



P E N N S Y L V A N I A
Public Utility Commission
2004-05 Annual Report



PUBLIC UTILITY COMMISSIONERS



Public Utility Commissioners (front row, left to right): Chairman Wendell F. Holland, Vice Chairman James H. Cawley, Commissioner Kim Pizzigrilli. (Back row, left to right): Commissioner Terrance J. Fitzpatrick, Commissioner Bill Shane

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The Honorable Edward G. Rendell
Governor of Pennsylvania

The Honorable Catherine Baker Knoll
Lieutenant Governor

Members of the General Assembly,

It is my pleasure to submit the 2004-05 Annual Report of the Pennsylvania Public Utility Commission, outlining many of the achievements, challenges and changes that defined this Fiscal Year. We remain focused on rates, reliability and choice, so we can protect the public interest, promote economic development and preserve the environment.

This year was defined by three new laws, each representing comprehensive, sweeping changes for the Commission, the utility industry and consumers. The PUC was tasked with implementing much of these three new laws:

- Chapter 14, Act 201 of 2004, changed rules for regulated electric, water and natural gas utilities that apply to cash deposits; reconnection of service; termination of service; payment arrangements; and the filing of termination complaints by residential customers. In analyzing and implementing this law, we have worked with advocates, utilities and state officials as we strive to protect health and human safety.
- The Alternative Energy Portfolio Standards Act of 2004 is critical to the Commonwealth's economic development future. Act 213 requires that a certain percentage of all electric energy sold to retail customers be derived from alternative energy sources. The PUC is helping to secure Pennsylvania's leadership in renewable energy; and consumers will benefit from new technology and new choices.
- Act 183 of 2004 established a new Chapter 30 of the Public Utility Code to provide broadband service statewide by 2015 at the latest. Consistent with Chapter 30 and federal law, the Commission expanded eligibility to programs that provide discounted phone service to low-income customers.

Electric reliability remained among the Commission's highest priority this year with a heightened monitoring effort focused on reviewing quarterly and annual reports filed in response to new electric service reliability benchmarks and standards. The PUC also formed a Natural Gas Reliability Working Group. The Commission completed its report for the General Assembly on the status of natural gas competition and is reconvening the stakeholders to address the issue. We remain committed to the issues of affordability of water service, quality of our water, and viability of our water companies. The PUC Bureau of Transportation & Safety facilitated local, state and federal partnerships to provide handicapped accessible taxi service in Harrisburg and Pittsburgh. The Commission investigated the issue of identity theft and how it impacts utility service.

We also continue to make consumer education a priority, concluding the successful Utility Choice campaign; partnering with Punxsutawney Phil, to urge all Pennsylvanians to "Prepare Now" for winter; developing a campaign to inform consumers about the value of water service; expanding the Commission's Be Utility Wise community outreach forums; and increasing awareness of 7-1-1, the number to dial to communicate by phone with people who are deaf, hard of hearing and speech disabled.

We are ensuring a "21st Century PUC" through the Information Management and Access Project, known as InfoMAP, which will overhaul the PUC's existing case management system to improve electronic workflow capability, and provide for more efficient access by consumers, utilities and practitioners through the implementation of electronic filing and e-commerce initiatives.

More achievements, challenges and changes face our Commission in the years ahead. We are prepared to continue with our mission to provide safe, reliable and reasonably priced utility service to the people of Pennsylvania.


Wendell F. Holland
Chairman

INTRODUCTION

Utility service is a critical element to the health and safety of Pennsylvania's residential and business customers. The Pennsylvania Public Utility Commission (PUC) ensures that electric, natural gas, steam heat, wastewater, transportation, water and local telephone service is reliable and available at a reasonable rate and is provided safely with a reasonable level of service. Similarly, in the area of transportation, customers using taxis, moving trucks or motor coaches also expect fair rates and adequate service.

With the restructuring of Pennsylvania's electric, natural gas and telecommunications industries, our role is also to educate customers so they may take advantage of the benefits of competition.

The PUC recognizes that utilities are entitled to the opportunity to achieve a fair rate of return when seeking increases. It is in the long-term public interest to encourage a stable financial climate for investment in public utilities. By allowing a fair return to investors for the use of their money, companies can attract capital to provide and improve services for all customers.

Our challenge is to balance the interests of all groups.

To achieve this, we strive to be prudent, fair and forward looking.

Broad Powers

The PUC exercises broad powers in meeting its regulatory obligations. In today's rapidly changing business environment, utilities must consider all of their options. The number of utility mergers, acquisitions and affiliated interest agreements has increased significantly over the last several years. With limited exceptions, utilities are required to obtain Commission approval for these transactions. In addition, PUC permission is required to begin operation, extend service and abandon service. It is the PUC's responsibility to ensure that these actions are in the public interest.

The PUC has worked diligently to ensure an effective transition to competitive markets in the electric, natural gas and telecommunications industries. The goal of competition is to lower prices, improve customer services and prompt the development of new technologies.

Although parts of the natural gas and electric markets are competitive, customers still receive distribution service

from their local distribution utilities. The local distribution utilities also continue to maintain the electric lines or natural gas pipelines to ensure that safe, reliable utility service is delivered to customers. Likewise, phone customers who do not select a different provider for local service will continue to receive service from their existing company. In every case, for customers who do not or cannot choose a different company, the PUC will continue to regulate the local utilities so that service is reliable and rates are fair and set appropriately.

In the interest of rail and motor safety and service, the PUC examines the structural integrity of railroad bridges and underpasses. In addition to a team of railroad safety inspectors, the PUC has a staff of motor carrier investigators who check on safety and insurance, cargo, and certified routes of truck, taxi and motor coach operators.

If customers have complaints about utility service, they may seek help through the PUC's Bureau of Consumer Services. Trained customer service representatives help to resolve billing disputes, establish payment plans or restore service.

OVERVIEW OF THE RATEMAKING PROCESS

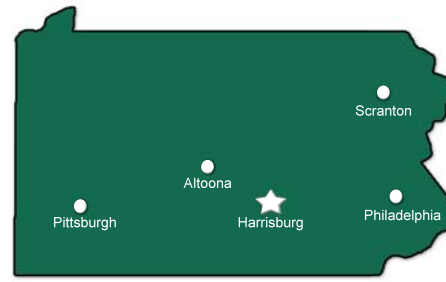
Rates

When settling rates, the law prescribes specific guidelines. The Commission must determine a utility's allowable expense and revenue requirements – how much money the company needs to operate properly. It must also decide how charges for residential, commercial, industrial and other types of customers should be structured to collect allowable revenue. In any rate case, the public has an opportunity to provide comments. Decisions are reached at public meetings in conformity with the state's Sunshine Law. Commission decisions may be appealed to the Commonwealth Court.

Organization

The Commission is comprised of five full-time members nominated by the Governor for staggered five-year terms. The appointments must be approved by a majority of the Senate. The Commissioners set policy on matters affecting utility rates and services, as well as on personnel, budget, fiscal and administrative matters. Commissioners take official action on cases during regularly scheduled public meetings.

The Commission has its headquarters in Harrisburg. The Commission has regional offices in Altoona, Philadelphia, Pittsburgh and Scranton.



The PUC regulates approximately 5,000 public utilities furnishing the following in-state services for compensation: electricity, natural gas, telephone, water, wastewater collection and disposal; steam heat, transportation of passengers and property by motor coach, truck and taxicab, pipeline transmission of natural gas and oil, and public highway-railroad crossings. Municipal utility service is exempt from PUC regulation, with the exception of that part furnished beyond a

municipality's corporate boundaries. Rural electric cooperatives are also exempt from PUC regulation.

The Commission is funded by assessments of the regulated public utilities. The PUC may assess utilities up to three-tenths of 1 percent of gross intrastate revenue to cover the cost of regulation. Assessments are paid into the state Treasury's General Fund for use solely by the Commission.

The Public Utility Commission was created by the Pennsylvania Legislative Act of March 31, 1937, which abolished the Public Service Commission.



On June 9, 2005, three new Commissioners were administered the Oath of Office by Deputy Secretary Ken Rapp with the Department of State. From left, Commissioners Terrance Fitzpatrick, James H. Cawley and Bill Shane. Commissioner Pizzigrilli served as a witness.

Regulation

In order to provide the most economical, efficient and practical service to a community, the state grants electric distribution, natural gas distribution, steam heat, water, wastewater and transportation companies the right to provide their service within a specified geographical area. Experience and past history have determined that the construction of distribution facilities by more than one utility company in the same location would be extremely costly and disruptive to community life and property. In exchange for the geographic rights, the utility accepts regulation by state government to assure that rates are fair and service is safe and adequate for customers who cannot choose a different company.

In recent years, however competition has been permitted in the supply of electricity and natural gas, and in the provision of long-distance and local telephone service. Competition can bring lower prices and greater diversity in the services offered to consumers. In these competitive environments, rates are not regulated.

Utility Role

Regulated utilities must meet all reasonable requests for service by customers within their designated territories. To provide adequate service, the company must obtain a fair return or profit on its investment sufficient to attract investors. If a company must expand its capacity to provide increased or improved service, it must borrow funds, persuade investors to make funds available or seek a rate increase from the PUC.

Ratepayer Role

Ratepayers must pay for the service they use, which includes a share of the reasonable cost of a utility company expenses, such as salaries, equipment, maintenance and taxes. Consumers have the right to be informed about the process, to receive an explanation of their utility bills, to have their complaints resolved in a prompt and fair manner, and to receive continuous utility service if payment responsibilities are met.

Filing for Rate Increase

When a regulated utility determines that a rate increase is needed, it must file a request with the PUC. The filing must show the new rate

the utility is proposing, why the rate is needed and when the utility wants it to go into effect.

Consumer Information

Utilities seeking rate changes must notify customers at least 60 days in advance. The notice must include the amount of the proposed rate increase, the proposed effective date of the increase, and how much more the ratepayer can expect to pay, if the company request is approved as submitted.

The PUC Office of Trial Staff represents the public at large by reviewing the company's records and rate requests and presents its view on what is in the public interest.

How Are Rates Set

Setting rates essentially is a two-step process: (1) determining what it costs to provide the service for customers; and (2) determining the appropriate rate structure -- the fair share of those costs to be allocated among commercial, industrial and residential customers. A public utility with efficient and economical management is permitted sufficient revenue to pay all of its reasonable operating expenses and provide a fair return or profit on investment adequate to

compensate existing investors and attract new capital. The ratemaking process should provide the lowest possible rate for consumers and still maintain the financial stability of utilities.

Rates for the supply of electricity and natural gas by competitors are not regulated and are based on market prices. However, many incumbent electric utilities are operating under negotiated rate caps for supply services. The rates for competitive local exchange companies (CLECS) that are competing against incumbent telephone companies are also competitive and do not require PUC approval.

How Long Does It Take

The PUC must rule on base rate requests for electric, natural gas, steam heat, water and wastewater companies nine months from the date the request is filed at the Commission. If it does not issue a decision within that timeframe, the request is automatically allowed to go into effect subject to a refund to customers. Most incumbent local telephone companies, however, operate under a price stability formula that limits their ability to seek rate increases based on the rate of inflation and other factors. For electric, natural gas and water/wastewater utilities, it is 1308 law that the PUC must decide within 60 days

of the utility's request for a rate increase whether to grant the request or refer it to a hearing. If no action is taken within 60 days, the increase is automatically postponed or suspended. The PUC then has seven months to decide whether any of the requested increases are justified, but it is expected to make a decision as soon as all the facts have been considered. During this time period, the PUC holds hearings at which the evidence in support of the rate increase can be examined and challenged. In addition, consumers must be offered an opportunity to voice their opinions and give testimony; briefs may be submitted by the parties and reviewed; a recommendation must be made; and, finally, the matter must be brought before the PUC for a vote.

