
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1782 Session of
2017

INTRODUCED BY DELOZIER, GREINER, KAUFER, M. K. KELLER,
MACKENZIE, THOMAS, WHEELAND, CARROLL, SCHWEYER AND ZIMMERMAN,
SEPTEMBER 14, 2017

REFERRED TO COMMITTEE ON CONSUMER AFFAIRS, SEPTEMBER 14, 2017

AN ACT

1 Amending Title 66 (Public Utilities) of the Pennsylvania
2 Consolidated Statutes, in rates and distribution systems,
3 providing for alternative ratemaking for natural gas and
4 electric distribution companies.

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. Alternative ratemaking for natural gas and electric
10 distribution companies.

11 (a) Declaration of policy.--The General Assembly finds and
12 declares as follows:

13 (1) Innovations in energy and information technologies
14 are creating new energy options for all customers, and it is
15 in the public interest for the commission to approve just and
16 reasonable rates and rate mechanisms to facilitate customer
17 access to new energy options while ensuring that natural gas
18 and electric distribution infrastructure costs are reasonably

1 allocated to and recovered from customers and market
2 participants consistent with the use of the infrastructure.

3 (2) It is the policy of the Commonwealth that utility
4 ratemaking should encourage and sustain investment in natural
5 gas and electric distribution systems through appropriate
6 cost-recovery mechanisms to enhance the safety, security,
7 reliability or availability of natural gas and electric
8 infrastructure and be consistent with the efficient
9 consumption of energy and the deployment of distributed
10 energy resources.

11 (b) Alternative rate mechanisms.--

12 (1) Any provision of law to the contrary
13 notwithstanding, the commission may approve an application by
14 a natural gas distribution company as defined in section 2202
15 (relating to definitions) or electric distribution company as
16 defined in section 2803 (relating to definitions) in a base
17 rate proceeding to establish alternative rates and rate
18 mechanisms, including, but not limited to, the following
19 mechanisms:

20 (i) decoupling mechanisms;

21 (ii) performance-based rates;

22 (iii) formula rates;

23 (iv) multiyear rate plans;

24 (v) cost-recovery mechanisms and rates to support
25 and fully recover the allocated costs to deploy
26 infrastructure and distributed energy resources; or

27 (vi) rates based on a combination of more than one
28 of the mechanisms in subparagraphs (i), (ii), (iii), (iv)
29 and (v) or other ratemaking mechanisms as provided under
30 this chapter.

1 (2) An alternative rate mechanism established under this
2 section may include section 1307 (relating to sliding scale
3 of rates and adjustments) or 1308 (relating to voluntary
4 changes in rates) rates and may provide for recovery of
5 returns on and return of capital investments or, in the case
6 of city natural gas distribution operations, recovery under
7 the cash flow ratemaking method.

8 (c) Construction.--Nothing in this section shall be
9 construed as limiting the existing ratemaking authority of the
10 commission or be construed to invalidate or void any rate
11 mechanisms approved by the commission prior to the effective
12 date of this section.

13 (d) Definitions.--As used in this section, the following
14 words and phrases shall have the meanings given to them in this
15 subsection unless the context clearly indicates otherwise:

16 "Decoupling mechanism." A rate mechanism that adjusts or
17 reconciles authorized distribution rates or revenues for
18 differences between sales used to set rates and actual sales,
19 including, but not limited to, customer adjustments or other
20 adjustments deemed appropriate by the commission.

21 "Distributed energy resource." Any of the following:

22 (1) A distributed generation resource.

23 (2) Energy efficiency.

24 (3) Energy storage.

25 (4) Alternative fuel vehicles and associated
26 infrastructure.

27 (5) Demand response technology.

28 "Formula rates." Rates that are periodically adjusted based
29 on a predetermined formula without the need for a full base rate
30 proceeding.

1 "Multiyear rate plan." A rate mechanism where periodic
2 changes in base rates are approved in advance by the commission
3 and without the need for base rate proceedings based on an
4 approved revenue requirement for the multiyear plan period,
5 which may include adjustments for inflation during the plan
6 period.

7 "Performance-based rates." Rates that are set or adjusted
8 based on a public utility's financial or operating performance.
9 Such mechanisms can be part of, or in addition to, existing rate
10 base/rate of return ratemaking or cash flow ratemaking method
11 and may include capital costs and return thereon.

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