

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1412 Session of 2017

INTRODUCED BY BARRAR, SAINATO, BARBIN, BOBACK, D. COSTA, FARRY, GILLEN, LONGIETTI, O'NEILL, RAVENSTAHL, RYAN, SOLOMON, WARD, ZIMMERMAN, JAMES AND ROZZI, MAY 19, 2017

AS REPORTED FROM COMMITTEE ON VETERANS AFFAIRS AND EMERGENCY PREPAREDNESS, HOUSE OF REPRESENTATIVES, AS AMENDED, MARCH 12, 2018

AN ACT

1 Amending Title 66 (Public Utilities) of the Pennsylvania
2 Consolidated Statutes, in restructuring of electric utility
3 industry, providing for microgrid and energy storage.

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

6 Section 1. Title 66 of the Pennsylvania Consolidated <--
7 Statutes is amended by adding a section to read:

8 § 2816. Microgrid and energy storage.

9 (a) Pilot program. An electric distribution company may
10 propose energy storage or microgrid pilot programs for review
11 and approval by the commission. In determining whether a pilot
12 program under this section is in the public interest, the
13 commission shall consider the potential of the pilot program to:

14 (1) facilitate the use of diverse electric supply
15 options in this Commonwealth, including distributed energy
16 resources; and

17 (2) enhance electric distribution, resiliency and

1 ~~operational flexibility.~~

2 ~~(b) Rulemaking. Within five years of the date the first~~  
3 ~~pilot program is approved under subsection (a), the commission~~  
4 ~~shall evaluate the results of each approved pilot program and~~  
5 ~~determine the circumstances under which the ownership,~~  
6 ~~development and deployment of energy storage and microgrids by~~  
7 ~~electric distribution companies may be in the public interest.~~  
8 ~~Within 60 days of the determination, the commission shall~~  
9 ~~commence a rulemaking to establish regulations to further the~~  
10 ~~deployment of energy storage and microgrids consistent with the~~  
11 ~~objectives under subsection (a)(1) and (2). Nothing under the~~  
12 ~~rulemaking shall require an electric distribution company to~~  
13 ~~own, develop or deploy energy storage or microgrids.~~

14 ~~(c) Recovery. An electric distribution company shall be~~  
15 ~~permitted to recover in the electric distribution company's~~  
16 ~~distribution rates established under section 1308 (relating to~~  
17 ~~voluntary changes in rates) a pretax return on, and a return of,~~  
18 ~~the original cost of an energy storage facility or microgrid~~  
19 ~~constructed pursuant to an approved pilot program or regulations~~  
20 ~~promulgated under this section and the reasonable, prudently~~  
21 ~~incurred expenses to operate and maintain the facility.~~

22 ~~(d) Wholesale market participation. Energy storage and~~  
23 ~~microgrids authorized under this section may participate in~~  
24 ~~wholesale energy markets with net proceeds from participation~~  
25 ~~credited to customers.~~

26 ~~(e) Definitions. As used in this section, the following~~  
27 ~~words and phrases shall have the meanings given to them in this~~  
28 ~~subsection unless the context clearly indicates otherwise:~~

29 ~~"Distributed energy resource." Any of the following:~~

30 ~~(1) A distributed generation resource.~~

- 1       ~~(2) Energy efficiency.~~
- 2       ~~(3) Energy storage.~~
- 3       ~~(4) Electric vehicles and charging infrastructure.~~
- 4       ~~(5) Demand response technology.~~

5       ~~"Energy storage." A commercially available technology that~~  
6 ~~is capable of absorbing energy, storing the energy for a period~~  
7 ~~of time and thereafter dispatching the energy.~~

8       ~~"Island mode." The physical disconnection of a microgrid and~~  
9 ~~customers within the microgrid from the distribution system of~~  
10 ~~the electric distribution company.~~

11       ~~"Microgrid." A group of interconnected loads and distributed~~  
12 ~~energy resources within clearly defined electrical boundaries~~  
13 ~~that acts as a single controllable entity with respect to an~~  
14 ~~electric distribution company's distribution system which can~~  
15 ~~connect to and disconnect from a distribution system and operate~~  
16 ~~either connected to the distribution system or in island mode.~~

17       SECTION 1. TITLE 66 OF THE PENNSYLVANIA CONSOLIDATED       <--  
18 STATUTES IS AMENDED BY ADDING A SECTION TO READ:

19       § 2816. MICROGRID AND ENERGY STORAGE.