Hearings and Recommendations

Pending cases are assigned to Administrative Law Judges (ALJ) who are lawyers. The ALJ, who has experience in administrative law, presides at formal hearings, gathers the facts and submits to the PUC a written decision recommending approval, disapproval or modification of the original rate request.

At a formal hearing, the company, the PUC's Office of Trial Staff and other parties present their cases and are subject to cross-examination. The hearing is open to the

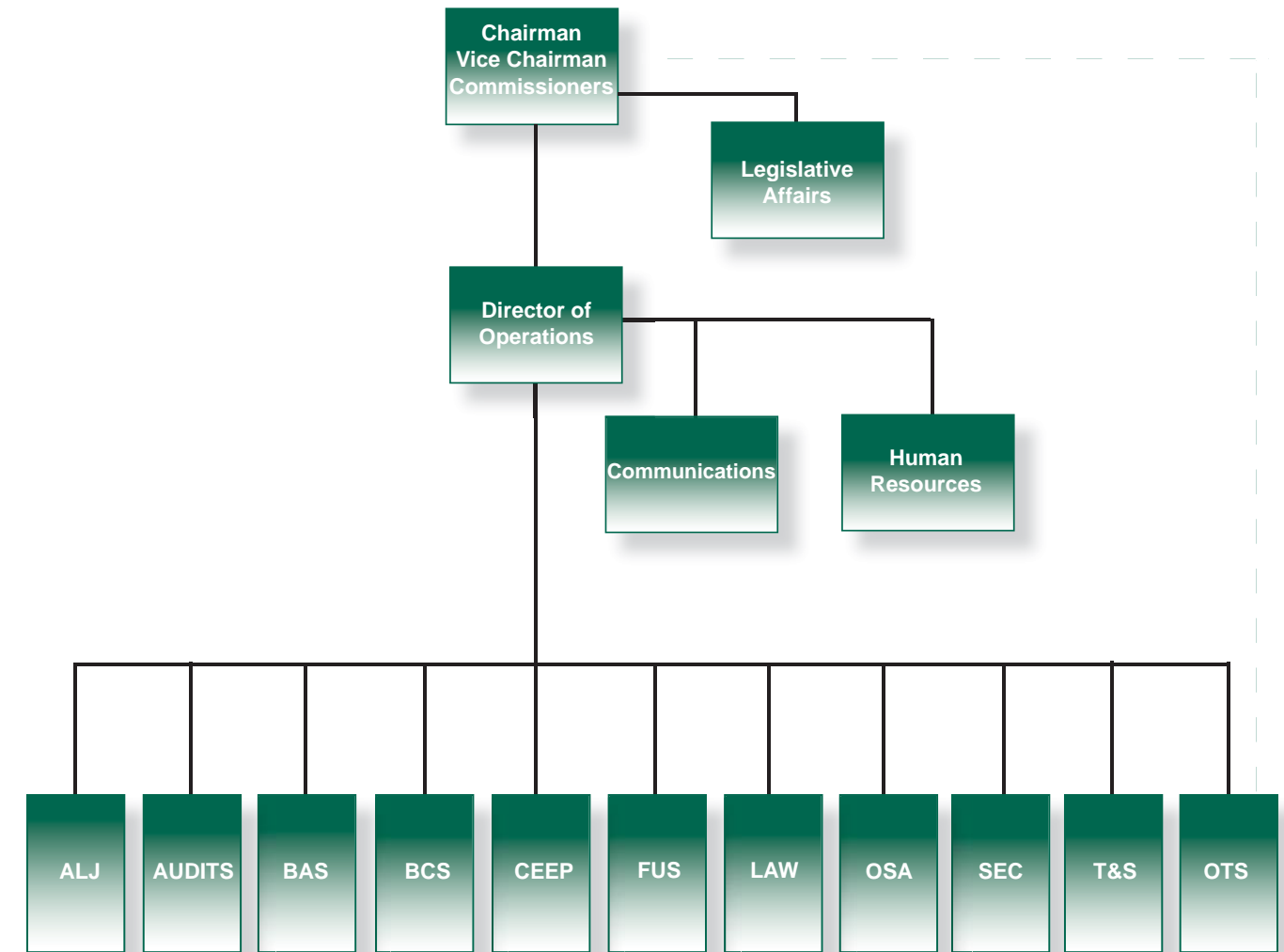
public and is conducted as a formal court proceeding. Customers may participate in the case by writing a rate protest letter, filing a formal complaint or participating in a Public Input Hearing. Customers may speak for themselves, or a lawyer may represent individual ratepayers or groups of ratepayers.

After the facts have been gathered and arguments have been heard, the ALJ writes a recommended decision resolving each issue within the limits set by law. The recommended decision is then sent to the Commissioners for their consideration at a public meeting.

Final Order

The Commissioners must make the final decision, authorizing rates that: (1) permit the amount or revenue which will allow the company to meet its reasonable expenses, pay interest on its debt and provide a fair return or profit to stockholders so it can continue to attract investment; and (2) assign the proper rate for each category of service – residential, commercial and industrial – reflecting as closely as possible the cost of providing the service to each type of customer. The Order has the weight of law unless the PUC changes it following a petition for reconsideration, or it is successfully challenged in court.

ORGANIZATIONAL CHART



- ALJ - Office of Administrative Law Judge
- AUDITS - Bureau of Audits
- BAS - Bureau of Administrative Services
- BCS - Bureau of Consumer Services
- CEEP - Bureau of Conservation, Economics and Energy Planning
- FUS - Bureau of Fixed Utility Services
- LAW - Law Bureau
- OSA - Office of Special Assistants
- SEC - Secretary's Bureau
- T&S - Transportation and Safety
- OTS - Office of Trial Staff

BUREAU DIRECTORS



Karen Moury
Director of Operations

Office of the Director of Operations

The Office of the Director of Operations is comprised of the Director of Operations, administrative support staff, and the Offices of Communications and Human Resources. The Manager of the Office of Communications is Tom Charles and the Human Resources Director is Carol McLeod. The Director of Operations is responsible for the daily administration and operation of the Bureaus and Offices. The Office assists the Commission in the development of policies and procedures that enhance the overall efficiency and effectiveness of the agency. The Office also participates in staff selection and training, manages various multi-Bureau projects, and oversees the Commission's Continuity of Government Plan.



Peter B. Dalina
Director of Administrative Services

Bureau of Administrative Services

The Bureau of Administrative Services provides support to the Director of Operations for administrative matters in the daily operation of the Commission. The Bureau is comprised of the Assessment Section, Fiscal Office, Management Information Services and Office Services. The Bureau is responsible for the preparation of the budget, collection of assessments, contracts, travel-related services, management information systems support, mail distribution, inventory control and automotive services.



Veronica A. Smith
Chief Administrative Law Judge

Office of Administrative Law Judge

The Office of Administrative Law Judge (OALJ) is headed by the Chief Administrative Law Judge. OALJ's primary duty is to provide fair and prompt conflict resolution by independent administrative law judges who preside at formal hearings in contested matters before the Commission. The Office also contains a mediation unit to facilitate settlements.



Tom Sheets
Director of Audits

Bureau of Audits

The Bureau of Audits conducts audits on Pennsylvania's fixed utilities, such as management audits, a variety of management efficiency investigations and annual adjustment clause audits. The Bureau also performs in-house technical reviews of other types of filings, and is responsible for auditing the annual reconciliation statements associated with stranded costs of certain electric utilities impacted by the Electricity Generation Customer Choice and Competition Act. Further, the Bureau performs audits of certain water utilities which are authorized to charge ratepayers a Distribution System Improvement Charge, and conducts special audits or reviews as assigned by the Commission.

Bureau of Conservation, Economics and Energy Planning

The Bureau of Conservation, Economics and Energy Planning conducts research and performs policy/planning functions focusing mainly on the electric and gas utilities and facilitating the development of competitive energy markets. The Bureau monitors developments in energy markets, such as pricing trends, demand forecasts and availability of supply to meet demand.



Wayne Williams
Director of Conservation,
Economics & Energy Planning

Bureau of Consumer Services

The Bureau of Consumer Services responds to and investigates consumer complaints, provides utility-related information to consumers, and monitors utility compliance with PUC regulations. The Bureau analyzes utility performance and produces an annual evaluative report for the PUC, legislators, utilities and the public. The Bureau consists of a Division of Customer Assistance and Complaints, and a Division of Policy.



Mitch Miller
Director of Consumer Services

Bureau of Fixed Utility Services

The Bureau of Fixed Utility Services provides technical support to the Commission on all jurisdictional utilities. It serves as principal adviser on technical issues and advocates policy recommendations on a variety of rate, tariff and regulatory matters. The Bureau processes filings such as securities certificates, affiliated interest agreements and fixed utility applications. The Director of the Bureau is vested with the authority to act for the Commission during emergencies and represents it on the Pennsylvania Emergency Management Council. The Bureau also reviews and maintains County 911 System Plans, Telecommunications Relay Service Reports, Annual Financial Reports and utility tariffs.



Robert A. Rosenthal
Director of Fixed Utility Services

Law Bureau

The Law Bureau acts as the Commission's in-house legal counsel, performing prosecutory, advisory, representational and enforcement roles. The Director of the Law Bureau serves as the Commission's Chief Counsel. Functions include providing legal opinions on issues involving the interpretation of the Public Utility Code and PA law; representing the Commission before state and federal courts; enforcing the Public Utility Code, Commission regulations and orders; providing legal and technical assistance in the promulgation of regulations and policy statements; and conducting informal investigations of utility misconduct.



Bohdan R. Pankiw
Chief Counsel



June Perry
Director of Legislative Affairs

Office of Legislative Affairs

The Office of Legislative Affairs acts as the Commission's liaison with the Governor's Office, the General Assembly and Pennsylvania's Congressional Delegation. The Office is responsible for promoting the Commission's position on legislation and issues before the General Assembly, handling constituent inquiries, and analyzing legislation and amendments that affect the Commission and public utilities.



James J. McNulty III
Secretary

Secretary's Bureau

The Secretary serves as the prothonotary of the Commission, and all correspondence and filings with the PUC must be addressed to the Secretary. Official actions and decisions are issued under the Secretary's signature. Bureau responsibilities include maintaining the Commission's case management system; coordinating and monitoring all Public Meeting items, agendas and minutes; and issuing all Commission orders and Secretarial letters.

Office of Special Assistants

The Office of Special Assistants is the Commission's advisory support bureau, and is comprised of attorneys, rate case review specialists and administrative support staff. The Office's primary function is to provide both legal and technical advisory services to the Commissioners on all aspects of fixed utility and motor carrier regulation as required. The Office is also responsible for the review and initial recommendation on exceptions to ALJ decisions, petitions for reconsideration and modification, and requests for extensions of filing deadlines.



Cheryl Walker Davis
Director of Special Assistants

Bureau of Transportation and Safety

The Bureau of Transportation and Safety is comprised of the Motor Carrier Services and Enforcement Division, the Rail Safety Division, and the Gas Safety Division. Areas of responsibility include processing motor carrier applications; ensuring compliance with Commission regulations; performing rail crossing and bridge safety inspections; and inspecting gas facilities and records to ensure compliance with state and federal requirements.



