

SENATE BILL 778

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6lr1294
CF 6lr1277

By: **Senators Astle, Benson, Hershey, and Manno**

Introduced and read first time: February 5, 2016

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Public Utilities – Natural Gas Infrastructure Expansion and Reinforcement**

3 FOR the purpose of authorizing a gas company to defer certain costs for certain projects to
4 extend certain natural gas transmission pipeline, distribution main pipeline, system
5 reinforcement facilities, and associated facilities; specifying the circumstances under
6 which a certain expansion project qualifies for deferral of certain costs; specifying
7 the manner in which a gas company is required to account for certain costs; requiring
8 the Public Service Commission to take certain action during a certain base rate
9 proceeding; limiting the circumstances under which a certain asset may be subject
10 to certain action by the Commission; requiring a gas company to submit certain
11 information regarding a certain asset to the Commission; authorizing the
12 Commission to review and evaluate a gas company's deferral accounting based on
13 certain standards; limiting to a certain percentage increase the amount of certain
14 costs that may be deferred and added to a certain asset, subject to a certain
15 exception; requiring a gas company to submit a certain report to the Commission
16 regarding the deferral of certain costs at a certain interval; authorizing a gas
17 company to file a certain tariff schedule with the Commission that assumes that a
18 certain percentage of customers will convert to natural gas service under certain
19 circumstances; authorizing the Commission to authorize a gas company to assume
20 that a higher percentage of certain customers will convert to natural gas service
21 under certain circumstances; authorizing a gas company to file a tariff schedule with
22 the Commission to recover a certain contribution and associated costs through a
23 certain monthly charge on certain customer bills over certain periods of time;
24 specifying the manner in which a certain contribution applies; requiring a certain
25 customer to take certain action before certain natural gas service is provided;
26 specifying that the Commission may take certain actions relating to a certain
27 contribution amount or collection period under certain circumstances; defining
28 certain terms; and generally relating to natural gas.

29 BY adding to

30 Article – Public Utilities

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Section 4–211, 4–212, and 4–213
2 Annotated Code of Maryland
3 (2010 Replacement Volume and 2015 Supplement)

4 Preamble

5 WHEREAS, Natural gas provides a low–cost and environmentally friendly fuel
6 option for space heating, water heating, cooking, and other residential uses; and

7 WHEREAS, Although access to natural gas is critical to retaining existing
8 businesses and attracting new businesses to the State, many communities lack such access
9 for use by these businesses; and

10 WHEREAS, It is the public policy of the State to expand and diversify access to
11 various fuels for residential, governmental, and business customers, which stimulates
12 economic growth in the areas where access to natural gas is made available; now, therefore,

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
14 That the Laws of Maryland read as follows:

15 **Article – Public Utilities**

16 **4–211.**

17 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS**
18 **INDICATED.**

19 **(2) “ELIGIBLE EXPANSION COSTS” MEANS:**

20 **(I) ANY FUNDS THAT QUALIFY AS ELIGIBLE EXPANSION**
21 **INVESTMENT;**

22 **(II) A RETURN ON THE ELIGIBLE EXPANSION INVESTMENT,**
23 **WHICH IS CALCULATED BY MULTIPLYING THE DOLLAR AMOUNT OF THE ELIGIBLE**
24 **EXPANSION INVESTMENT BY THE RATE OF RETURN THAT THE COMMISSION HAS**
25 **AUTHORIZED OR APPROVED IN A SETTLEMENT IN THE MOST RECENT BASE RATE**
26 **CASE FOR THE GAS COMPANY;**

27 **(III) A REVENUE CONVERSION FACTOR, INCLUDING INCOME**
28 **TAXES AND AN ALLOWANCE FOR BAD DEBT EXPENSE, APPLIED TO THE REQUIRED**
29 **OPERATING INCOME RESULTING FROM THE ELIGIBLE EXPANSION COSTS;**

30 **(IV) A DEPRECIATION AMOUNT, WHICH:**

1 1. IS CALCULATED BY USING THE DEPRECIATION RATES
2 CURRENTLY IN EFFECT THAT THE COMMISSION HAS AUTHORIZED FOR THE GAS
3 COMPANY; AND

4 2. MAY INCLUDE A COMPOSITE OF THE APPROVED
5 DEPRECIATION RATES APPLIED TO ELIGIBLE EXPANSION INVESTMENT; AND

6 (v) PROPERTY TAXES ATTRIBUTABLE TO ELIGIBLE EXPANSION
7 INVESTMENT.

