

Connections to Networks

AERS and PA PUC Partnership

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Federal/State Oversight

- Connections to primary interstate gas pipelines are overseen by federal agencies such as the Federal Energy Regulatory Commission and the Department of Energy
- Extension of the distribution network to end users is usually overseen by the state, subject to federal safety and technical regulations



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Pennsylvania Network Connections

- Pennsylvania's distribution system is substantial
- The majority of service extensions now occur through new residential developments and major industrial complexes. The cost of service lines and main extensions are usually arranged by the developer-builder and included in the price of the home, building and rents. The end-use customer usually sees only a small meter connection charge included the first bill.



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Pennsylvania Network Connections (Cont.)

- Pennsylvania requires that all gas utilities state their service extension policies and charges in their tariffs.
- Under appropriate circumstances, a utility can decline to extend service depending on the length and expense of the connection and the expected gas consumption of the end user and future development.
- Service extensions may also be refused if construction would cause existing service to deteriorate



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Gas Main Extension Connection Points

- Each utility is required to state its point of connection in its tariff
- Most utilities provide that the "delivery point," or the point at which the customer takes delivery and ownership of the gas, will be at or near the customer's property line
- The effect of this delivery point is that the customer owns, and is responsible for, the service line from his property line into the home or business



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Service Extension Pricing

- As noted, the majority of service extensions are managed through builders and utilities
- The most common arrangement is through construction agreements where builders contract with distribution utilities to construct main extensions into new residential and commercial developments and complexes
- Frequently, local municipalities will require that utility construction agreements are signed before approval for the construction is given to the builder or developer



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Main Extension Pricing

- Where there is an extension of service to an end use customer which is not part of a new development or complex, the pricing formula factors in the cost of the extension, plus any necessary improvements, and the expected revenue from the customer's gas consumption over a period of time
- Costs of extension may include the new service line as well as any additional pressure regulation devices required by the new line



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Service Extension Pricing

- One tariff states a service extension price in this fashion:
 - ✓ The customer must provide a refundable deposit "equal to the difference between the minimum capital investment required to serve the applicant's gas requirements and the amount of capital the Company can justify investing in the project, based on the anticipated gas requirements of the applicant."



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Service Extension Pricing (Cont.)

- In those cases when the "minimum capital investment" by the company is less than the expected revenues from gas consumption, a deposit may not be required
- A deposit may also be waived when the service extension is expected to serve more than the initial customer "within a reasonable period of time."



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Service Extension Pricing (Cont.)

- Frequently, the minimum capital investment by the company (the cost of the extension) will be more than the expected return from gas consumption. In those instances, the customer will be required to pay for the amount of the company's investment, less the expected return from the customer's service.
- If development occurs on the main extension within a reasonable period of time, the customer may request a pro-rated refund of the cost paid for construction. This is frequently contested by the company. The outcome depends on the time period involved and the amount of development along the service extension.



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