

BILL ANALYSIS

DATE: 06/23/2007

COMMITTEE: Consumer Protection and
Professional Licensure

BILL NO.: SB 1134

PRIME SPONSOR: Sen. Tomlinson

PRINTER NO. 1477

The bill amends the Public Utility Code to provide for rate change mitigation, energy efficiency and demand-response measures and amends the methods for procurement of electric power.

Section 2806.1 Rate Change Mitigation

The section addresses those customers who will have the cap on their electric rates expire in the next several years.

The section would permit all residential and some small business customers to spread the increased payment for a 12% or greater increase in rates, over a 3 year period. The default service provider would be permitted to recover reasonable carrying costs for the deferral.

Section 2806.1 Energy Efficiency and Demand Response Measures

The bill would require electric distribution companies to implement cost effective energy efficiency and demand-response measures to reduce the demand for electricity.

By 2013 each distribution company would reduce its total annual deliveries by 2%. The Commission would review the cost of these programs and if the benefits exceed the costs, consistent with the total resource cost test, the commission could set additional goals. The evaluation would be done every 5 years.

In addition each distribution company would be required to implement cost effective demand measures to reduce peak demand by at least 3% in the 100 hours of highest demand by 2012. The Commission shall compare the total costs of these demand-response measures to the total savings in energy and capacity costs to PA retail customers. If the benefits have been shown to exceed the costs, consistent with the total resource cost test, the commission shall order electric distribution companies to seek additional peak demand reductions. The evaluation by the Commission would be done every 5 years.

The electric distribution company is responsible for design, development and filing of the plans with the Commission. Plans must be filed no later than 2008. Failure to file in a timely manner, or meet the standards shall result in assessment of a penalty.

Section 2807(3.1) Acquisition of electricity

This section addresses the procurement of electricity. The language reflects the language considered prior to final amendment in House Bill 1530.

Senate bill 1134 permits all providers to expand the methods used to acquire electric generation. These options would include:

Auctions

Request for proposals

Bilateral contracts, entered into at the sole discretion of the distribution company

Any other electric energy approved by the Commission through regulation.

The Commission shall not modify contracts or disallow costs associated with contracts entered into pursuant to an approved competitive procurement process. The Commission may disallow cost recovery if there has been fraud, collusion, market manipulation or similar activities.

Prices obtained in a competitive procurement manner shall be deemed to be ***prevailing market prices***. The resources may reflect a mix of long-term, short-term or spot-market purchases.

The bill takes effect in 60 days.