
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, IN SENATE, JULY 15, 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

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

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

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

26 ~~(A) Auctions.~~

27 ~~(B) Requests for proposal.~~

28 ~~(C) Bilateral contracts negotiated between the~~
29 ~~electric distribution company or commission approved~~
30 ~~alternative supplier and a wholesale electric~~

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

8 ~~(D) ANY OTHER ELECTRIC ENERGY APPROVED BY THE~~ <—
9 ~~COMMISSION THROUGH REGULATION.~~

10 ~~(ii) The commission shall not modify contracts or~~
11 ~~disallow costs associated with contracts entered into~~
12 ~~pursuant to an approved competitive procurement process.~~
13 ~~Prices obtained through the competitive procurement~~
14 ~~processes shall be deemed to be prevailing market prices.~~
15 ~~The resources procured pursuant to this paragraph may~~
16 ~~reflect a mix of long term, short term or spot market~~
17 ~~purchases. THE COMMISSION MAY DISALLOW COST RECOVERY IF~~ <—
18 ~~THERE HAS BEEN FRAUD, COLLUSION, MARKET MANIPULATION OR~~
19 ~~SIMILAR ACTIVITIES WITH REGARD TO THESE CONTRACTS.~~

20 (4) If a customer that chooses an alternative supplier
21 and subsequently desires to return to the local distribution
22 company for generation service, the local distribution
23 company shall treat that customer exactly as it would any new
24 applicant for energy service.

25 ~~(5) (i) Notwithstanding paragraph (3), the electric~~
26 ~~distribution company or commission-approved alternative~~
27 ~~supplier may, in its sole discretion, offer large~~
28 ~~customers with a peak demand of 15 megawatts or greater~~
29 ~~at one meter at a location in its service territory any~~
30 ~~negotiated rate for service at all of the customers'~~

1 locations within the service territory for any duration
2 agreed upon by the electric distribution company or
3 commission-approved alternative supplier and the large
4 customer. The commission shall permit, but shall not
5 require, an electric distribution company or commission-
6 approved alternative supplier to provide service to large
7 customers under this paragraph. Contract rates entered
8 into under this paragraph shall be subject to review by
9 the commission in order to ensure that all costs related
10 to the rates are borne by the parties to the contract and
11 that no costs related to the rates are borne by other
12 customers or customer classes. If no costs related to the
13 rates are borne by other customers or customer classes,
14 the commission shall approve the contract within 90 days
15 of its filing or it shall be deemed approved by operation
16 of law upon expiration of the 90 days. Information
17 submitted under this paragraph shall be subject to the
18 commission's procedures for the filing of confidential
19 and proprietary information.

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

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

26 ~~Section 2. This act shall take effect in 60 days.~~ ←

27 ~~SECTION 2. THIS ACT SHALL TAKE EFFECT AS FOLLOWS:~~ ←

28 ~~(1) THE AMENDMENT OF 66 PA.C.S. § 2807(E)(3) SHALL TAKE~~
29 ~~EFFECT IN 60 DAYS.~~

30 ~~(2) THE ADDITION OF 66 PA.C.S. § 2807(E)(5) SHALL TAKE~~

1 ~~EFFECT IMMEDIATELY.~~

2 ~~(3) THE REMAINDER OF THIS ACT SHALL TAKE EFFECT~~
3 ~~IMMEDIATELY.~~

4 SECTION 2. THIS ACT SHALL TAKE EFFECT IMMEDIATELY.

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