Mike Hoffman
Director of Transportation & Safety

Office of Trial Staff

The Office of Trial Staff (OTS) represents the PUC in all public interest matters having an impact on rates in proceedings before the Commission. OTS is responsible for reviewing Commission filings made by utilities involving rate-related matters. OTS may petition to intervene in those excepted proceedings. OTS prosecutes complaints against "slamming" and "cramming" by telecommunications providers, and may submit a request to initiate a proceeding when it is not prosecutory in nature or file its own complaint with the Secretary if it is prosecutory in nature. The Office consists of Legal and Technical divisions.



Johnnie Simms
Director of Trial Staff

COMMISSION BUDGET

Executive Government Operations		
General Government Operations	General Fund Actual 2004-05	Revenue Allocated 2005-06
State Funds		
Personnel	\$33,578,000	\$34,004,000
Operating	\$8,366,000	\$12,148,000
Fixed Assets	\$50,000	\$217,000
Total State Funds	\$41,994,000	\$50,369,000
Federal Funds		
Personnel	\$1,335,143	\$1,417,000
Operating	\$106,000	\$308,000
Fixed Assets	\$0	\$0
Non Expense/ Interagency	\$0	\$0
Total Federal Funds	\$1,441,143	\$1,725,000
Commission Budget	\$43,435,143	\$52,094,000

Philadelphia Taxicab Medallion Budget (Final)		
	2004-05 Actual	2005-06 Budget
State Funds		
Personnel	\$640,310	\$0
Operating	\$203,264	\$0
Fixed Assets	\$0	\$0
Total:	\$843,574	\$0

Revenue		
Type	2003-04 Receipts	2004-05 Receipts
Application Fees	\$219,640	\$235,688
Electric Generation Application Fees	\$7,700	\$4,900
Fines	\$139,163	\$928,555
Gas Pipeline Safety	\$346,574	\$395,000
Motor Carrier (MCSAP)	\$1,119,322	\$1,046,148
Philadelphia Taxicab Medallion Fees	\$792,001	\$795,000
Philadelphia Taxicab Medallion Transfers	\$89,550	\$188,800
Philadelphia Medallion Driver Certificate Fees	\$82,550	\$88,350
Philadelphia Medallion Fines	\$49,250	\$47,175
Philadelphia Driver Certificate Fines	\$16,850	\$21,350
Philadelphia Taxicab Copy Fees	\$922	\$424
Philadelphia Taxicab Medallion Interest	\$550,982	\$252,913
Total	\$3,414,504	\$4,004,303

CONSUMER ISSUES

The Fiscal Office transmitted \$44,588,450 in assessment billings for the 2004-05 Fiscal Year.

Fiscal Operations and Assessments	
1 st Quarter	\$43,465,754
2 nd Quarter	\$1,054,960
3 rd Quarter	\$60,387
4 th Quarter	\$7,349
Total	\$44,588,450

The Fiscal Office collected \$540,599 in support of the Philadelphia Taxicab Medallion Program.

	Medallion Fees	Transfers	Driver Cert. *	Fines	Driver Cert. Fines	Copy Fees	Total
1 st	\$191,000	\$36,750	\$27,050	\$9,700	\$7,050	\$122	\$271,672
2 nd	\$3,000	\$49,850	\$19,850	\$10,725	\$2,450	\$150	\$86,025
3 rd	\$500	\$102,200	\$41,450	\$26,750	\$11,850	\$151	\$182,901
4 th	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$194,500	\$188,800	\$88,350	\$47,175	\$21,350	\$424	\$540,599

* certificates

The Fiscal Office also processed accounts receivable for a total of \$1,169,143.

	Electric Deregulation	Fines	Filing and Copy Fees	Testing Fees	Total
1 st	\$350	\$25,582	\$51,605	\$0	\$77,538
2 nd	\$700	\$813,1126	\$49,177	\$0	\$863,003
3 rd	\$1,750	\$33,947	\$73,682	\$0	\$109,380
4 th	\$2,100	\$55,899	\$61,223	\$0	\$119,222
Total	\$4,900	\$928,555	\$235,688	\$0	\$1,169,143

*Does not include revenues recovered in the first quarter for previous fiscal year.

During Fiscal Year 2004-05, the Commission remained committed to monitoring and evaluating utility performance, as well as working aggressively to educate consumers about critical utility issues. During 2004-05, Commission consumer-education staff participated in six statewide roundtables, 57 workshops, 10 senior fairs, numerous consumer-education planning meetings and three "Be UtilityWise" events. These events across the state directly reached more than 36,000 Pennsylvania consumers.

The Responsible Utility Customer Protection Act (Chapter 14)

The *Responsible Utility Customer Protection Act* (Chapter 14) was signed into law on Nov. 30, 2004. The law became effective two weeks later on Dec. 14, 2004. The law affects utility collections and requires changes to the way the Commission's

Bureau of Consumer Services (BCS) handles informal complaints when the complainant requests a payment agreement to avoid termination. The law also changes rules relating to termination of service in the winter, cash deposits, reconnection of service and determinations of liability.

During this fiscal year, the Commission undertook several activities relating to the implementation and application of Chapter 14. The Commission solicited input from parties on policy issues. Additionally, through BCS, the Commission coordinated the Chapter 14 Roundtable Forum held Feb. 3, 2005, at which interested parties provided comments about various provisions of Chapter 14. Moreover, subsequent to the Roundtable, 12 parties submitted written comments. The Commission issued a Chapter 14 Implementation

Order (M-00041802), in which it addressed a number of issues, and directed utilities to file Chapter 14 implementation plans. The Commission, through BCS, provided specific instructions relating to the contents of the Chapter 14 implementation plans. Finally, during the first quarter, BCS continued the process it began in December 2004 of reviewing and revising all internal operating procedures to bring them into compliance with the new law.

BCS revised, and the Commission approved, the following internal procedures during the second quarter to reflect the new requirements of Chapter 14: Interviewer Procedures; "Off" Payment Arrangement Request (PAR) Procedures; Standard PAR procedures; Significant Change in Circumstance and Change in Income PAR Procedures; and Customer Assistance Program On/Off Procedures. BCS received and reviewed the Chapter 14 Implementation Plans submitted by the major utilities pursuant to the Chapter 14 Implementation Order. Additionally, BCS issued a letter to all interested parties regarding the Commission's

Commissioner Kim Pizzigrilli discusses Chapter 14 with an audience at a 2005 Be Utility Wise event in Philadelphia, PA



evaluation plans (§1415) and announcing a proposed timeline and collaborative process. The Commission also issued an Order responding to the petitions of the Energy Association of Pennsylvania and Philadelphia Gas Works for clarification and/or reconsideration of portions of the Commission's Chapter 14 Implementation Order. On behalf of the Commission, BCS also kept parties informed of the ongoing Chapter 14 Roundtables, announcing the next Roundtable, soliciting agenda items, and informing the parties of the agenda items selected for discussion at the Roundtable. Seven parties submitted written comments.

A Second Chapter 14 Implementation Order directed utilities to file updated Chapter 14 implementation plans. The Office of Communications began to educate consumers about the new law and prepared various informational resources.

Keystone Connection

The Commission initiated "Keystone Connection," a newsletter that is released quarterly to 700 subscribers, including media



and industry stakeholders. "Keystone Connection" provides a snapshot of developments and accomplishments in Pennsylvania's competitive marketplace.

Utility Consumer Activities Report and Evaluation

Educating Pennsylvania consumers on utility issues and helping them to resolve utility problems remain daily priorities for the Commission. Full-time investigators within BCS handle a variety of consumer inquiries related to billing, service delivery and repairs. In 2004, BCS investigated 26,173 consumer complaints. Overall the volume of consumer complaints increased by 6 percent in 2004 over 2003.

During 2004, BCS handled 94,521 requests for payment arrangements from residential customers, a 1 percent decrease from 2003. As in past years, the vast majority of requests for payment arrangements in 2004 involved electric or gas companies. For the telephone industry, the volume of payment arrangement requests decreased by 17 percent in 2004 (4,901 requests in 2003 compared to 4,088 in 2004).

The Bureau received 92,541 inquiries in 2004. Inquiries

include information requests and opinions from consumers, most of which did not require investigation on the part of BCS. These inquiries include contacts to the Competition/Choice Hotline, as well as contacts to the Bureau using other telephone numbers, mail service and email communication.

In order to monitor its own service to consumers, BCS surveys those customers who have contacted the Bureau with a utility-related problem or payment arrangement request. The results of the survey for Fiscal Year 2004-05 show that 84 percent of consumers reported they would contact the PUC again if they were to have another problem with a utility that they could not settle by talking with the company. More than 80 percent rated the service they received from the PUC as "good" or "excellent."

Utility Customer Service Performance Report

According to the 2004 Customer Service Performance Report, the vast majority of electric and natural gas customers said they were satisfied with the way customer service representatives handled their calls in 2004. The annual report evaluated the customer-service performance of the major electric and natural gas

companies compiled by the PUC's Bureau of Consumer Services. The companies include Allegheny Power, Duquesne Light Company, Met-Ed and Penelec (formerly GPU Energy), PECO Energy Company, Penn Power, PPL Electric Utilities, UGI-Electric, National Fuel Gas, UGI-Gas, PG Energy, Philadelphia Gas Works, Equitable, Dominion Peoples and Columbia Gas.

Based on customer surveys, an average of 90 percent of electric and 84 percent of natural gas customers said they were satisfied with the ease of reaching their company. A greater percentage of customers said they were satisfied with the way company representatives handled their call. Most customers said they were satisfied with both the courtesy and level of knowledge demonstrated by customer service representatives.

The annual report also collects data from the utilities on how their customer service operations performed. Among the highlights, four of the electric companies – FirstEnergy, Allegheny Power, PECO and UGI Electric – reported an increase in their call abandonment rate, which represents the number



of customers who hang up while on hold to speak to a representative. The call abandonment rate for each of these companies more than doubled. The other electric companies' call abandonment rates either fell slightly or remained the same as the previous year.

The average call abandonment rate for all of the gas companies is twice that of the electric companies. Equitable Gas reported the greatest increase and also the highest call abandonment rate.

Copies of the full report are available from the PUC's website at www.puc.state.pa.us under Publications and Reports.



Households Without Electric or Gas Heating Service

In December 2004, the Commission's annual Cold Weather Survey found that about 15,000 occupied households were without heat-related utility service: 4,496 residential electric households had no service and 10,509 natural gas households have no service. About 8,395

households (56 percent of the total off accounts) were without utility service in the Philadelphia area. An additional 2,586 households whose natural gas service has been shut off were using potentially dangerous heating sources such as kerosene and electric space heaters, kitchen stoves or ovens, and fireplaces.

Terminations have increased steadily since 1997. Statewide terminations have gone from 76,670 in 1997 to 186,695 in 2004, a 143.5 percent increase. The upward trend has continued in 2005. Terminations through April 2005 increased over 113 percent over the same time in 2004.

Each year before winter, the PUC requires electric and natural gas utilities to check residential properties where service has been shut off to try to reach payment agreements with the occupants so that service can be restored. The Commission requests utilities to make four attempts to contact the consumer or a responsible adult occupant at the property where service has been terminated. These contacts include a combination of telephone calls and letters to establish contact, with the fourth attempt being a personal visit to the property.