8 (3) (i) “ELIGIBLE EXPANSION INVESTMENT” MEANS THE TOTAL
9 CAPITAL INVESTMENT BY A GAS COMPANY IN PLANNING, DEVELOPING, AND
10 CONSTRUCTING AN EXPANSION PROJECT, UP TO THE INCREMENTAL ANNUAL LEVEL
11 OF INVESTMENT SPECIFIED IN SUBSECTION (C)(3) OF THIS SECTION.

12 (ii) “ELIGIBLE EXPANSION INVESTMENT” INCLUDES, IF
13 APPLICABLE, AN ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION THAT IS
14 CALCULATED BASED ON THE REGULATORY CAPITAL STRUCTURE THAT THE
15 COMMISSION HAS AUTHORIZED OR APPROVED IN A SETTLEMENT IN THE MOST
16 RECENT BASE RATE CASE FOR THE GAS COMPANY.

17 (4) “ELIGIBLE EXPANSION PURPOSE” MEANS AN EXPANSION
18 PROJECT THAT IS UNDERTAKEN BY A GAS COMPANY IN AN AREA DESIGNATED FOR
19 FUTURE GROWTH BY THE LOCAL JURISDICTION OR THE COMPREHENSIVE PLAN FOR
20 THE LOCAL JURISDICTION UNDER SUBSECTION (B)(2) OF THIS SECTION:

21 (i) TO PROVIDE NATURAL GAS SERVICE TO AREAS THAT LACK
22 ADEQUATE ACCESS TO NATURAL GAS; OR

23 (ii) TO PROVIDE SYSTEM REINFORCEMENT TO FACILITATE AN
24 EXPANSION PROJECT.

25 (5) “EXPANSION PROJECT” MEANS A GAS COMPANY’S NATURAL GAS
26 TRANSMISSION PIPELINE, DISTRIBUTION MAIN PIPELINE, SYSTEM REINFORCEMENT
27 FACILITIES, AND ASSOCIATED FACILITIES THAT ARE CONSTRUCTED AFTER JUNE 1,
28 2016, FOR AN ELIGIBLE EXPANSION PURPOSE.

29 (6) “REGULATORY ASSET” HAS THE MEANING STATED IN 18 C.F.R.
30 201 UNDER THE DEFINITION OF “REGULATORY ASSETS AND LIABILITIES”.

31 (B) (1) NOTWITHSTANDING ANY OTHER LAW, IF A GAS COMPANY
32 UNDERTAKES AN EXPANSION PROJECT FOR AN ELIGIBLE EXPANSION PURPOSE
33 THAT IS CONSISTENT WITH PARAGRAPH (2) OF THIS SUBSECTION, THE GAS

1 COMPANY MAY DEFER ELIGIBLE EXPANSION COSTS FOR SUBSEQUENT INCLUSION IN
2 RATES.

3 (2) (I) IF A LOCAL JURISDICTION HAS ADOPTED GROWTH TIERS
4 UNDER TITLE 1, SUBTITLE 5 OF THE LAND USE ARTICLE, AN EXPANSION PROJECT
5 MAY BE DEEMED TO SUPPORT AN ELIGIBLE EXPANSION PURPOSE ONLY IF IT IS
6 LOCATED IN A TIER I, TIER II, OR TIER III AREA.

