

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 897 Session of  
2025

INTRODUCED BY COLEMAN AND MILLER, JUNE 30, 2025

REFERRED TO CONSUMER PROTECTION AND PROFESSIONAL LICENSURE,  
JUNE 30, 2025

AN ACT

1 Amending Title 66 (Public Utilities) of the Pennsylvania  
2 Consolidated Statutes, in restructuring of electric utility  
3 industry, further providing for definitions and for duties of  
4 electric distribution companies.

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

7 Section 1. Section 2803 of Title 66 of the Pennsylvania  
8 Consolidated Statutes is amended by adding definitions to read:  
9 § 2803. Definitions.

10 The following words and phrases when used in this chapter  
11 shall have the meanings given to them in this section unless the  
12 context clearly indicates otherwise:

13 \* \* \*

14 "Long-term resource adequacy agreement." An agreement  
15 between an electric distribution company and another person or  
16 corporation in which the electric distribution company invests  
17 in a new generation resource in exchange for a portion of the  
18 net revenues derived from the new generation resource, with such  
19 portion of the net revenues being credited to customers through

1 a nonbypassable surcharge mechanism established under section  
2 2807(e) (5.1) (i) (F) (relating to duties of electric distribution  
3 companies).

4 "New generation resource." An electric generation facility  
5 that provides electric generation supply to the bulk electric  
6 system and that is newly constructed in the electric  
7 distribution company's transmission control zone or service  
8 territory, including one or more of the following resources:

9 (1) Natural gas.

10 (2) Nuclear.

11 (3) Battery storage.

12 (4) Alternative energy sources, as defined under section  
13 2 of the act of November 30, 2004 (P.L.1672, No.213), known  
14 as the Alternative Energy Portfolio Standards Act.

15 \* \* \*

16 "Resource adequacy." When the projection for all available  
17 sources of electric supply, as described by section 524(a) (2)  
18 (relating to data to be supplied by electric utilities), exceeds  
19 the projection of electrical energy use and electrical demand by  
20 a reasonable reserve margin.

21 "Resource inadequacy." When the projection of available  
22 sources of electric supply, including capacity and generation  
23 availability during times of demand, as calculated for resource  
24 adequacy, falls below a reasonable reserve margin.

25 \* \* \*

26 Section 2. Section 2807(e) (3.2), (3.3), (3.4) and (3.7) of  
27 Title 66 are amended and the subsection is amended by adding a  
28 paragraph to read:

29 § 2807. Duties of electric distribution companies.

30 \* \* \*

1 (e) Obligation to serve.--A default service provider's  
2 obligation to provide electric generation supply service  
3 following the expiration of a generation rate cap specified  
4 under section 2804(4) (relating to standards for restructuring  
5 of electric industry) or a restructuring plan under section  
6 2806(f) is revised as follows:

7 \* \* \*

8 (3.2) The electric power procured pursuant to paragraph  
9 (3.1) shall include [a prudent mix] one or more of the  
10 following:

11 (i) Spot market purchases.

12 (ii) Short-term contracts.

13 (iii) Long-term purchase contracts, entered into as  
14 a result of an auction, request for proposal or bilateral  
15 contract that is free of undue influence, duress or  
16 favoritism, of more than four and not more than [20] 30  
17 years. The default service provider shall have sole  
18 discretion to determine the source and fuel type. Long-  
19 term purchase contracts under this subparagraph may [not  
20 constitute more than 25%] be used to procure up to the  
21 full amount of the default service provider's projected  
22 default service load [unless the commission, after a  
23 hearing, determines for good cause that a greater portion  
24 of load is necessary to achieve least cost procurement].  
25 This subparagraph shall not apply to contracts executed  
26 under paragraph (5).

27 [(3.3) The commission may determine that a contract is  
28 required to be extended for a longer term of up to 20 years,  
29 if the extension is necessary to ensure adequate and reliable  
30 service at least cost to customers over time.]

1           (3.4) The [prudent mix of] contracts entered into  
2 pursuant to [paragraphs] paragraph (3.2) [and (3.3)] shall be  
3 designed to ensure:

4           (i) Adequate and reliable service at a reasonable  
5 cost to customers.

6           [(ii) The least cost to customers over time.]

7           (iii) Compliance with the requirements of paragraph  
8 (3.1).

9           \* \* \*

10          (3.7) At the time the commission evaluates the plan and  
11 prior to approval, in determining if the default electric  
12 service provider's plan obtains generation supply at the  
13 least or some indicator of lowest reasonable cost, the  
14 commission shall consider the default service provider's  
15 obligation to provide adequate and reliable service to  
16 customers and that the default service provider has obtained  
17 [a prudent mix of contracts to obtain least cost on a long-  
18 term, short-term and spot market basis and] contracts to  
19 obtain reasonable cost generation supply. The commission  
20 shall make specific findings which shall include the  
21 following:

22          (i) The default service provider's plan includes  
23 prudent steps necessary to negotiate favorable generation  
24 supply contracts.

25          (ii) The default service provider's plan includes  
26 prudent steps necessary to obtain [least] reasonable cost  
27 generation [supply contracts on a long-term, short-term  
28 and spot market basis].