Prepare Now Campaign

On Nov. 18, 2004, the Commission welcomed that famous groundhog Punxsutawney Phil, to help urge Pennsylvanians to “Prepare Now” for the winter by weatherizing their homes, conserving energy, and learning about private and public programs to help them cope with colder weather and pay their bills.

This educational program is in keeping with the Commission’s focus on rates, reliability and choice, so it can protect the public interest and increase economic development.

The Commission continues to deliver the “Prepare Now” message across the state to help Pennsylvanians – particularly seniors and low-income consumers – deal with the winter. The messages being delivered are:



- Consumers should contact their natural gas company to learn about local programs to help;
- Each major natural gas company in Pennsylvania has established a Customer Assistance Program and a Low-Income Usage Reduction Program (LIURP). LIURP, for example, helps reduce gas usage by providing consumers with energy efficient equipment and insulation;
- The Weatherization Program is the country’s longest-running, and most successful, energy efficiency program. The federally funded program helps low-income families to permanently reduce their energy bills by making their homes more energy efficient; and
- The Low Income Home Energy Assistance Program or LIHEAP is a federally funded program that helps seniors and other low-income households with their energy costs. For more information on



the LIHEAP program, contact local County Assistance Offices or the Pennsylvania LIHEAP Hotline at 1-866-857-7095.

The “Prepare Now” campaign helped to increase enrollments in LIHEAP by 22,000 natural gas customers in 2004.

PUC Examines the Impact of CashPoint Network Services Inc. Bankruptcy

The Commission initiated a proceeding to examine the impact of CashPoint Network Services Inc. on Pennsylvania utility customers and major utilities. CashPoint, which filed for bankruptcy in New York, is a bill processor that had been collecting money from utility customers and then forwarding that money to utilities and other businesses throughout Pennsylvania and several other states. CashPoint provided that service through numerous supermarkets, grocery stores and other business locations around the Commonwealth.

The proceeding required all major jurisdictional fixed utilities that had an arrangement with CashPoint to file information regarding the arrangement as well as the number of customers and total payments that have been

affected by CashPoint’s action or inaction.

The investigation indicated that CashPoint reportedly had approximately 250 such locations in Pennsylvania. Moreover, the investigation indicated that customers of Pennsylvania’s jurisdictional fixed utilities may have paid CashPoint between \$20 million and \$25 million which were never ultimately submitted to the utilities to be applied to the customers’ accounts.

All Pennsylvania utility consumers who were able to demonstrate payment was made to a CashPoint vendor have received credit for these payments. In other terms, payment disputes involving CashPoint have been resolved the same as all other disputes involving proper credit for all payments made on an account; that is, a payment receipt translates into credit for payment.

Identity Theft Investigation

By Order entered Oct. 16, 2004, the Commission initiated an investigation at Docket No. M-00041811 to examine whether the Commission’s existing rules, regulations and policies adequately protect consumers and utilities from the effects of identity theft.

Identity theft takes place when

one person uses another’s personal information such as name, Social Security number, credit card number or other identifying information to commit fraud or other crimes. As noted in the Order, identity theft results in losses for both the customer and the utility company. For the victims of identity theft, the recovery from damage and the tainting of one’s financial reputation may be a slow, arduous and time-consuming process. According to the Federal Trade Commission, utility fraud makes up 21 percent of identity theft cases reported in Pennsylvania.

All major jurisdictional fixed utility companies, telecommunications service providers, and electric generation and natural gas suppliers, were directed to file written responses to the questions presented in Appendix A of the Order no later than Nov. 5, 2004. Several companies requested and received extensions to reply. Additionally, other interested parties were invited to file written comments on the problem of identity theft relating to utility service, and to propose solutions to address the problem, including proposed amendments to the Commission’s regulations relating to credit and billing procedures.

Based on responses and comments submitted in this proceeding as well as staff’s report, the Commission, by Motion dated July 14, 2005, determined that revisions to existing Commission rules and regulations may be premature at this time. However, with regard to Chapter 56 residential service regulations, the Commission indicated that it anticipated this issue will be addressed, as warranted, during the regulatory review of these residential standards necessitated by Chapter 14. Moreover, new legislation may be implemented to address identity theft. If this occurs, the Commission would determine whether existing rules and regulations are consistent with the new law. In light of the results of the investigation, the Commission has directed staff to continue to monitor identity theft related legislation and make recommendations, as appropriate, regarding future Commission action that may be warranted. Also, to provide assistance to the legislature, consumers and utilities, the Commission directed the findings of staff’s preliminary report be made public. In this way, the Commission, in cooperation with the legislature and the utilities it regulates, can work together to address this very important issue of identity theft.

Public Outreach

In 2004, the Utility Choice program focused on educating Pennsylvanians and stimulating general awareness in the areas where utility competition is greatest. The combined program efforts, including brochures, materials, earned media and grassroots activities reached more than 3.8 million consumers.

As of December 2004, the Utility Choice Website, www.utilitychoice.org, logged more than 25 million hits. The website focuses on three utility industries -- electric, natural gas and local telephone -- and features information on how to shop for each service, including detailed questions to ask potential providers and suppliers, an online calculator to determine possible savings, a list of consumer protections, lists of providers by county, and glossaries of commonly used terms.

The grassroots team reached out to approximately 58,000 limited-income audience members and more than 150 community-based organization caseworkers, and distributed more than 110,000 Utility Choice brochures through events, workshops and mailings. They also distributed 17,000 brochures and reached nearly 180,000 members of the African-

American community and 85,000 members of the Latino community through grassroots events, including outreach to barbershops and hair salons.

Consumer surveys in 2004 revealed that nearly 81 percent of Pennsylvanians are aware they can choose a local telephone provider and that nearly 28 percent have shopped for local service. In addition, 84 percent of African-Americans and 75 percent of Latinos were aware they have a choice for their local telephone provider. Also, 55 percent of Pennsylvanians were aware they can choose their natural gas supplier.

PA Relay

In 2004, the Commission and AT&T launched a new statewide campaign, "Spread the Word! Communicate by Phone with People who have Hearing or Speech Loss."

The campaign represents the joint effort of the PUC and the Pennsylvania Relay Service Advisory Board to educate the hearing public about relay technology to enhance the opportunities of people with hearing loss and speech disabilities for communicating

with the hearing public in their daily lives.

The campaign included a traveling exhibit, "PA Relay on the Road," which crisscrossed Pennsylvania during the summer, visiting county fairs, festivals, shopping malls and other venues with large audiences. The display included demonstrations of relay technology and was staffed by a trained representative who distributed informational literature.

Members of the "PA Relay on the Road" street team.



ENERGY

During Fiscal Year 2004-05, the Commission undertook several new initiatives related to homeland security and emergency preparedness. The focus remained steadfast on both electric service and natural gas distribution system reliability. The Commission continues to evaluate the effectiveness of Natural Gas Choice.

Homeland Security & Emergency Preparedness

The Commission finalized the initiative of self-certification by each regulated company for security and emergency preparedness. In an annual filing, every company is to certify it has reviewed its physical security, cyber-security, emergency plans and business continuity plans, and conducted tests or drills of these plans. On its initial effort, the Commission received responses from more than 90 percent of its certificated operations. The rulemaking initiative was approved as final in the last quarter of the fiscal year, making the requirements permanent and enforceable. This project was a recommendation from the House Resolution 361 investigative report.

The emergency preparedness of the utilities in the Commonwealth was

severely tested by a series of hurricanes from August through September 2004, by ice storms in January 2005, and by floods in April 2005. Many utility workers also volunteered to assist hurricane-ravaged areas in Florida. The events affected electric, natural gas and telephone service in many parts of the Commonwealth.

During emergencies, a Commission team mobilizes at the State Emergency Operations Center, located in suburban Harrisburg. The PUC Emergency Management Response Team provides assistance to utilities responding during an emergency and coordinates with other state agencies to ensure that all available resources are being used. Its primary goal is to meet the needs of those responding to an emergency quickly and effectively without losing critical time. The team also makes sure a clear line of communications is available from the utilities to the PUC, to the Pennsylvania Emergency Management Agency, and to the Governor.

In March 2005, the Commission in cooperation with the Regional Counter-Terrorism Task Force of the South Central Region of Pennsylvania (RCCTF), the Central Pennsylvania

InfraGard Chapter and the state's Office of Homeland Security, Emergency Management Agency and Department of Environmental Protection established a RCTTF utility sub-committee. Utility companies and their associations were invited to partner on a regional basis to create an informational conduit. The structure is designed to provide both the utility industry and the RCTTF access to information and expertise in the event of an emergency.

Electric Overview

Electric Restructuring

The Commission is beginning to conclude the transition of electric restructuring. Recognizing the ongoing need to provide guidance to the industry, the Commission issued proposed default service. A series of roundtable presentations and discussions on the issue formulated the backbone policy for default service decision making. The 1996 electric competition law requires electric companies to provide service to customers who have not selected an alternative generation supplier. While acknowledging the law identifies certain underlying requirements that must be followed by the PUC in determining

the electric distribution companies' obligations, the law also provides significant flexibility in developing default service regulations. Also, the Commission modified and approved Duquesne Light Company's new default service proposal to be effective as they exit their transition period, and PPL Electric Utilities filed the first distribution base rate case for a restructured company in several years. The Commission anticipates full implementation of its Dec. 2, 2004, decision to allow PPL to raise distribution rates beginning Jan. 1, 2005, by \$137.1 million (7.18 percent), approximately \$27.3 million less than the company had originally requested. The increase will affect 1.3 million residential, commercial and industrial customers in 29 counties.

Alternative Energy Portfolio Standards Act of 2004

On Nov. 30, 2004, the Alternative Energy Portfolio Standards Act was signed into law. 73 P.S. §§1648.1 – 8. Generally, the Act requires that Electric Distribution Companies and Electric Generation Suppliers include a specific percentage of electricity from alternative

resources in the generation that they sell to Pennsylvania customers. The Act took effect on Feb. 28, 2005, and the first reporting year will begin on June 1, 2006. The Commission opened an implementation proceeding at Docket No. M-00051865 and convened a staff-led working group in March 2005. The Commission subsequently issued two Implementation Orders at this docket that established a timetable for compliance and resolved certain other issues. The Commission also issued a Tentative Order on June 23, 2005, at this docket establishing rules for the participation of demand side management resources in this market. The Commission also issued separate, Proposed Rulemaking Orders, establishing uniform standards for the net metering and interconnection of small, alternative generation resources. Finally, by June 1, 2006, the Commission must also issue the rules for an alternative energy credits trading program; retain a program administrator; integrate the cost-recovery provisions of the Act into the pending default service rulemaking; and resolve a number of other legal and policy questions relevant to the Act's implementation.

Reliability

During the 2004-05 Fiscal Year, significant resources continued to be devoted to monitoring electric reliability. This monitoring effort was focused on reviewing annual and quarterly reports filed by the electric service reliability benchmarks and standards. Under the new rules, large electric companies will have to stay within 10 percent of a PUC-established benchmark for a rolling three-year period and within 20 percent of the benchmark during a rolling 12-month period. Four smaller electric companies – UGI, Citizens, Pike County and Wellsboro – also must stay within 10 percent of their benchmark for a rolling three-year period, but will be allowed to go up to 35 percent of the benchmark for the rolling 12-month period. Benchmarks are the Commission's goals for each utility on the number and duration of outages. Reliability is considered reasonable when the numbers fall between the benchmark and the percentage standards described above.

The Commission's Internal Staff Working Group on Electric Service Reliability has been monitoring each electric distribution company's reliability performance on a quarterly and annual basis.