7 (II) AN EXPANSION PROJECT MAY BE DEEMED TO SUPPORT AN
8 ELIGIBLE EXPANSION PURPOSE EVEN IF THE FULL ROUTE OR THE LOCATION OF
9 NATURAL GAS TRANSMISSION PIPELINE, DISTRIBUTION MAIN PIPELINE, SYSTEM
10 REINFORCEMENT FACILITIES, AND ASSOCIATED FACILITIES IS NOT WITHIN A TIER
11 I, TIER II, OR TIER III AREA.

12 (C) (1) (I) A GAS COMPANY SHALL ACCOUNT FOR ACTUAL MONTHLY
13 ELIGIBLE EXPANSION COSTS THAT ARE INCURRED ON THE CUMULATIVE ELIGIBLE
14 EXPANSION INVESTMENT AS A REGULATORY ASSET UNTIL THE COMMISSION MAKES
15 A DETERMINATION IN A SUBSEQUENT BASE RATE CASE.

16 (II) WHEN A GAS COMPANY FILES A BASE RATE CASE, THE
17 COMMISSION SHALL:

18 1. INCORPORATE THE CUMULATIVE BALANCE OF THE
19 REGULATORY ASSET INTO THE COMPANY'S RATE BASE; AND

20 2. CONCURRENTLY SET AN AMORTIZATION EXPENSE IN
21 THE BASE RATE TO RECOVER THE UNAMORTIZED BALANCE.

22 (2) (I) A GAS COMPANY'S DEFERRED MONTHLY ELIGIBLE
23 EXPANSION COSTS SHALL BE ACCOUNTED FOR AS A REGULATORY ASSET AND MAY
24 BE SUBJECT TO WRITE-OFF OR WRITE-DOWN BY THE COMMISSION ONLY IF THE
25 ELIGIBLE EXPANSION INVESTMENT DOES NOT SATISFY THE MINIMUM
26 REQUIREMENTS OF THIS SECTION.

27 (II) 1. AT THE TIME A GAS COMPANY ESTABLISHES A
28 REGULATORY ASSET UNDER THIS SUBSECTION, THE GAS COMPANY SHALL FILE
29 INFORMATION WITH THE COMMISSION TO ENABLE THE COMMISSION TO
30 DETERMINE WHETHER THE DEFERRAL ACCOUNTING MECHANISM IS REASONABLE.

31 2. DURING ITS REVIEW IN A SUBSEQUENT BASE RATE
32 CASE, THE COMMISSION MAY ALSO EVALUATE THE ACCURACY AND
33 REASONABLENESS OF THE LEVEL OF DEFERRED ELIGIBLE EXPANSION COSTS.

1 **(3) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS**
2 **PARAGRAPH, THE AMOUNT OF INCREMENTAL ELIGIBLE EXPANSION COSTS ADDED**
3 **TO THE REGULATORY ASSET FOR EACH YEAR THE GAS COMPANY DEFERS THOSE**
4 **COSTS MAY NOT INCREASE BY MORE THAN 0.5% OF THE GAS COMPANY'S NET RATE**
5 **BASE, AS ESTABLISHED BY THE COMMISSION IN THE GAS COMPANY'S MOST RECENT**
6 **BASE RATE CASE.**

7 **(II) IF A GAS COMPANY IS ELIGIBLE UNDER § 4-207 OF THIS**
8 **SUBTITLE AND THE REQUEST IS CONSISTENT WITH THE PUBLIC CONVENIENCE AND**
9 **NECESSITY, THE COMMISSION MAY APPROVE A HIGHER PERCENTAGE OF THE GAS**
10 **COMPANY'S NET RATE BASE THAN WAS ESTABLISHED IN THE MOST RECENT BASE**
11 **RATE CASE.**

12 **(D) IF A GAS COMPANY UNDERTAKES AN EXPANSION PROJECT AND DEFERS**
13 **ELIGIBLE EXPANSION COSTS FOR SUBSEQUENT INCLUSION IN RATES, THE GAS**
14 **COMPANY SHALL FILE AN ANNUAL REPORT WITH THE COMMISSION THAT:**