20       (A) PILOT PROJECTS.--AN ELECTRIC DISTRIBUTION COMPANY MAY  
21 PROPOSE ENERGY STORAGE OR MICROGRID PILOT PROJECTS FOR REVIEW  
22 AND APPROVAL BY THE COMMISSION. IN DETERMINING WHETHER A PILOT  
23 PROJECT UNDER THIS SECTION IS IN THE PUBLIC INTEREST, THE  
24 COMMISSION SHALL CONSIDER THE COSTS AND BENEFITS OF THE PROJECT,  
25 IN ADDITION TO THE POTENTIAL OF THE PILOT PROJECT TO:

26               (1) FACILITATE THE USE OF DIVERSE ELECTRIC SUPPLY  
27 OPTIONS IN THIS COMMONWEALTH, INCLUDING DISTRIBUTED ENERGY  
28 RESOURCES; AND

29               (2) ENHANCE ELECTRIC DISTRIBUTION, RESILIENCY AND  
30 OPERATIONAL FLEXIBILITY.

1 (B) PROJECT REQUIREMENTS.--

2 (1) A MICROGRID PILOT PROJECT SHALL BE DESIGNED TO  
3 SERVE:

4 (I) MULTIPLE CUSTOMER PREMISES, INCLUDING AT LEAST  
5 TWO ESSENTIAL PUBLIC PURPOSE ASSETS;

6 (II) A SINGLE PREMISES USED BY A FEDERAL, STATE OR  
7 LOCAL GOVERNMENT CUSTOMER OPERATING CRITICAL GOVERNMENT  
8 INFRASTRUCTURE AND FACILITIES NECESSARY TO SERVE THE  
9 PUBLIC DURING EMERGENCIES; OR

10 (III) A PUBLIC UTILITY PREMISES.

11 (2) A PETITION FILED BY AN ELECTRIC DISTRIBUTION COMPANY  
12 SEEKING APPROVAL OF A MICROGRID OR ENERGY STORAGE PILOT  
13 PROJECT SHALL INCLUDE ALL OF THE FOLLOWING:

14 (I) THE LOCATION OF EACH DISTRIBUTION SERVICE  
15 INTERRUPTION OCCURRING WITHIN THE ELECTRIC DISTRIBUTION  
16 COMPANY'S SERVICE TERRITORY IN THE PRECEDING FIVE-YEAR  
17 PERIOD.

18 (II) THE NUMBER OF CUSTOMERS, OTHER MICROGRIDS AND  
19 ENERGY STORAGE FACILITIES AND CRITICAL GOVERNMENT  
20 INFRASTRUCTURE LOCATED IN PROXIMITY TO THE PROPOSED  
21 MICROGRID PILOT PROJECT.

22 (3) A MICROGRID PILOT PROJECT MAY INCLUDE DISTRIBUTED  
23 ENERGY RESOURCES OWNED BY CUSTOMERS, AN ELECTRIC DISTRIBUTION  
24 COMPANY OR OTHER ENTITIES.

25 (4) A DISTRIBUTED ENERGY RESOURCE INCLUDED IN A PILOT  
26 PROJECT AND OWNED BY AN ELECTRIC DISTRIBUTION COMPANY SHALL  
27 BE COMPETITIVELY PROCURED.

28 (5) THE COMMISSION MAY ESTABLISH REASONABLE COST CAPS ON  
29 MICROGRID PILOT PROJECTS.

