
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 40

Special Session No. 1 of
2007-2008

INTRODUCED BY PRESTON, D. EVANS, BRENNAN, DALEY, GODSHALL,
JAMES, JOSEPHS, MCGEEHAN, MYERS, PARKER, WOJNAROSKI AND
KORTZ, NOVEMBER 2, 2007

REFERRED TO COMMITTEE ON CONSUMER AFFAIRS, NOVEMBER 2, 2007

AN ACT

1 Establishing the Natural Gas Pipeline Replacement Program and
2 the Natural Gas Pipeline Replacement Fund; providing for
3 powers and duties of the Pennsylvania Infrastructure
4 Investment Authority and the Pennsylvania Public Utility
5 Commission; and authorizing a public referendum.

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

8 Section 1. Short title.

9 This act shall be known and may be cited as the Natural Gas
10 Infrastructure Public Safety and Environmental Protection Act.

11 Section 2. Legislative findings.

12 The General Assembly finds and declares as follows:

13 (1) Approximately 95% of natural gas leaks in
14 Pennsylvania occur on 5% of the natural gas distribution
15 pipeline.

16 (2) The majority of these leaks occur because of the
17 corrosion of cast-iron and unprotected bare steel pipes.

18 (3) In Pennsylvania, there are approximately 13,000
19 miles of cast-iron and unprotected bare steel pipelines.

1 (4) The cost of replacing this aging infrastructure is
2 estimated to be between \$9,000,000,000 and \$16,000,000,000.

3 (5) Accelerating the replacement of these pipelines will
4 not only help conserve an important energy resource but will
5 also enhance public safety and service reliability.

6 (6) More importantly, an accelerated pipeline
7 replacement program also will protect the environment by
8 reducing the level of natural gas leaked into the atmosphere,
9 which is one of the gases believed to contribute to the
10 Greenhouse Effect.

11 (7) A general obligation bond-financed natural gas
12 pipeline replacement program would accelerate the removal of
13 these pipes and thus conserve energy, protect public safety,
14 enhance reliability and reduce the leakage of gases leading
15 to global warming.

16 Section 3. Definitions.

17 The following words and phrases when used in this act shall
18 have the meanings given to them in this section unless the
19 context clearly indicates otherwise:

20 "Authority." The Pennsylvania Infrastructure Investment
21 Authority established by the act of March 1, 1988 (P.L.82,
22 No.16), known as the Pennsylvania Infrastructure Investment
23 Authority Act.

24 "Commission." The Pennsylvania Public Utility Commission.

25 "Fiscal constraint." Bond rating standards of "BBB" or "Baa"
26 or worse from nationally recognized rating services or
27 corporations.

28 "Fund." The Natural Gas Pipeline Replacement Fund
29 established under section 12.

30 "Low-interest loan." A loan having an annual interest rate

1 of 2% or less.

2 "Natural gas distribution company." A natural gas
3 distribution company as defined in 66 Pa.C.S. Pt. I Subpt. D
4 (relating to special provisions relating to regulation of public
5 utilities) or any municipally owned natural gas distribution
6 company within this Commonwealth.

7 "Recipient." A natural gas distribution company that
8 receives a grant or loan under this act.

9 "Structurally deficient pipes." Pipes carrying natural gas
10 and having significant corrosion or deterioration that elevates
11 the likelihood of leakage or failure using an objective measure
12 as developed under section 4(d).

13 Section 4. Natural Gas Pipeline Replacement Program.

14 (a) Establishment.--There is hereby established the Natural
15 Gas Pipeline Replacement Program within the authority for the
16 purpose of replacing structurally deficient pipes within this
17 Commonwealth.

18 (b) Eligibility.--

19 (1) Any natural gas distribution company is eligible to
20 submit an application for a low-interest loan under this
21 section.

22 (2) Any natural gas distribution company that is
23 municipally owned and is under fiscal constraint is eligible
24 to submit an application for a grant under this section.

25 (c) Application.--No grant or loan shall be awarded unless
26 the natural gas distribution company submits an application to
27 the authority pursuant to guidelines adopted by the authority.

28 (d) Criteria.--

29 (1) In consultation with the commission, the authority
30 shall develop an objective measure to rate the deficiency of

1 pipes. Such measure shall give priority to cast-iron and
2 unprotected bare steel pipes.

3 (2) Funding assistance shall be ranked based upon the
4 need to replace structurally deficient pipes and shall not be
5 based on funding criteria for other programs implemented by
6 the authority.

7 (3) No recipient shall receive in grants and loans more
8 than 25% of the total indebtedness authorized by this act.
9 This limitation shall only apply to the initial grants and
10 loans and shall not include additional grants or loans from
11 additional funds made available from loan repayments or other
12 sources.

13 (4) No grant or loan shall be awarded unless the natural
14 gas distribution company and the authority sign a contract
15 outlining the conditions of the grant or loan subject to the
16 provisions of this act.

17 (5) The authority shall establish standards for low-
18 interest loans and may offer various rates as long as the
19 standards are applied uniformly to all applicants. The
20 interest rates and standards shall be adopted separately and
21 shall not be subject to criteria of other programs
22 administered by the authority.

23 (6) The authority may establish other criteria for the
24 making of grants and loans under this act.