15 **(1) DESCRIBES ANY ELIGIBLE EXPANSION PROJECT THAT HAS BEEN**
16 **CONSTRUCTED; AND**

17 **(2) SUMMARIZES THE CUMULATIVE ACTUAL COSTS AND THE ACTUAL**
18 **COSTS INCURRED IN THE PREVIOUS YEAR FOR THE EXPANSION PROJECT.**

19 **4-212.**

20 **(A) NOTWITHSTANDING ANY OTHER LAW, A GAS COMPANY MAY FILE A**
21 **TARIFF SCHEDULE WITH THE COMMISSION THAT AUTHORIZES THE GAS COMPANY,**
22 **AT ITS DISCRETION, TO ASSUME THAT 75% OF THE TOTAL NUMBER OF POTENTIAL**
23 **CUSTOMERS IDENTIFIED DURING AN EXTENSION EVALUATION OF NATURAL GAS**
24 **MAIN PIPELINE OR SERVICE LINE WILL CONVERT TO NATURAL GAS SERVICE.**

25 **(B) THE COMMISSION MAY, FOR GOOD CAUSE SHOWN, AUTHORIZE A GAS**
26 **COMPANY TO ASSUME THAT MORE THAN 75% OF CUSTOMERS IDENTIFIED DURING**
27 **AN EXTENSION EVALUATION OF NATURAL GAS MAIN PIPELINE OR SERVICE LINE**
28 **WILL CONVERT TO NATURAL GAS SERVICE.**

29 **4-213.**

30 **(A) IN THIS SECTION, "REQUIRED CONTRIBUTION" MEANS THE**
31 **INCREMENTAL EXPENDITURES THAT A GAS COMPANY IS PROJECTED TO INCUR THAT**
32 **EXCEED THE REVENUES THAT A GAS COMPANY IS PROJECTED TO RECEIVE FROM**
33 **EXTENDING NATURAL GAS MAIN PIPELINE AND SERVICE LINE TO ONE OR MORE**
34 **RESIDENTIAL, GOVERNMENTAL, OR COMMERCIAL CUSTOMERS.**

1 **(B) (1) A GAS COMPANY MAY FILE A TARIFF SCHEDULE WITH THE**
2 **COMMISSION TO RECOVER ANY REQUIRED CONTRIBUTION AND ASSOCIATED COSTS**
3 **THROUGH A MONTHLY CHARGE ON THE CUSTOMER BILL OVER A PERIOD NOT**
4 **EXCEEDING:**

5 **(I) 10 YEARS, FOR A COMMERCIAL CUSTOMER;**

6 **(II) 20 YEARS, FOR A GOVERNMENTAL CUSTOMER; OR**

7 **(III) 30 YEARS, FOR A RESIDENTIAL CUSTOMER.**

8 **(2) (I) THE RECOVERY OF ANY REQUIRED CONTRIBUTION UNDER**
9 **THIS SECTION SHALL APPLY TO THE PARTICULAR SERVICE LOCATION.**

10 **(II) ANY NEW CUSTOMER RECEIVING SERVICE AT THE**
11 **LOCATION AT ANY POINT DURING THE PERIOD SPECIFIED UNDER PARAGRAPH (1)**
12 **OF THIS SUBSECTION SHALL FIRST AGREE TO THE MONTHLY CHARGE BEFORE**
13 **RECEIVING THE SERVICE.**

14 **(C) THIS SECTION MAY NOT BE CONSTRUED TO PROHIBIT THE**
15 **COMMISSION, FOR GOOD CAUSE SHOWN, FROM:**

16 **(1) REDUCING OR OTHERWISE ELIMINATING ANY REQUIRED**
17 **CONTRIBUTION; OR**

18 **(2) EXTENDING THE COLLECTION PERIOD UNDER SUBSECTION (B) OF**
19 **THIS SECTION.**

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June
21 1, 2016.