30 (6) NOTHING UNDER THIS SECTION SHALL BE INTERPRETED TO

1 REQUIRE AN ELECTRIC DISTRIBUTION COMPANY TO OWN, DEVELOP OR  
2 DEPLOY ENERGY STORAGE OR MICROGRIDS.

3 (C) COMMISSION REVIEW.--

4 (1) FIVE YEARS AFTER THE DATE THE FIRST PILOT PROJECT IS  
5 APPROVED, THE COMMISSION SHALL EVALUATE THE RESULTS OF EACH  
6 APPROVED PILOT PROJECT, INCLUDING THE PROJECT COSTS AND  
7 BENEFITS AND DATA ON THE INTERCONNECTION AND INTEGRATION OF  
8 DISTRIBUTED ENERGY RESOURCES AND WHOLESALE ENERGY MARKETS.

9 (2) WITHIN 180 DAYS OF COMPLETION OF THE EVALUATION  
10 UNDER PARAGRAPH (1), THE COMMISSION SHALL ISSUE AN ORDER  
11 DETERMINING WHETHER THE CONTINUED DEVELOPMENT AND DEPLOYMENT  
12 OF MICROGRIDS AND ENERGY STORAGE FACILITIES IS IN THE PUBLIC  
13 INTEREST.

14 (3) IF THE COMMISSION DETERMINES THAT THE DEVELOPMENT OF  
15 MICROGRIDS IS IN THE PUBLIC INTEREST, THE COMMISSION MAY  
16 CONTINUE TO ACCEPT AND CONSIDER PETITIONS SEEKING APPROVAL OF  
17 MICROGRID PILOT PROJECTS CONSISTENT WITH THE COMMISSION'S  
18 ORDER.

19 (D) REPORT TO THE GENERAL ASSEMBLY.--IF THE COMMISSION  
20 DETERMINES THAT THE DEVELOPMENT AND DEPLOYMENT OF MICROGRIDS AND  
21 ENERGY STORAGE FACILITIES ARE IN THE PUBLIC INTEREST, THE  
22 COMMISSION SHALL, WITHIN 60 DAYS OF ENTRY OF THE ORDER UNDER  
23 SUBSECTION (C) (2), SUBMIT A REPORT TO THE GENERAL ASSEMBLY  
24 CONTAINING RECOMMENDATIONS THAT SHALL INCLUDE ALL OF THE  
25 FOLLOWING:

26 (1) THE OWNERSHIP, DEVELOPMENT AND DEPLOYMENT OF  
27 MICROGRIDS BY ENTITIES OTHER THAN AN ELECTRIC DISTRIBUTION  
28 COMPANY.

29 (2) THE SPECIFIC CIRCUMSTANCES AND CRITERIA UNDER WHICH  
30 ENERGY STORAGE AND MICROGRIDS SHOULD BE DEVELOPED AND

1 DEPLOYED.

2 (3) LEGISLATIVE OR OTHER RECOMMENDATIONS THE COMMISSION  
3 DEEMS APPROPRIATE.

4 (E) RECOVERY.--AN ELECTRIC DISTRIBUTION COMPANY MAY RECOVER  
5 IN THE ELECTRIC DISTRIBUTION COMPANY'S DISTRIBUTION RATES  
6 ESTABLISHED UNDER SECTION 1308 (RELATING TO VOLUNTARY CHANGES IN  
7 RATES) REASONABLE AND PRUDENTLY INCURRED COSTS, INCLUDING A  
8 PRETAX RETURN ON, AND A RETURN OF, THE ORIGINAL COST OF AN  
9 ENERGY STORAGE FACILITY OR MICROGRID CONSTRUCTED PURSUANT TO AN  
10 APPROVED PILOT PROJECT AND THE REASONABLE AND PRUDENTLY INCURRED  
11 EXPENSES TO OPERATE AND MAINTAIN THE FACILITY.

