

AMENDMENTS TO HOUSE BILL NO. 1782

Sponsor: REPRESENTATIVE GODSHALL

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1 Amend Bill, page 1, lines 3 and 4, by striking out "natural
2 gas and electric distribution companies" and inserting
3 utilities

4 Amend Bill, page 1, lines 9 through 18; pages 2 and 3, lines
5 1 through 30; page 4, lines 1 through 11; by striking out all of
6 said lines on said pages and inserting

7 § 1330. Alternative ratemaking for utilities.

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

10 (1) Innovations in utility operations and information
11 technologies are creating new opportunities for all
12 customers, and it is in the public interest for the
13 commission to approve just and reasonable rates and rate
14 mechanisms to facilitate customer access to these new
15 opportunities while ensuring that utility infrastructure
16 costs are reasonably allocated to and recovered from
17 customers and market participants consistent with the use of
18 the infrastructure.

19 (2) It is the policy of the Commonwealth that utility
20 ratemaking should encourage and sustain investment through
21 appropriate cost-recovery mechanisms to enhance the safety,
22 security, reliability or availability of utility
23 infrastructure and be consistent with the efficient
24 consumption of utility service.

25 (b) Alternative rate mechanisms.--

26 (1) Notwithstanding any other provision of law,
27 including, but not limited to, sections 2806.1(k)(2)
28 (relating to energy efficiency and conservation program) and
29 2807(f)(4) (relating to duties of electric distribution
30 companies), the commission may approve an application by a
31 utility in a base rate proceeding to establish alternative
32 rates and rate mechanisms, including, but not limited to, the
33 following mechanisms:

34 (i) decoupling mechanisms;

35 (ii) performance-based rates;

1 (iii) formula rates;
2 (iv) multiyear rate plans; or
3 (v) rates based on a combination of more than one of
4 the mechanisms in subparagraphs (i), (ii), (iii) and (iv)
5 or other ratemaking mechanisms as provided under this
6 chapter.

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

14 (3) Capital costs and expenses recovered through
15 alternative rates and rate mechanisms shall be reasonable and
16 prudently incurred and used and useful in providing service.
17 Nothing in this paragraph shall be construed to prohibit or
18 limit the recovery of revenue, as appropriate, under a
19 commission-approved performance-based rate plan.

20 (c) Customer notice.--

21 (1) A utility shall notify a customer of all of the
22 following:

23 (i) The filing of an application under subsection

24 (b)(1).

25 (ii) The commission's decision on the application.

26 (iii) A summary and, if applicable, a schedule of
27 the rate adjustments that will occur as a result of the
28 commission's approval of a utility application under
29 subsection (b) and the effective date of the adjustments.

30 (iv) Any other information required by the
31 commission by regulation or order.

32 (2) Notice shall be provided through customer bill
33 inserts and posted on the utility's publicly accessible
34 Internet website.

35 (d) Commission.--No later than six months after the
36 effective date of this subsection, the commission, by regulation
37 or order, shall prescribe the specific procedures for the
38 approval of an application to establish alternative rates.

39 (e) Construction.--Nothing in this section shall be
40 construed as limiting the existing ratemaking authority of the
41 commission or be construed to invalidate or void any rate
42 mechanisms approved by the commission prior to the effective
43 date of this section.

44 (f) Definitions.--As used in this section, the following
45 words and phrases shall have the meanings given to them in this
46 subsection unless the context clearly indicates otherwise:

47 "Decoupling mechanism." As follows:

48 (1) A rate mechanism that reconciles authorized
49 distribution rates or revenues for differences between the
50 projected sales used to set rates and actual sales, which may
51 include, but not be limited to, adjustments resulting from

1 fluctuations in the number of customers served and other
2 adjustments deemed appropriate by the commission.

3 (2) In the case of water and wastewater, a rate
4 mechanism that adjusts or reconciles authorized rates or
5 revenues for differences between sales used to set rates and
6 actual sales, which may include, but not be limited to,
7 adjustments resulting from fluctuations in the number of
8 customers served and other adjustments deemed appropriate by
9 the commission.

10 "Formula rates." Rates that are periodically adjusted based
11 on a predetermined formula without the need for a full base rate
12 proceeding.

13 "Multiyear rate plan." A rate mechanism under which the
14 commission sets base rates and revenue requirements for a
15 multiyear plan period and authorizes periodic changes in base
16 rates, including, but not limited to, adjustments to account for
17 inflation and capital investments without the necessity for base
18 rate proceedings during the approved plan period.

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

24 "Utility." As defined in section 1351 (relating to
25 definitions).