25 (e) Reports.--

26 (1) Each recipient shall file periodic performance
27 reports no less than annually or more frequently if so
28 determined by the authority. The contents of the report shall
29 be determined by the authority in consultation with the
30 commission and shall include detailed statistics on the

1 status and progress of the natural gas infrastructure. Each
2 recipient shall provide the commission a copy of each report
3 filed with the authority.

4 (2) Failure to file a report shall cause a recipient to
5 lose grant money or loans issued as determined by the
6 authority.

7 Section 5. Duties of authority.

8 (a) General rule.--The authority shall administer and carry
9 out the provisions of this act, which shall include, but not be
10 limited to, the duties specified under this act.

11 (b) Notification and timetable.--The authority shall notify
12 all natural gas distribution companies of the availability of
13 grants and low-interest loans under this act and provide a
14 timetable for submission of applications and announcement of
15 awards.

16 (c) Guidelines.--The authority shall adopt guidelines, rules
17 or regulations as may be necessary by the program established in
18 section 4.

19 (d) Consultation.--The authority shall consult the
20 commission on technical aspects in carrying out this act.

21 (e) Contract and oversight.--The authority shall enter into
22 contracts with each potential recipient and monitor grants and
23 loans to help ensure that they are expended consistent with the
24 contract and the intent of this act.

25 Section 6. Reports to General Assembly.

26 The authority shall submit an annual report to the General
27 Assembly on the implementation of this act. The report shall
28 include final guidelines adopted, criteria used for selection of
29 recipients of grants and loans and detailed performance
30 statistics for each grant and loan pursuant to section 4. The

1 report shall also summarize the information on a Statewide basis
2 and provide an overview of the progress of the replacement of
3 pipes. Copies of the reports shall be filed with the Consumer
4 Protection and Professional Licensure Committee of the Senate,
5 the Consumer Affairs Committee of the House of Representatives
6 and the commission.

7 Section 7. Incurring indebtedness.

8 Pursuant to the provisions of section 7(a)(3) of Article VIII
9 of the Constitution of Pennsylvania, the question of incurring
10 indebtedness of \$1,000,000,000 for grants and low-interest loans
11 to natural gas distribution companies for the replacement of
12 structurally deficient pipes subject to the provisions of this
13 act shall be submitted to the electors at the next primary,
14 municipal or general election that is at least 60 days after the
15 effective date of this section.

16 Section 8. Certification of question.

17 The Secretary of the Commonwealth shall certify the question
18 of incurring indebtedness pursuant to this act to the county
19 boards of elections.

20 Section 9. Question to electorate.

21 The question of incurring indebtedness of \$1,000,000,000 for
22 grants and low-interest loans to natural gas distribution
23 companies for the replacement of structurally deficient pipes
24 shall be in substantially the following form:

25 Do you favor the incurring of indebtedness by the
26 Commonwealth of \$1,000,000,000 for use as competitive
27 grants and low-interest loans of 2% or less based on
28 objective criteria to natural gas distribution companies,
29 including municipally-owned natural gas distribution
30 companies, for accelerating the replacement of aged and

1 corroding pipes that may pose a risk of leakage?

2 Section 10. Conduct of election.

3 The election shall be conducted in accordance with the act of
4 June 3, 1937 (P.L.1333, No.320), known as the Pennsylvania
5 Election Code.

6 Section 11. Issuance of bonds.

7 As evidence of the indebtedness if authorized under section
8 9, general obligation bonds of the Commonwealth shall be issued
9 for the purposes of this act.

10 Section 12. Natural Gas Pipeline Replacement Fund.

11 (a) Establishment.--The Natural Gas Pipeline Replacement
12 Fund is hereby established and shall be administered by the
13 authority.

14 (b) Funds.--The proceeds from the sale of any general
15 obligation bonds of the Commonwealth issued under this act shall
16 be deposited into the fund.

17 (c) Continuing appropriation.--The General Assembly hereby
18 appropriates on a continuing basis to the authority the moneys
19 of the fund for the purposes established by this act.

20 Section 13. Funds or accounts.

21 The authority shall deposit any appropriations or funds,
22 including principal and interest loan repayments, received
23 pursuant to this act in separate accounts within the fund. Any
24 interest earned on such deposits or loan repayments shall remain
25 in the fund and may be used:

26 (1) For grants and low-interest loans as established by
27 this act.

28 (2) To offset administrative costs incurred by the
29 authority in performing its duties pursuant to this act
30 provided that no more than \$250,000 is used for

1 administrative costs in the first fiscal year. This amount
2 may be increased by the rate of inflation as measured by the
3 Consumer Price Index as published by the United States
4 Department of Labor, Bureau of Labor Statistics, for each
5 year thereafter.

6 Section 14. Notice in Pennsylvania Bulletin.

7 If the electorate approves the question of incurring
8 indebtedness as provided under this act, the Secretary of the
9 Commonwealth shall publish a notice thereof in the Pennsylvania
10 Bulletin within 14 days of the date of the election.

11 Section 15. Effective date.

12 This act shall take effect as follows:

13 (1) Sections 4, 5, 6, 12 and 13 shall take effect upon
14 publication of the notice required under section 14.

15 (2) The remainder of this act shall take effect
16 immediately.