12 (F) WHOLESALE MARKET PARTICIPATION.--ENERGY STORAGE AND  
13 MICROGRIDS PILOT PROJECTS AUTHORIZED UNDER THIS SECTION MAY  
14 PARTICIPATE IN WHOLESALE ENERGY, CAPACITY AND ANCILLARY SERVICES  
15 MARKETS. NET PROCEEDS RESULTING FROM THE PARTICIPATION OF A  
16 DISTRIBUTED ENERGY RESOURCE OWNED BY AN ELECTRIC DISTRIBUTION  
17 COMPANY IN WHOLESALE ENERGY, CAPACITY OR ANCILLARY MARKETS SHALL  
18 BE CREDITED TO DISTRIBUTION CUSTOMERS.

19 (G) RATE STRUCTURE AND COST ALLOCATION.--THE COMMISSION  
20 SHALL DETERMINE THE APPROPRIATE RATE STRUCTURE AND COST  
21 ALLOCATION FOR THE JUST AND REASONABLE RECOVERY OF PRUDENTLY  
22 INCURRED COSTS FROM AND THE ALLOCATION OF WHOLESALE MARKET  
23 PROCEEDS TO DISTRIBUTION CUSTOMERS.

24 (H) DEFINITIONS.--AS USED IN THIS SECTION, THE FOLLOWING  
25 WORDS AND PHRASES SHALL HAVE THE MEANINGS GIVEN TO THEM IN THIS  
26 SUBSECTION UNLESS THE CONTEXT CLEARLY INDICATES OTHERWISE:

27 "DISTRIBUTED ENERGY RESOURCE." ANY OF THE FOLLOWING:

28 (1) A DISTRIBUTED GENERATION RESOURCE.

29 (2) ENERGY EFFICIENCY.

30 (3) ENERGY STORAGE.

1           (4) ELECTRIC VEHICLE CHARGING INFRASTRUCTURE.

2           (5) DEMAND RESPONSE TECHNOLOGY.

3           (6) ANY OTHER PROCESS, RESOURCE OR TECHNOLOGY APPROVED  
4           BY THE COMMISSION.

5           "ENERGY STORAGE." A COMMERCIALY AVAILABLE TECHNOLOGY THAT  
6           IS CAPABLE OF ABSORBING ENERGY, STORING THE ENERGY FOR A PERIOD  
7           OF TIME AND THEREAFTER DISPATCHING THE ENERGY.

8           "ESSENTIAL PUBLIC PURPOSE ASSET." A FACILITY OR SITE WHICH  
9           SUPPORTS CRUCIAL COMMUNITY FUNCTIONS INCLUDING, PUBLIC SAFETY  
10          ANSWERING POINTS, POLICE STATIONS, FIRE COMPANIES AND FIRE  
11          DEPARTMENTS, EMERGENCY MEDICAL SERVICES AGENCIES, PUBLIC WORKS,  
12          PUBLIC TRANSPORTATION, EMERGENCY SHELTERS, GROCERY STORES, GAS  
13          STATIONS AND OTHER ENTITIES THAT PROVIDE ACCESS TO FOOD, WATER  
14          OR SHELTER WHEN A MICROGRID IS OPERATING IN ISLAND MODE.

15          "ISLAND MODE." THE PHYSICAL DISCONNECTION OF A MICROGRID AND  
16          CUSTOMERS WITHIN THE MICROGRID FROM THE DISTRIBUTION SYSTEM OF  
17          THE ELECTRIC DISTRIBUTION COMPANY.

18          "MICROGRID." A GROUP OF INTERCONNECTED LOADS AND DISTRIBUTED  
19          ENERGY RESOURCES WITHIN CLEARLY DEFINED ELECTRICAL BOUNDARIES  
20          THAT ACTS AS A SINGLE CONTROLLABLE ENTITY WITH RESPECT TO AN  
21          ELECTRIC DISTRIBUTION COMPANY'S DISTRIBUTION SYSTEM WHICH CAN  
22          CONNECT TO AND DISCONNECT FROM A DISTRIBUTION SYSTEM AND OPERATE  
23          EITHER CONNECTED TO THE DISTRIBUTION SYSTEM OR IN ISLAND MODE.

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