The group prepared an annual report on the status of electric service reliability which is available to the public.

This also was the first year of filings under the new regulations with the new data delineating company performance. A number of requests for exemption were received on major events that involved more than 10 percent of customers, driven by the hurricanes and ice storms.

Under the Electric Generation Customer Choice and Competition Act, each electric distribution utility is obligated to ensure that its service does not deteriorate below the level of service reliability that existed prior to the Jan. 1, 1997, effective date of the act.

Open Access to Interstate Transmission

Open and non-discriminatory access to interstate transmission systems by all electric generators remains essential for a properly functioning wholesale market for electricity. To support this objective, Commission staff participated on various rules committees with the PJM Interconnection and the Midwest Independent System Operator. Staff also led a PJM initiative to provide states greater access to

wholesale electric market data, which was approved by the Federal Energy Regulatory Commission on June 28, 2004.

A number of new initiatives have been launched addressing long-term reliability assurance for the PJM system, which required additional staff monitoring. PJM has expanded its footprint to include the Duquesne, American Electric Power and Dominion systems. A new Organization of PJM States has been formed to coordinate state Commission activity within the PJM footprint. Chairman Wendell F. Holland has been named President of the newly formed organization that is comprised of Commissioners from 13 states and the District of Columbia.

Renewable and Sustainable Energy

The Statewide Sustainable Energy Board continued to collaborate on larger projects such as wind and energy efficient construction of large building projects. Throughout 2004-05, the funds provided loans and grants for more than 72 projects. The Board held its annual meeting in Harrisburg to update Commonwealth agencies and other interested groups on activities of the four regional sustainable

energy funds, and the market status of sustainable energy technologies and projects. The Board's 2004 Annual Report is available on the PUC's website.

Formed in 1999, the Statewide Board includes representatives from the Commission, the Department of Environmental Protection, the Department of Community and Economic Development, the Office of Consumer Advocate, the Pennsylvania Environmental Council, and each regional board.

Management Efficiency Investigations

The Commission's Bureau of Audits performed management efficiency investigations on Met-Ed and Penelec in the 2004-05 Fiscal Year. The results showed that approximately \$10.6 million could be saved by implementing the recommendations of the Bureau. Through the investigations, staff determined that the companies had realized a \$4.4 million savings by implementing past management audit recommendations.

Electric Company Audits

The Commission's Bureau of Audits periodically performs

management and operations audits or management efficiency investigations (MEIs) of its jurisdictional energy distribution companies. Among the audits or MEIs completed within the fiscal year were:

- PECO Energy Company - The MEI of PECO found that the company had realized \$4.2 to \$4.4 million in annual savings by implementing past management audit recommendations to improve its theft of service program.
- West Penn Power Company - This MEI found that West Penn had realized \$936,000 to \$997,000 in annual savings by improving its past due account collection efforts and meter-reading cost efficiencies. The MEI resulted in eight follow-up recommendations for improvements that, if fully implemented, could result in an additional \$1 million in annual cost savings by hiring additional line workers and reducing overtime levels

The Bureau of Audits also performed 20 competitive transition cost, purchased power, or consumer-education

audits of jurisdictional electric companies during the fiscal year.

Natural Gas Overview

Wholesale Natural Gas Prices

The natural gas industry continues to be burdened by a number of issues driven by escalating prices.

The Commission has also observed that market prices for electricity have been generally too high to support power production by some gas-fired generators, which has adversely affected the prospects of new gas-fired generation. Additionally, the high prices are becoming embedded in storage rebuild, lengthening the impact of the price increase through the winter heating seasons. Finally, the higher prices stress the liquidity of the industry, forcing higher cash-flow commitments to build storage and acting as a barrier to entry for new competitive suppliers.

Natural Gas Competition

In May 2004, five years after introducing competition into the natural gas industry, and in compliance with the 1999 Natural Gas Choice

and Competition Act, the Commission instituted a proceeding to evaluate the effectiveness of the program. Parties have been asked to comment on topics such as the assessment of the level of competition, the effect of the price of natural gas, consumer education, customer information/service, and supplier financial requirements on competition. Under the law, if the Commission concludes that effective competition does not exist, it must reconvene the stakeholders to explore options for increasing participation. As of June 30, 2005, approximately 174,141 customers in the Commonwealth were being served by an alternative natural gas supplier. This review was completed in the 2005-06 Fiscal Year.

Reliability

The Commission has also launched an examination of the reliability of natural gas distribution systems. This inter-Bureau team has been meeting with the various distribution companies and gathering extensive information on the practices of the companies.

PGW Financial and Collection Issues

In May 2004, the Commission opened a comprehensive investigation of the Philadelphia Gas Works' (PGW) financial and collection problems, necessitated by the company's difficulty in collecting payments from customers. Several issues were consolidated as part of the investigation, including PGW's proposal to continue its senior citizen discount program, its annual filing to establish wholesale gas prices, and a proposal to establish a surcharge to recover uncollectible billings. The Commission finalized the majority of the issues, and, at present, the senior citizen discount is the only outstanding issue to be resolved.

The investigation also examined PGW's universal service costs, as well as the cost-effectiveness and management of the programs. PGW has now selected an independent third party to evaluate its universal service and energy conservation programs.

Gas Safety Division

In Fiscal Year 2004-05, the Bureau of Transportation

and Safety's Gas Safety Division completed the field inspections associated with the federally mandated Operator Qualifications requirements. Operator Qualification inspections verify that utility workers are trained and tested in particular types of natural gas operations and procedures. Normally, the compliance inspection involves a total of five days, including field inspections and records examinations. Also in 2004, the Gas Safety Inspectors commenced Transmission Pipeline Integrity Management inspections. These federally mandated inspections consist of a review of pipeline systems by more advanced methods, such as pigging, direct assessment, and statistical analysis to ensure that the pipelines are safe and reliable.

During Fiscal Year 2004-05, the Gas Safety Division filed formal complaints against several natural gas distribution companies following the discovery of serious safety violations during facility inspections and investigation of incidents.

The Gas Safety Division investigated 20 reportable incidents during the reporting period. A reportable incident is an event which results in the death of a person, personal injury, and/or property

damage, including lost gas, of \$50,000 or more.

Additional Gas Safety Division activities include:

- 872 inspections (represents compliance, regulator and relief station, discontinued service, corrosion control, transmission line, and compressor station inspections);
- 19 investigations of reportable incidents;
- 36 non-compliance letters; and
- 76 gas safety violations.

Gas Company Audits

As with the electric companies, the Commission's Bureau of Audits performs periodic management and operations audits and management efficiency investigations (MEI) of natural gas companies. Among those audits completed during the fiscal year were:

- Philadelphia Gas Works - The MEI was limited to a review and evaluation of PGW's efforts to implement recommendations

from the Barrington-Wellesley Group Inc.'s January 2001 stratified management and operations report. During the MEI, the auditors found that PGW had realized annual and one-time benefits or savings of \$20.2 million and \$26.7 million, respectively, by implementing several of the consultant's management audit recommendations. The MEI also resulted in 30 additional recommendations for improvement that, if fully implemented,

could result in additional annual and one-time savings of \$58.4 to \$77.7 million and \$22.6 million, respectively.

- National Fuel Gas Distribution Corporation, Penna. Division - The Focused Management and Operations Audit of NFG found that the company could achieve annual benefits or savings of \$167,000 by eliminating or fully collecting for all damages resulting from gas line hits.

- UGI Utilities Inc. - The Focused Management and Operations Audit of UGI found that the company could achieve annual or one-time benefits or savings of \$59,000 and \$395,000, respectively, by increasing its inventory turnover.

The Bureau of Audits also completed 32 gas cost rate or purchased gas cost rate audits with recommended adjustments of over \$175,000.

TELECOMMUNICATIONS

During this fiscal year, the Commission continued to implement federal directives regarding Unbundled Network Elements and voted to accelerate Verizon-PA's current network modernization plan to bring broadband to consumers at a faster pace than previously committed. The Commission established the Telecommunications Code of Conduct to prevent local companies from engaging in unfair competition practices. The Commission chose to defer any state actions on the issue of Voice over Internet Protocol (VOIP) pending further development of the issue at the federal level. The Commission renewed its commitment to programs to help low-income telephone consumers by lowering some of the income requirements for certain programs to 135 percent of the Federal Poverty Guidelines. An audit of the

Telecommunications Devices for the Deaf Program was completed this fiscal year while the first audit of the Telephone Relay Service began.

Unbundled Network Elements

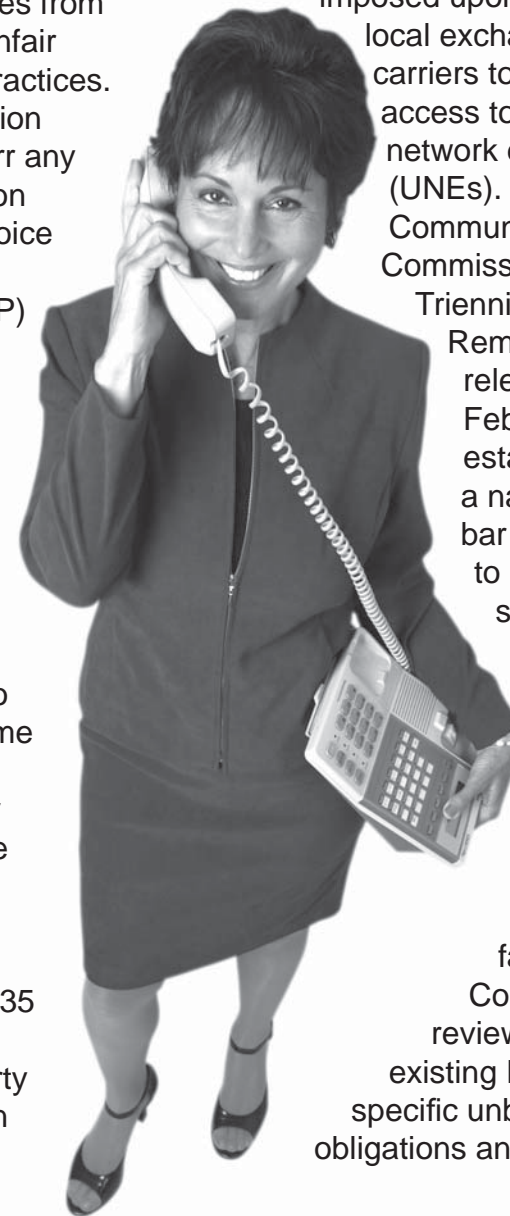
The trend continued toward a reduction in the obligations imposed upon incumbent local exchange carriers to provide access to unbundled network elements (UNEs). The Federal Communication Commission's Triennial Review Remand Order released February 2005 established a nationwide bar on access to unbundled switching, including access to UNE-Platform, in favor of incenting deployment of new facilities. The Commission reviewed its existing Pennsylvania-specific unbundling obligations and reduced

them to the same level as the new federal requirements in an Order released June 10, 2005. The Commission's new UNE policy has resulted in reduced federal litigation.

PUC Approves Amended Chapter 30 Plans and Obligations

Under Chapter 30 of the Public Utility Code, local telephone companies were permitted to propose a reduced, alternative form of regulation, accompanied by network modernization plans (NMPs) if they promised broadband deployment by 2015. The Chapter 30 law expired on Dec. 31, 2003. Act 183 of 2004 established a new Chapter 30, continuing Commission-approved alternative regulation of incumbent local exchange carriers and network modernization plans, and encouraging companies to accelerate universal broadband development at a minimum bandwidth of 1.54 Mbps. Additionally, the new law required the Commission to actively review our regulations and other programs such as Lifeline for compliance with its provisions.

