

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. Senate Bill 738

PRINTER'S NO. 1146

AMOUNT

No Fiscal Impact

FUND

General Fund (Restricted Account)

DATE INTRODUCED

April 3, 2013

PRIME SPONSOR

Senator Yaw

HISTORY OF BILL

Referred to ENVIRONMENTAL RESOURCES AND ENERGY, April 3, 2013
Reported as amended, May 1, 2013
First consideration, May 1, 2013
Second consideration, May 7, 2013
Re-referred to APPROPRIATIONS, May 7, 2013
Re-reported as amended, June 3, 2013

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 738, as amended, establishes a freestanding act known as the Natural Gas Consumer Access Act. The legislation will facilitate the expansion, distribution and use of Pennsylvania-produced natural gas.

Senate Bill 738 requires that within nine months after the effective date of the act, or within two years after a franchise territory is awarded, each natural gas distribution utility ("utility") shall submit a plan to the Public Utility Commission ("commission"). The plan shall be updated triennially and shall include the following:

1. The number of existing customers by municipality in the certified service area.
2. The number of residential, commercial and industrial entities in the service area by municipality which do not have gas service available, and the anticipated market penetration.
3. The adjacent municipalities of a distribution system that are not serviced by any natural gas distribution utility.
4. The plan shall contain the following information:
 - i. A three-year projection for extension projects, demonstrating a reasonable increase in the service area of customers per year.

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- ii. A three-year projection for expansion projects, along with accompanying data, that is based upon the length and cost of required extensions and the numbers of customers affected for each potential project demonstrating a reasonable increase in the service area of customers per year.
- iii. Financing that is available to complete the programs, including customer contribution programs.
- iv. Known rights-of-way, easement or geographic issues that present an impediment to expansion or extension projects.
- v. A form that will be used to enter into an agreement with a prospective customer in order to obtain access to an expansion and extension project.
- vi. The standards the natural gas utility will use to determine if a customer is unable to comply with the repayment schedule adopted by the utility.

The commission shall review the plan for adequacy and completeness and may seek additional information as necessary. If the commission believes the plan does not meet the requirements of the act, it shall reject the plan or order the natural gas distribution utility to submit a revised plan. The commission shall promulgate regulations for the periodic review of distribution system extension and expansion plans submitted under the act, including standards to ensure expansion and accessibility to residential, commercial and industrial users.

The commission shall require a supplemental filing of information to ensure full compliance with the act by a utility that has within the past year filed a commission-approved plan or program.

The legislation requires a natural gas distribution utility to provide customers with the following customer contribution criteria for extension and expansion projects:

1. The actual cost of the extension or expansion of service to the prospective customer and the geographic area for that project.
2. A cost-benefit test to determine whether a customer contribution is required.
3. A reasonable period of time based on the customer contribution, which shall not be less than ten years or a lesser period of time by mutual agreement between the prospective customer and the utility, in which customers will reimburse the utility for the extension or expansion of service to the prospective customer.
4. The total cost to a customer, including initial deposit and periodic payment or reduction in periodic payments.

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5. Reasonable refund provisions to the original customers as other customers receive service from the extension or expansion of service to the original customers. The refund period shall be for a period of not less than five years unless otherwise approved by the commission.
6. Support for the economic test used to determine the customer contribution for line extensions and comparisons with other economic tests, such as a net revenue screen or net present value method.

Upon commission approval of the criteria, the utility shall modify its tariff within 30 days. The utility shall adjust a customer contribution to reflect changes in expansion or extension of service to customers. The charge assessed to customers shall appear as a separate, itemized line on the customer's bill. The utility shall notify all of its customers of its plan and customer contribution criteria at least once a year.

A natural gas distribution utility shall provide a bona fide request program in areas where it does not provide service or for expansion of service and the manner in which a customer will be charged for expansion. The plan shall provide for expedited extension or expansion projects under the following circumstances:

1. A large aggregation of prospective customers who ask to obtain or expand service.
2. An economic development corporation, which as part of a development project creating 30 or more jobs, requires expanded or extended service.

The commission by regulation or order shall prescribe the specific procedures to be followed to approve a distribution system extension or expansion plan and customer contribution criteria, taking into consideration the saturation and other characteristics of each natural gas distribution utility. The commission shall establish standards to ensure that work is performed by qualified employees of either the utility or an independent contractor in a manner that protects system reliability and safety of the public. If the commission determines that a plan is inadequate, it shall revise the utility's plan and customer contribution criteria to ensure reasonable access. Utility charges are subject to audit and reconciliation by the commission, and excess charges shall be refunded with interest to the customer.

Nothing in the act shall be construed to allow the natural gas utility or the commission to pass the cost of an expansion or extension project to existing natural gas customers.

The act shall take effect in 30 days.

FISCAL IMPACT:

Enactment of the legislation will have no adverse impact on Commonwealth funds. The Public Utility Commission has indicated that it will utilize existing staff in order to carry out its responsibilities under the act.