 commission to conduct other audits as necessary to protect the
19 public interest.

20 Section 2. This act shall take effect immediately.