As of June 23, 2005, all 33 incumbent phone companies had received Commission approval of their amended



NMPs. Virtually all of the rural incumbent carriers agreed to accelerate their broadband deployment under their amended plans by the end of 2008, and the remaining four incumbents, including the two Verizon companies, elected to commit to 100 percent deployment by no later than 2015.

Finally, the Commission obtained comments from interested parties in the spring of 2005 on the best way for the Commission to fulfill its statutory role of monitoring and enforcing companies' compliance with the NMP provisions of Act 183. The Commission announced its decision to implement an appropriate NMP monitoring and enforcement program.

Local Service Provider Abandonment Process for Jurisdictional Telecommunications Companies

On Jan. 13, 2005, the Commission adopted a Revised Final Rulemaking Order establishing a Local Service Provider Abandonment

Process for Jurisdictional Telecommunications Companies. The final regulations apply to all local service providers (LSPs) and network service providers (NSPs) operating in Pennsylvania. The proposed regulations will provide for an orderly process when a NSP intends to embargo and terminate service to a LSP; when the Commission has issued an order to revoke a LSP's certificate of public convenience; and when a LSP has filed an application to abandon a certificate of public convenience for the provision of local service. In particular, the regulations will ensure that customers do not lose service when their LSP exits the market and that customers are provided ample notice and the opportunity to select a new LSP of their choice. Moreover, the regulations will ensure

that an abandoning LSP provides sufficient network information to insure that

customers are able to be migrated seamlessly and so that an abandoning LSP coordinates with 9-1-1 service providers and the North American

Numbering Plan Administrator. Finally, the regulations apply to a LSP that provides local service to residential or business customers. The final regulations were published April 16, 2005, at 35 Pa.B. 2289 and are codified at 52 Pa. Code 63.301 through 63.310.

Changing Local Service Providers Rulemaking

As part of a multi-bureau process begun in 2002, the Commission, industry and the statutory advocates developed proposed regulations addressing the migration of customers between LECs. The proposed regulations have now been adopted as final regulations by the Commission and the Independent Regulatory Review Commission, and are undergoing final review by other state offices. The final regulations will become effective upon publication in the *PA Bulletin*. A subgroup of the PA Carrier Working Group is working on migration guidelines to supplement the regulations and to provide information on the ever-evolving minutia of the migration process.

PA Universal Service Fund

The Commission finalized the selection of the NECA Services Inc. as the third-party administrator of the state's universal service fund. A contract between NECA Services Inc. and the PUC will expire on Dec. 31, 2006. The PA Universal Service Fund ensures a gradual and smooth transition for the removal of subsidies in local rates by lowering access charges paid by long-distance toll providers in the rural ILEC territories. On July 1, 2005, auditor Withum, Smith & Brown submitted an auditor's report on the financials of the Fund's activities during 2004. This report is on the PUC's website. A decision will also be made regarding the continuation of the fund beyond Dec. 31, 2006.

Lifeline and Link-Up Programs

On May 19, 2005, the Commission adopted a Final Order at M-00051871 regarding Lifeline and Link-Up programs, adopting participation in the National School Free Lunch Program

and income-based criterion at or below 135 percent of the Federal Poverty Guidelines as additional eligibility criteria for Pennsylvania's Lifeline 150 and Link-Up programs. This made our programs consistent with the FCC's default Lifeline/Link-Up programs as announced on April 29, 2004, *Report and Order and Further Notice of Proposed Rulemaking In the Matter of Lifeline and Link-Up*, at CC Docket No. 04-87, WC Docket No. 03-109. The Commission also modified the Lifeline 150 program by renaming it "Lifeline 135" since the income eligibility level has changed. Commission staff and industry and public advocates have been meeting with representatives of the Pennsylvania Department of Public Welfare and Department of Revenue to resolve issues surrounding implementation of the

Commission's Final Order. They also have been reviewing new statutory requirements under Act 183, 66 Pa.C.S. Section 3019(f)(5) that require the Department of Welfare to automatically notify people

about Lifeline service when they enroll for qualifying low-income programs administered by DPW.

PA Telephone Relay Service (TRS), the Telecommunications Devices for the Deaf Program (TDDP), and Newsline (See also Consumers)

During the fiscal year, the Bureau of Audits completed the first audit of the underlying costs associated with the Telecommunications Devices for the Deaf Program. Several procedural findings, as well as findings related to minor monetary discrepancies were noted in the report. The first audit of the underlying costs for the TRS is proceeding. Technological advances have established CTVRS (captioned telephone voice-carry-over relay service) as an alternative to regular TRS for the speaking segment of the deaf and hard-of-hearing community; the "CapTel®" pilot program, begun in 2003 to test CTVRS in PA, has been converted to interim service and opened to new users while the search for a regular CTVRS provider continues. The General Assembly added funding responsibility for "Newsline" to the TRS surcharge;

“Newsline” is an on-demand, newspaper reading service for the blind and others who cannot physically read a newspaper, accessible via toll-free telephone lines. The combined monthly line-item surcharge on customer bills for the TRS, TDDP and “Newsline” programs for 2005-06 remained the same for residential customers and decreased for business customers.

Verizon’s Performance Metrics and Remedies

The PA Carrier Working Group (CWG), comprised of Commission staff, Verizon PA, competitive local exchange carriers, the PA statutory

advocates and other interested parties-continues to work with a footprint-wide CWG group to resolve outstanding issues raised in recent third-party reviews of the various states’ Carrier-to-Carrier Guidelines and Performance Assurance Plans (PAPs). Additionally, work continues in the PA CWG on PA-specific operations and problems as well as incorporating footprint changes into the PA Guidelines and PAP. A PA CWG subgroup is working on migration guidelines to facilitate customer migrations, especially between CLECs.

WATER / WASTEWATER

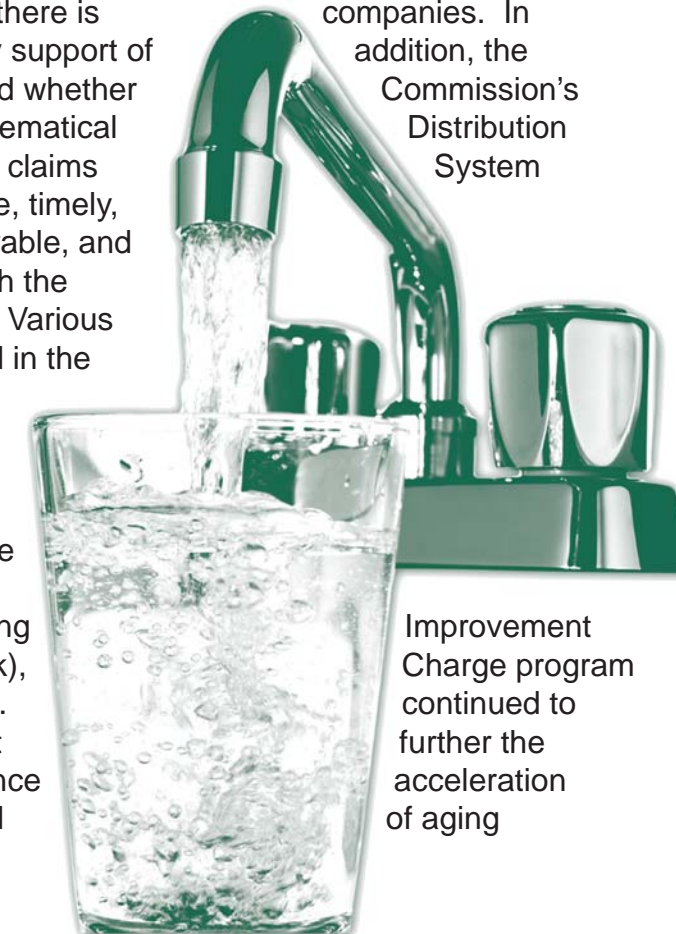
The Commission regulated the rates and service of more than 200 water and wastewater companies, including a number of municipal water and wastewater systems. In this fiscal year, the Commission took action on 13 water and six wastewater rate increase requests. The rate filings must first comply with the filing requirements as specified in PUC regulations at Chapter 53 of Title 52. The rate filings are then reviewed for reasonableness of test year revenue and for whether the expenses have been prudently incurred. The Commission also analyzes the claimed adjustments, rate base, debt, rate of return and rate structure; whether there is adequate company support of all adjustments; and whether there are any mathematical inconsistencies. All claims must be reasonable, timely, known and measurable, and in conformance with the Public Utility Code. Various resources are used in the analysis of rate proceedings, such as PUC company annual reports, tax returns, comparable returns for traded companies (including adjustments for risk), and prior case files. The rate filing must also allow compliance with PUC rules and

Department of Environmental Protection (DEP) regulations to ensure financial, managerial and technical viability.

The Commission also processed 40 applications for Certificates of Public Convenience (reflecting requests for additional territory, abandonments, formation of new companies, mergers and acquisitions).

The Commission continued its ongoing interagency cooperative efforts with a focus on enhancing small water system viability.

The Commission audited or conducted efficiency investigations of two water companies. In addition, the Commission’s Distribution System



Improvement Charge program continued to further the acceleration of aging

infrastructure upgrades for participating larger water companies.

Rate Cases

In considering rate increases, the Commission typically suspends the request for up to seven months in order to investigate the rate request. The Commission does not always approve the full amount requested by the company.

The Commission took the following actions related to numerous rate requests:

- Approved a \$3,025 (34 percent) increase in rates for the Kensington Water Company. The Company serves 50 customers in Hamilton Township, Franklin County;
- Approved a settlement agreement allowing Columbia Water Company to increase water rates by \$336,000 (12 percent). The increase affects 8,146 customers in the boroughs of Cumberland and Mountville and the townships of Manor and West Hempfield in Lancaster County;

- Approved a settlement agreement allowing Corner Water Supply and Service to increase rates by \$23,707 (8 percent). The company serves about 558 customers in Elk and Paint townships, Clarion County;
- Approved a settlement agreement allowing the Glendale Yearound Water Company to increase rates by \$38,275 (22 percent). The company serves about 1,349 customers in Chester Township, Cambria County;
- Approved a settlement agreement allowing the East Bradford Division of Little Washington Wastewater Company to increase wastewater rates by \$11,779 (15 percent). The company serves about 85 residential customers in East Bradford Township, Chester County;
- Approved a settlement agreement allowing the Little Washington Division of Little Washington Wastewater Company to increase wastewater rates by \$93,387

- (46 percent). The increase affects about 350 residential customers in East Brandywine, Willistown and Westtown townships, Chester County;
- Approved a settlement agreement allowing the Plumsock Division of Little Washington Wastewater Company to increase wastewater rates by \$17,396 (48 percent). The increase affects about 38 residential customers in Willistown Township, Chester County;
 - Approved Rock Spring Water Company's request to increase water rates by \$9,905 (11.70 percent). The increase affects about 460 customers in Ferguson Township, Centre County;
 - Approved the Township of Falls' litigated request to increase wastewater rates by \$814,093 (31.20 percent) for customers living outside the township municipal limits. The Commission has jurisdiction over only the rates charged to customers outside of the township limits. The

- increase affects about 1,268 customers in Bucks County;
- Approved Olwin Heights Water Company's request to increase rates by \$11,849 (12.70 percent). The increase affects about 174 customers in Roaring Brook Township, Lackawanna County;
 - Approved Buck Hill Falls Water Company's settlement request to increase rates by \$53,500 (35 percent). The increase affects about 304 customers in Monroe County;
 - Approved Clean Treatment Sewer Company's settlement request to increase rates by \$31,000 (8 percent). The increase affects about 1,141 customers in Delaware Township, Bucks County;
 - Approved the Borough of Quakertown's settlement request to increase water rates by \$222,185 (104 percent) for customers outside of the borough limits. The Commission has jurisdiction over only the rates charged to

- customers outside of the borough limits. The increase affects about 913 customers, including customers in the Township of Richland, Bucks County;
- Allowed Aqua Pennsylvania Inc. to increase water rates by \$13,794,205 (6 percent). The increase affects about 395,935 customers in various counties throughout Pennsylvania;
 - Approved a \$10,000 (31.56 percent) settlement increase in rates for the Philip M. Buss Water Company. The increase affects about 94 customers in Upper Milford Township, Lehigh County;
 - Approved a settlement agreement allowing the York Water Company to increase rates by \$3,500,000 (16 percent). The increase affects about 53,100 customers in York County; and
 - Approved Clarendon Water Company's request to increase water rates by \$5,517 (5.72 percent). The

increases affect 383 residential customers in Clarendon Borough and Mead Township, Warren County.

