
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1294 Session of
2011

INTRODUCED BY GODSHALL, PRESTON, AUMENT, BEAR, BRENNAN, BUXTON,
CARROLL, CLYMER, D. COSTA, P. COSTA, CUTLER, DALEY, DAVIDSON,
DELOZIER, ELLIS, GRELL, GROVE, HARHART, W. KELLER, KORTZ,
KOTIK, MANN, MCGEEHAN, MILLARD, NEUMAN, D. O'BRIEN,
M. O'BRIEN, PAYNE, PAYTON, PEIFER, PERRY, PYLE, QUIGLEY,
READSHAW, REICHLEY, SAINATO, SAYLOR, SCAVELLO, SONNEY,
VULAKOVICH, WHITE, WILLIAMS, KULA, MILLER, GINGRICH,
STEPHENS, DEASY, GIBBONS AND M. SMITH, APRIL 6, 2011

REFERRED TO COMMITTEE ON CONSUMER AFFAIRS, APRIL 6, 2011

AN ACT

1 Amending Title 66 (Public Utilities) of the Pennsylvania
2 Consolidated Statutes, further providing for valuation of and
3 return on the property of a public utility; and providing for
4 alternative regulatory mechanisms.

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

7 Section 1. Section 1311(c) of Title 66 of the Pennsylvania
8 Consolidated Statutes is amended to read:

9 § 1311. Valuation of and return on the property of a public
10 utility.

11 * * *

12 (c) Segregation of property.--When any public utility
13 furnishes more than one of the different types of utility
14 service, the commission shall segregate the property used and
15 useful in furnishing each type of such service, and shall not
16 consider the property of such public utility as a unit in

1 determining the value of the rate base of such public utility
2 for the purpose of fixing rates. A utility that provides water
3 and wastewater service shall be exempt from this subsection and
4 may combine all components of its water and wastewater revenue
5 requirement for the purposes of fixing rates on a consolidated
6 basis.

7 * * *

8 Section 2. Title 66 is amended by adding a section to read:
9 § 1329. Alternative regulatory mechanisms.

10 (a) Declaration of policy.--Many fixed utilities and city
11 natural gas distribution operations in this Commonwealth have
12 incurred and will continue to incur significant costs to
13 maintain, enhance and modernize their physical facilities in
14 order to continue to provide customers with safe and reliable
15 service. Under traditional regulatory mechanisms developed under
16 this title, these utilities and distribution operations
17 experience delay in the recovery of the revenue requirements
18 associated with those costs. The opportunity for more timely
19 recovery of those costs, including the recovery of capital
20 costs, including return of and on capital investments, and,
21 where applicable, debt service and debt-service coverage, should
22 encourage investment to replace facilities for continued
23 reliability, should enhance the efficiency of the construction
24 cycle and should attract lower-cost debt, which would reduce the
25 overall cost of these investments and should create jobs in the
26 Commonwealth. Accordingly, it is in the public interest to
27 provide for alternative regulatory mechanisms as set forth under
28 this section.

29 (b) Authority.--

30 (1) Notwithstanding any other provision of this title,

1 including, but not limited to, sections 315 (relating to
2 burden of proof), 1307 (relating to sliding scale of rates;
3 adjustments), 1308 (relating to voluntary changes in rates)
4 and 1315 (relating to limitation on consideration of certain
5 costs for electric utilities), the commission shall have the
6 authority to approve, but shall not require, additional
7 regulatory procedures and mechanisms proposed by a fixed
8 utility or a city natural gas distribution operation to
9 provide for timely recovery of reasonable and prudently
10 incurred costs.

11 (2) (i) The additional procedures and mechanisms under
12 paragraph (1) shall include, but are not limited to:

13 (A) The use of a fully projected future test
14 year in a general rate proceeding under section
15 1308(d).

16 (B) An automatic adjustment clause to recover
17 capital costs and operating expenses related to the
18 capital costs.

19 (ii) For purposes of this paragraph, a fully
20 projected future test year shall be the 12-month period
21 beginning with the first month that the new rates could
22 be placed in effect after application of the full
23 suspension period permitted under section 1308(d).

24 (c) Construction and interpretation.--Except as otherwise
25 expressly provided under this section, nothing under this
26 section shall be construed as limiting the existing ratemaking
27 authority of the commission, including, but not limited to, the
28 commission's existing authority to permit recovery of operating
29 expenses through an automatic adjustment clause, or as
30 indicating that the existing authority of the commission over

1 rate structure or design is limited.

2 Section 3. This act shall take effect in 60 days.