

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1530 Session of 2007

INTRODUCED BY DERMODY, TURZAI, PALLONE, SOLOBAY, MAHONEY, WALKO, PETRARCA, TANGRETTI, READSHAW, BELFANTI, CAPPELLI, FABRIZIO, JOSEPHS, GEORGE, CALTAGIRONE, FAIRCHILD, HARHAI, YUDICHAK, COHEN, HARKINS, MARSHALL, J. WHITE, THOMAS, KULA, McCALL, LEVDANSKY, LONGIETTI, YOUNGBLOOD, GIBBONS, PYLE, CURRY, GOODMAN, KORTZ, MUNDY, WANSACZ, SCHRODER, MYERS, PASHINSKI AND K. SMITH, JUNE 8, 2007

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES, JULY 10, 2007

AN ACT

1 Amending Title 66 (Public Utilities) of the Pennsylvania  
2 Consolidated Statutes, in restructuring of electric utility  
3 industry, further providing for duties of electric  
4 distribution companies.

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

7 Section 1. Section 2807(e) of Title 66 of the Pennsylvania  
8 Consolidated Statutes is amended to read:

9 § 2807. Duties of electric distribution companies.

10 \* \* \*

11 (e) Obligation to serve.--An electric distribution company's  
12 obligation to provide electric service following implementation  
13 of restructuring and the choice of alternative generation by a  
14 customer is revised as follows:

15 (1) While an electric distribution company collects  
16 either a competitive transition charge or an intangible

1 transition charge or until 100% of its customers have choice,  
2 whichever is longer, the electric distribution company shall  
3 continue to have the full obligation to serve, including the  
4 connection of customers, the delivery of electric energy and  
5 the production or acquisition of electric energy for  
6 customers.

7 (2) At the end of the transition period, the commission  
8 shall promulgate regulations to define the electric  
9 distribution company's obligation to connect and deliver and  
10 acquire electricity under paragraph (3) that will exist at  
11 the end of the phase-in period.

12 (3) (i) If a customer contracts for electric energy and ←  
13 it is not delivered or if a customer does not choose an  
14 alternative electric generation supplier, the electric  
15 distribution company or commission-approved alternative  
16 supplier shall acquire electric energy at prevailing  
17 market prices to serve that customer and shall recover  
18 fully all reasonable costs. The electric distribution  
19 company or commission-approved supplier shall adjust  
20 rates at appropriate intervals as determined by the  
21 commission. The electric energy acquired under this  
22 paragraph shall be procured through competitive  
23 procurement processes that may include one or more of the  
24 following:

25 (A) Auctions.

26 (B) Requests for proposal.

27 (C) Bilateral contracts negotiated between the  
28 electric distribution company or commission-approved  
29 alternative supplier and a wholesale electric  
30 supplier, except that the bilateral contracts shall

1 be entered into at the sole discretion of the  
2 electric distribution company or commission-approved  
3 alternative supplier and the commission shall have no  
4 authority to require the contracts and shall be at  
5 prices no greater than reasonable forward market  
6 prices.

7 (ii) The commission shall not modify contracts or  
8 disallow costs associated with contracts entered into  
9 pursuant to an approved competitive procurement process.  
10 Prices obtained through the competitive procurement  
11 processes shall be deemed to be prevailing market prices.  
12 The resources procured pursuant to this paragraph may  
13 reflect a mix of long-term, short-term and OR spot market ←  
14 purchases.

15 (4) If a customer that chooses an alternative supplier  
16 and subsequently desires to return to the local distribution  
17 company for generation service, the local distribution  
18 company shall treat that customer exactly as it would any new  
19 applicant for energy service.

20 (5) (i) Notwithstanding paragraph (3), the electric  
21 distribution company or commission-approved alternative  
22 supplier may, in its sole discretion, offer large  
23 customers with a peak demand of 15 megawatts or greater  
24 at one meter at a location in its service territory any  
25 negotiated rate for service at all of the customers'  
26 locations within the service territory for any duration  
27 agreed upon by the electric distribution company or  
28 commission-approved alternative supplier and the large  
29 customer. The commission shall permit, but shall not  
30 require, an electric distribution company or commission-

1 approved alternative supplier to provide service to large  
2 customers under this paragraph. Contract rates entered  
3 into under this paragraph shall be subject to review by  
4 the commission in order to ensure that all costs related  
5 to the rates are borne by the parties to the contract and  
6 that no costs related to the rates are borne by other  
7 customers or customer classes. If no costs related to the  
8 rates are borne by other customers or customer classes,  
9 the commission shall approve the contract within 90 days  
10 of its filing or it shall be deemed approved by operation  
11 of law upon expiration of the 90 days. Information  
12 submitted under this paragraph shall be subject to the  
13 commission's procedures for the filing of confidential  
14 and proprietary information.

15 (ii) For purposes of providing service under this  
16 paragraph to customers with a peak demand of 20 megawatts  
17 or greater at one meter at a location within that  
18 distribution company's service territory, an electric  
19 distribution company that has completed its restructuring  
20 transition period as of the effective date of this  
21 paragraph may, in its sole discretion, acquire an  
22 interest in a generation facility or construct a  
23 generation facility specifically to meet the energy  
24 requirements of the customers including the electric  
25 requirements of the customers' other billing locations  
26 within its service territory. The electric distribution  
27 company must commence construction of the generation  
28 facility or contract to acquire the generation interest  
29 within three years after the effective date of this  
30 paragraph, except that the electric distribution company

1 may add to the generation facilities it commenced  
2 construction or contracted to acquire after this three-  
3 year period to serve additional load of customers for  
4 whom it commenced construction or contracted to acquire  
5 generation within three years. Nothing in this paragraph  
6 requires or authorized the commission to require an  
7 electric distribution company to commence construction or  
8 acquire an interest in a generation facility. The  
9 electric distribution company's interest in the  
10 generation facility it built or contracted to acquire  
11 shall be no larger than necessary to meet peak demand of  
12 customers served under this subparagraph. During times  
13 when the customer's demand is less than the electric  
14 distribution company's generation interest, the electric  
15 distribution company may sell excess power on the  
16 wholesale market. At no time shall the costs associated  
17 with the generating facility interests be included in  
18 rate base or otherwise reflected in rates. The generation  
19 facility interests shall not be commission-regulated  
20 assets.

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