Water System Viability

More than 50,000 community water systems are in operation throughout the United States. About 84 percent of those water systems serve less than 3,300 customers. Less than 1 percent of the remaining systems serve more than 100,000 people. About 86 percent of the water systems are government controlled.

Pennsylvania has more than 2,200 community drinking water systems, many of which are small water systems serving less than 3,300 consumers. The PUC regulates the rates and service of about 140 of those water companies. Built decades ago, some now face operational, technical and financial challenges that could impact customer service.

Many small water systems have varying degrees of operational constraints that impact their viability. Operational constraints inherent to small systems typically include: compliance problems; limited technical and managerial expertise; lack of capital for improvements,

with a limited ability to borrow at reasonable rates; deferred maintenance; deteriorated and undersized infrastructure; and minimal sources of supply or storage. The Commission remains committed to enhancing water system viability to ensure ratepayers of small water systems receive the same quality of service provided by larger, viable water companies. A viable water system is one that is self-sustaining and committed to having the financial, managerial and technical capabilities to reliably meet both PUC and DEP requirements on a long-term basis.

Regionalization

Many of the mergers and acquisition applications the Commission acts on are a form of regionalization. In general, regionalization is the consideration of water resources in terms beyond artificial boundaries (townships, boroughs, city limits, municipalities, service territories, etc.). Some water systems in Pennsylvania lack the management and funding to stand alone as viable systems. Regionalization typically results in a cost-effective solution or alternative that works to ensure system reliability and water quality.

The benefits of regionalization include increased economies of scale; service efficiencies; and improved operations; management and technology. Approaches to regionalization can include mergers, acquisitions, physical interconnections, satellite management agreements, and cooperative purchasing/operational pools. Regionalization is not limited to large jurisdictional companies buying or taking over smaller companies. In some cases, nearby non-jurisdictional water companies such as municipalities or authorities have also participated in regionalization efforts.

Distribution System Improvement Charge

The Distribution System Improvement Charge (DSIC) allows water companies to use a surcharge to fund more upgrades of aging infrastructure than would otherwise be feasible at a reasonable rate for customers. Pennsylvania was the first state in the nation to use the DSIC. Because of the use of the DSIC, many water customers experience improved water quality; greater rate stability and increased water pressure, while the companies see fewer

main breaks; fewer service interruptions; and lower levels of unaccounted for water.

Implemented in 1997, DSIC is an automatic adjustment charge, authorized by state statute, that enables companies to recover certain infrastructure improvement costs between base rate cases through a quarterly surcharge on customers' bills. The cost is small when compared to the noticeable benefits, with approximate average monthly costs to ratepayers ranging from a few cents a month to about \$1.50.

The DSIC has had substantial impact on accelerating infrastructure remediation in Pennsylvania. Prior to the DSIC, water utilities' progress in upgrading infrastructure relative to actual service lives was a major challenge. For example, one large company would have taken 900 years to complete its entire system and another would have taken 225 years. This problem is due in part to the fact that the original cost of the distribution systems has increased substantially over the past century. Today, with DSIC, projected timeframes for upgrades of entire distribution systems range from 117 to 160 years, more closely matching that of actual service lives.

The value of accelerated infrastructure remediation is substantial, benefiting customers not only today but well into the future due to noticeable improvements in water quality, pressure, fire protection, service reliability and rate stability. Numerous customer protections are included as well, such as a 5 percent cap on the total bill, an annual reconciliation audit, and the requirement for customer notice.

In 1999, DSIC was endorsed by the National Association of Regulatory Utility Commissioners and the Council of State Governments included the DSIC in its *Suggested State Legislation* publication.

Due to the DSIC and other innovative regulatory mechanisms, Standard & Poor's has recognized the Pennsylvania Public Utility Commission for effectively encouraging water company investment.

Collection System Improvement Charge

In *Irwin A. Popowsky v. Pennsylvania Public Utility Commission*, No. 2497 C.D. 2003 (filed March 14, 2005), the Commonwealth Court, in a 5-2 decision, reversed a PUC Order that had approved a petition filed by Pennsylvania American Water Company to implement a Collection System Improvement Charge (CSIC) for its wastewater operations. Specifically, the court concluded that the Commission did not have the authority under Section 1307(a) of the Public Utility Code to approve a rate mechanism such as a CSIC to recover the fixed costs of a wastewater utility plant placed in service between base rate cases.

The case revolved around the September 2003 decision of the PUC to allow Pennsylvania American to recoup approximately \$3 million to replace collection mains in three wastewater systems it purchased between 1995 and 2002. Pennsylvania-American wanted the surcharge so it could accelerate its replacement of aged and deteriorated wastewater infrastructure, which has a "direct and immediate impact on health, safety and the

environment," stated the company.

The Commonwealth Court, however, ruled against the PUC decision allowing the surcharge. According to the majority opinion, the surcharge "means that utilities can recover their capital costs without any incentive to invest wisely and efficiently." Costs beyond the control of a utility, such as fluctuating natural gas rates or regulatory costs, are among the exceptions the Public Utility Code has allowed for utility surcharges. In the two dissenting opinions, it was written that the majority substituted its judgment for that of the PUC and construed the Public Utility Code too narrowly.

On April 13, 2005, both the PUC and Pennsylvania-American filed petitions for allowance of appeal in the Pennsylvania Supreme Court. The Supreme Court has yet to rule on that petition.

Management Audits and Efficiency Investigations

The Commission regularly audits jurisdictional water companies and conducts efficiency investigations. The following companies were audited within this fiscal year.

- Newtown Artesian Water Company – The focused Management and Operation Audit of the company found that it could achieve one-time savings between \$89,600 and \$93,600 and annual savings between \$77,300 and \$196,800.
- Pennsylvania American Water Company – the Management Efficiency Investigation of the company found that it had achieved annual savings of about \$614,000 in the areas of energy conservation and automated meter reading by implementing several of the recommendations made in the August 1999 Focused Management and Operations Audit.

Land-Use Planning Activities

For the past two years, the Commission has worked jointly with 22 state agencies and programs that play a role in land use, and development and conservation to craft the principles and recommended best practices for land use planning. The Governor's Economic Development Cabinet will

consider the principles and criteria that will be used by state agencies to guide investment and support local growth and economic development across the Commonwealth. They are expected to be approved in late 2005. Once approved, the agencies will gradually begin implementing the principles and criteria by applying them to significant programs over the next six months and eventually expanding their application to all relevant programs.

The 10 principles are:

- Redevelop first;
- Provide efficient infrastructure;
- Concentrate development;
- Increase job opportunities;
- Foster sustainable businesses;
- Restore and enhance the environment;
- Enhance recreational and heritage resources;
- Expand housing opportunities;

- Plan regionally, implement locally; and
- Be fair

The proposed criteria to accompany the principles for investment are project-specific measures in nine categories that will help achieve the state's development and conservation goals. They are to be used to evaluate various project proposals in all agency programs. The proposed criteria supplement, but do not replace, agency program guidelines.

The Commission and other agencies will develop plans for how they will work with local governments when there are issues of consistency related to county and local or multi-municipal plans and ordinances. The land-use agreement creates a process to ensure that consistent county and local planning and zoning are considered in state agency permitting and funding decisions, which is long-term concern of county and local governments. The goal of the principles and criteria is to strengthen the ability of agencies to consider and choose projects that are generally consistent with local plans and ordinances.

Statewide Water Resources

The PUC participates on the Statewide Water Resources Committee charged with carrying out Act 220 of 2002. This law requires the development of a statewide plan to manage the Commonwealth's water resources more effectively. Act 220 calls for the 25-year-old state Water Plan to be updated within five years with regular updates every five years thereafter. The updated plan is to address the quantity of water available in the Commonwealth, the amount used, and the amount needed.

The Commission recognizes its participation in this process provides a unique opportunity in shaping the future of the state's water resources. The process involves all of the stakeholders in the process.

The Committee, which has adopted draft regulations and bylaws, held eight regional meetings and public hearings to receive input and comment about the direction of the plan. The Committee is in the process of collecting sound scientific data on a watershed basis, which will allow the Committee and all other concerned parties to assess the cumulative impact of our activities

so we can preserve and protect our water resources for future generations of Pennsylvanians.