29          (iii) Neither the default service provider nor its  
30 affiliated interest has withheld from the market any

1 generation supply in a manner that violates Federal law.

2 \* \* \*

3 (5.1) Ensuring Pennsylvania energy adequacy and  
4 security, including:

5 (i) Electric distribution company investment in new  
6 generation resources in accordance with the following:

7 (A) Electric distribution companies may petition  
8 the commission to demonstrate that a resource  
9 inadequacy exists. There shall be a rebuttable  
10 presumption that a resource inadequacy exists upon a  
11 showing that the reserve margin forecast, or similar  
12 replacement reserve margin forecast, falls below the  
13 target reserve margin in any of the planning years of  
14 the applicable independent system operator or  
15 regional transmission organization in the 10-year  
16 forward installed reserve margin forecast. If the  
17 commission, upon the petition of an electric  
18 distribution company, finds that a resource  
19 inadequacy exists the electric distribution company  
20 may invest in new generation resources, up to and  
21 including:

22 (I) the electric distribution company's 100%  
23 direct ownership of new generation resources;

24 (II) the electric distribution company  
25 entering into long-term resource adequacy  
26 agreements to invest in new generation resources  
27 that does not involve 100% direct ownership by  
28 the electric distribution company; or

29 (III) both subclauses (I) and (II).

30 (B) The commission shall render a decision on an

1 electric distribution company's petition within nine  
2 months of the date of filing and if no decision is  
3 rendered within that time frame, the petition shall  
4 be deemed approved.

5 (C) The petition to the commission shall include  
6 the results of at least one request for proposals for  
7 new generation resources from the third-party  
8 generation developers. The request for proposals  
9 shall, at a minimum, evaluate new generation resource  
10 proposals based on the following factors:

11 (I) Impact on addressing resource  
12 inadequacy.

13 (II) Certainty of permitting and timely  
14 construction for new generation resources.

15 (III) Ability to mitigate risk to customers,  
16 including price volatility.

17 (D) The commission shall determine which  
18 proposal, including the electric distribution  
19 company's proposal, is reasonable and prudent and  
20 issue an order approving either the electric  
21 distribution company's proposal or a proposal  
22 submitted in response to the electric distribution  
23 company's request for proposals. An electric  
24 distribution company shall be permitted to recover  
25 the cost of preparing, filing and litigating the  
26 proposal, including the cost of conducting the  
27 requests for proposals in accordance with clause (F).

28 (E) If the commission approves a proposal that  
29 does not involve the electric distribution company's  
30 direct ownership of new generation resources, the

1       commission shall order the electric distribution  
2       company to enter into a long-term resource adequacy  
3       agreement for the approved new generation resource.  
4       The electric distribution company shall recover costs  
5       from entering into the long-term resource adequacy  
6       agreement in accordance with clause (F). In addition  
7       to the cost recovery allowed under clause (F), the  
8       commission shall allow an additional financial  
9       incentive at a reasonable rate set by the commission.  
10       In the absence of a stated return on equity  
11       established in a distribution rate case, the  
12       commission shall use the return on equity for capital  
13       recovered under the distribution system improvement  
14       charge, pursuant to section 1353 (relating to  
15       distribution system improvement charge), in effect at  
16       the time of the commission's order.

17       (F) Costs for new generation resources and long-  
18       term resource adequacy agreements, including all  
19       costs of preparing, filing and litigating the  
20       petition under this subsection, shall be recovered  
21       from customers in all customer classes through a  
22       nonbypassable cost-recovery tariff mechanism, in  
23       accordance with section 1307, to ensure full and  
24       timely recovery of all prudent and reasonable costs  
25       of investment by the electric distribution company in  
26       new generation resources, as approved by the  
27       commission, including administrative costs, operation  
28       and maintenance expenses and a just and reasonable  
29       pretax return on the electric distribution company's  
30       capital investments in the new generation resources.

1       An electric distribution company or the owner of the  
2       new generation resources under a long-term resource  
3       adequacy agreement shall credit to customers through  
4       a reconciliation of the nonbypassable cost-recovery  
5       tariff mechanism a portion of the net revenues  
6       received from offering resources associated with the  
7       new generation resources into wholesale markets.

8           (G) The pretax return for the electric  
9       distribution company's capital investments in the new  
10       generation resources shall be calculated using the  
11       Federal and State income tax rates, the utility's  
12       actual capital structure and actual cost rates for  
13       long-term debt and preferred stock as of the last day  
14       of the three-month period ending one month prior to  
15       the effective date of the surcharge mechanism  
16       established under clause (F). The cost of equity  
17       shall be the equity return rate approved in the  
18       utility's most recent fully litigated base rate  
19       proceeding for which a final order was entered not  
20       more than two years prior to the effective date of  
21       the surcharge mechanism. If more than two years have  
22       elapsed between the entry of a final order and the  
23       effective date of the surcharge mechanism, the equity  
24       return rate used in the calculation shall be the  
25       equity return rate calculated by the commission in  
26       the most recent Quarterly Report on the Earnings of  
27       Jurisdictional Utilities released by the commission.

28       (ii) This paragraph shall supersede any conflicting  
29       provisions of this title or other laws of this  
30       Commonwealth and shall specifically supersede all



1           provisions of this chapter.

2           \* \* \*

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