



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1490

PRINTERS NO. 2650

PRIME SPONSOR: Turzai

### COST / (SAVINGS)

FUND	FY 2017/18	FY 2018/19
General Fund	See Fiscal Impact	See Fiscal Impact

**SUMMARY:** House Bill 1490, Printer's Number 2650, amends Title 66 to grant the Public Utility Commission oversight of water and sewer authorities in cities of the second class.

**ANALYSIS:** This bill amends Title 66 (Public Utilities) to grant the Public Utility Commission oversight of water and sewer authorities in cities of the second class beginning April 1, 2018. The service provisions and regulations found under the title shall apply to the authority, but it will not be defined as a "public utility." It also states that this shall apply to an authority that seeks to acquire, construct or begin to operate any equipment, plant or other facility for the rendering of service beyond the areas served.

An authority is required to continue service to customers in accordance with a prior tariff until the effective date of a commission's order approving a new tariff. A "prior tariff" is defined as the rates and terms of condition of service provided by an authority on the date the commission assumes jurisdiction. The authority shall file a tariff and supporting data with the commission within 60 days of the effective date of this section. The commission will then conduct an initial rate proceeding in accordance with their tariff filings. Public hearings shall be held within the boundaries of an authority.

The commission shall also employ an imputed capital structure of comparable public utilities providing water or wastewater service when determining a just and reasonable rate furnished or rendered by a municipal corporation or by the operating agencies of a municipal corporation providing service beyond its corporate limits.

Within 180 days of the enactment date of this section a compliance plan must be developed outlining how the authority will convert its existing information technology, accounting, billing, collection and other operating systems and procedures to comply with the requirements applicable to water and waste water utilities. The compliance plan must include a long-term infrastructure improvement plan that considers whether the conversion costs.

The bill states that the commission may require an authority to maintain, repair, and replace facilities and equipment used to provide services to ensure that the equipment and facilities

comply with existing law. An authority may petition the commission for the establishment of a distribution system improvement charge to recover the cost of infrastructure improvements.

The bill also provides for the duties of the Office of Consumer Advocate (OCA) and the Office of Small Business Advocate (OSBA). The OCA shall represent the interests of consumers in any matter properly before the commission relating to an authority, while the OSBA shall represent the interest of small business consumers in any matter properly before the commission relating to an authority. The offices may file complaints with the commission on behalf of a consumers.

The chairperson, vice chairperson or executive director of an authority shall file, within 30 days of the effective date and on or before March 31 of each year thereafter, a sworn statement that specifies the authority's gross intrastate revenues for the preceding calendar year. The commission shall make an estimate based on the gross intrastate revenues and shall impose an assessment on an authority based on the authority's proportional share of the commission's expenses. An authority shall pay an assessment on an annual basis.

Nothing in this chapter can be used to rescind or limit the power of a city of the second class to establish an authority or determine the powers, functions, budget or activities of an authority. Nothing in this chapter can be used to prevent a city official of a city of the second class from conducting audits and examinations of the financial affairs of an authority. Proprietary information of an authority shall not be made available through the Right-to-Know Law and shall not be subject to mandatory public disclosure.

The legislation would take effect immediately upon enactment.

**FISCAL IMPACT:** Enactment of this legislation will have no adverse fiscal impact on Commonwealth funds. It is expected that all administrative costs and duties of the Public Utility Commission, as well as those of the OCA and OSBA, would be covered under existing operations once additional annual revenues are received from the assessment imposed on the authority based on gross intrastate revenues.

For example, the commission projects these new duties may cost \$733,000 and require seven additional full-time positions. The OSBA also anticipates an increase of approximately \$100,000 in operating costs for FY 2018-19 above the imposed statutory cap on gross intrastate utility revenues. This is because current revenue projections are based on the prior calendar year and do not include the new assessments outlined under Section 3207 in the bill.

**PREPARED BY:** Jeffrey Clukey  
House Appropriations Committee (R)

**DATE:** November 20, 2017

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