Water Consumer Education

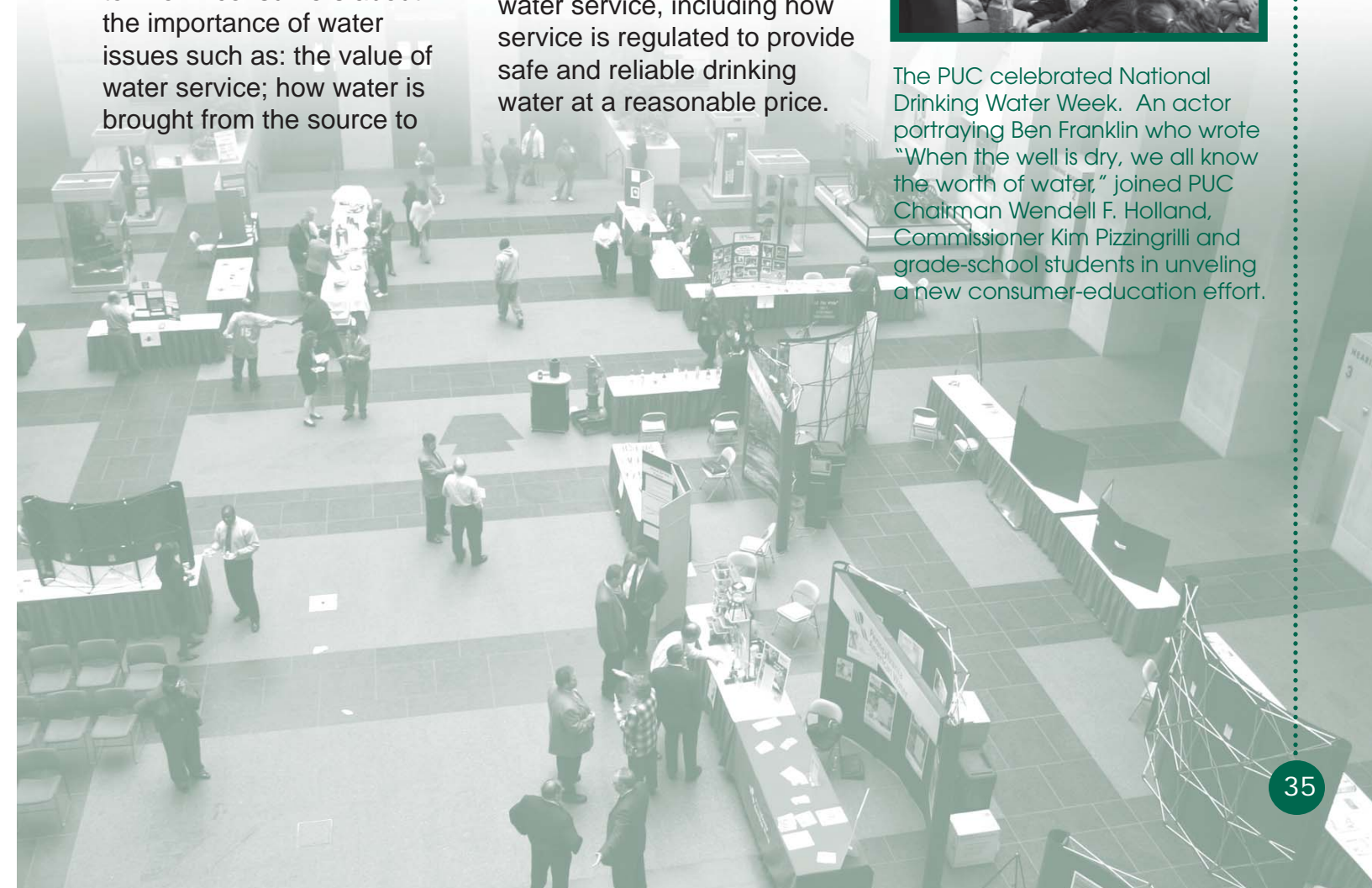
Senate Majority Leader David Brightbill and Rep. Carole Rubley (as well as grade-school students and an actor portraying Benjamin Franklin, who wrote "When the well is dry, we know the worth of water") were on hand on May 3, 2005, as the PUC marked National Drinking Water Week. The Commission unveiled a new consumer-education effort to inform consumers about the importance of water issues such as: the value of water service; how water is brought from the source to

the tap; conservation tips; infrastructure improvements; and assistance available for low-income ratepayers. The consumer-education effort features a new brochure and a new display that will be used at community events, senior centers and presentations to community-based organizations.

From May 2-6, water companies, regulatory agencies and water-related public interest associations marked National Drinking Water Week with exhibits in the Commonwealth Keystone Building Atrium, educating the public about all aspects of water service, including how service is regulated to provide safe and reliable drinking water at a reasonable price.



The PUC celebrated National Drinking Water Week. An actor portraying Ben Franklin who wrote "When the well is dry, we all know the worth of water," joined PUC Chairman Wendell F. Holland, Commissioner Kim Pizzigrilli and grade-school students in unveiling a new consumer-education effort.



**Pennsylvania Major Water Utilities
Nominal Weighted Average Residential Revenue Prices
1994-2004
(\$/1,000 gal)**

	UTD-PA	PA-AMER	AQUA	YORK
1994	4.80	5.28	4.20	3.63
1995	4.85	5.47	4.47	3.80
1996	4.93	5.76	4.50	3.86
1997	4.84	5.77	4.64	3.97
1998	5.46	6.34	4.83	3.96
1999	5.42	6.59	4.87	4.06
2000	5.56	7.01	5.32	4.32
2001	5.48	7.07	5.77	4.38
2002	5.60	7.41	6.10	4.56
2003	5.65	8.08	6.48	4.92
2004	5.62	8.16	7.12	5.18
% Change				
Nominal	17.0	54.6	69.6	42.7
* Real	-10.3	18.5	29.9	9.3

* Adjusted for inflation to 2004 dollars

LEGEND

UTD-PA United Water of Pennsylvania
 PA-AMER Pennsylvania-American Water Co.
 AQUA Aqua Pennsylvania Inc.
 YORK York Water Co.

**PENNSYLVANIA MAJOR WATER UTILITIES
NOMINAL WEIGHTED AVERAGE COMMERCIAL PRICES
1994 - 2004
(\$/1000 gal)**

	UTD-PA	PA-AMER	AQUA	YORK
1994	3.12	3.44	2.95	2.00
1995	3.32	3.60	3.03	2.02
1996	3.40	3.84	3.27	2.05
1997	3.44	3.89	3.19	2.14
1998	3.81	4.36	3.44	2.11
1999	3.75	4.57	3.39	2.16
2000	3.86	4.76	3.57	2.25
2001	3.89	4.83	3.84	2.32
2002	3.98	5.21	4.04	2.37
2003	3.95	5.77	4.60	2.56
2004	3.94	6.09	4.75	2.64
% Change				
Nominal	26.1	77.2	61.2	31.9
*Real	-3.4	35.7	23.5	1.1

* Adjusted for inflation to 2004 dollars

TRANSPORTATION & SAFETY

PENNSYLVANIA MAJOR WATER UTILITIES
NOMINAL WEIGHTED AVERAGE INDUSTRIAL PRICES
1994 - 2004
(\$/1000 gal)

	UTD-PA	PA-AMER	AQUA	YORK
1994	1.53	2.42	2.48	1.09
1995	1.89	2.57	2.62	1.15
1996	1.97	2.72	2.85	1.21
1997	2.03	2.78	2.25	1.35
1998	2.20	3.01	2.55	1.37
1999	2.29	2.85	2.58	1.37
2000	2.37	3.12	2.69	1.48
2001	2.24	3.27	2.87	1.57
2002	2.22	3.53	3.11	1.65
2003	1.15	4.00	3.42	1.78
2004	1.20	4.06	3.40	1.80
% Change				
Nominal	-21.3	67.7	37.2	65.3
*Real	-39.7	28.5	5.1	26.7

* Adjusted for inflation to 2004 dollars

During Fiscal Year 2004-05, the Bureau of Transportation and Safety installed a new radio system that allows enforcement officers to better communicate with other state and local law enforcement officials. Beyond their regular enforcement activities, the Motor Carrier enforcement staff participated in a national safety event. Rail Safety Division inspectors also were involved in conducting safety briefings throughout the state as well as participating in national safety activities. As of April 2005, oversight of Medallion taxicabs in Philadelphia was transferred from the Public Utility Commission to the Philadelphia Parking Authority.

Improved Radio System

The Division installed 800 mhz radios in the patrol vehicles of all Enforcement Officers. This effort will permit the Division's enforcement staff to communicate with the Commonwealth's statewide radio network. The 800 mhz radios provide PUC officers with mobile to mobile communications, and the ability to communicate with their respective District Offices, as well as the Division Office. In the future, the officers will be able to communicate with the Pennsylvania State Police (PSP) and participating municipal agencies thereby

increasing job efficiency and officer safety.

Roadcheck 2005

From June 7 to 9, the Motor Carrier enforcement staff participated in Roadcheck 2005, an annual international initiative sponsored by the Commercial Vehicle Safety Alliance. This 72-hour truck and bus inspection effort involved law enforcement and safety officers throughout the United States, Canada and Mexico. In Pennsylvania, PUC Enforcement Officers worked 12-hour shifts while PSP worked the opposing 12-hour shift at various inspection sites across the state. The concentrated inspection effort allowed the enforcement staff to conduct 603 vehicle inspections and discover 155 out-of-service violations. The most serious out-of-service violations found involved defective brakes and unsafe loading.

Enforcement Activities

The following is a brief synopsis of other Motor Carrier Services and Enforcement activities:

- 15,430 truck, bus, small passenger vehicle inspections (non-medallion);

- 1,009 informal complaint investigations;
- 609 safety fitness reviews;
- 2,245 cases reviewed; and
- 1,084 prosecutory actions.

Rail Safety Division

As a result of a recently issued Federal Rail Administration (FRA) Safety Advisory, the Rail Safety Division's inspectors are actively conducting safety briefings with the railroad companies in Pennsylvania. The advisory addresses the importance of the switch position in dark territory where trains operate with no Automatic Signal System. Approximately 41 percent of the railroad track in the United States is dark territory, where speeds can be authorized up to 40 mph. A large portion of track in Pennsylvania is in this category, with train speeds of 25 to 40 mph. Due to the serious nature of the Advisory, the inspectors are conducting compliance checks and attending safety briefings with the railroad companies.

Furthermore, the Rail Safety Division's track inspectors are participating with the FRA Inspectors in performing track inspections through the use of the FRA T-2000 Geometry

Telephone Directory

Car. The Geometry Car will inspect “under load” and provide a list of exceptions to track gauge, geometry and alignment. Subsequently, the inspectors will conduct walking inspections to ensure proper remedial action is taken by the railroad company for deficiencies found by the FRA T-2000 Geometry Car.

In April, Supervisor Patrick Edwards of the Rail Safety Division attended the United States Department of Energy’s (DOE) Transportation External Coordination Working Group meeting in Phoenix, Arizona. Edwards is a member of the Rail/Routing Topic Group for high-level radioactive waste shipments. Route selection criteria and route decision analysis were discussed to provide the best route for High-Level Spent Nuclear Fuel to Yucca Mountain, Nevada.

The Rail Safety Division is also an active participant in the national Operation Lifesaver Program, a non-profit, nationwide public education program dedicated to eliminating collisions, deaths, and injuries at highway-rail intersections and on railroad rights of way. In 2004, the Division conducted about 14 presentations to various groups which included young school students, school bus drivers, law enforcement officers, and

Emergency Medical Service personnel. The Division joined representatives of the Department of Transportation in the Operation Lifesaver Booth at the Pennsylvania State Farm Show, distributing informational brochures and discussing the dangers at highway-rail crossings and on railroad rights of way. Additional Rail Safety Division activities include:

- 15,311 railroad car inspections;
- 335 locomotive inspections;
- 4,553 miles of railroad track inspected; and
- 723 operating practice inspections.

Medallion Taxicab Transfer

Act 94 of 2004 transferred oversight of Medallion taxicabs from the PUC to the Philadelphia Parking Authority (PPA). On April 10, 2005, the PPA officially began regulatory oversight of Medallion taxicabs.

Medallion taxicabs are identified by a metal disc on the hood of the taxicab, and the presence of a four digit number preceded by the letter “P,” on the fenders.

Medallion taxicabs that provide service between points within Philadelphia, from points within

Philadelphia to destinations outside of Philadelphia, and from points outside of Philadelphia to points within Philadelphia are regulated by the PPA.

Some Philadelphia Medallion taxicabs have been granted operating authority from the Public Utility Commission to provide taxicab service between points outside of Philadelphia. This service remains regulated by the PUC.

Currently five non-Medallion taxi carriers are authorized to provide service to designated areas within Philadelphia on a non-citywide basis. These carriers are: Bennett Cab Service, Concord Coach Taxi, Bucks County Services, Penn-Del Cab and Germantown Cab Company.

The Philadelphia Parking Authority will regulate these carriers when they are providing service in PPA authorized vehicles between points in their Philadelphia designated area, from points in their Philadelphia designated area to destinations outside of Philadelphia, and from points outside of Philadelphia to points within their Philadelphia designated area. These carriers also provide taxicab service between points outside of Philadelphia, which will remain regulated by the Public Utility Commission.

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