



Pennsylvania Public Utility Commission
2018-19 Annual Report

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From left to right: Vice Chairman David W. Sweet, Commissioner Ralph V. Yanora, Chairman Gladys Brown Dutrieuille, Commissioner John F. Coleman Jr. and Commissioner Andrew G. Place

THE HONORABLE TOM WOLF

GOVERNOR OF PENNSYLVANIA

THE HONORABLE JOHN FETTERMAN

LIEUTENANT GOVERNOR OF PENNSYLVANIA

MEMBERS OF THE PENNSYLVANIA GENERAL ASSEMBLY

We are pleased to submit the FY 2018-19 Annual Report for the Pennsylvania Public Utility Commission (PUC). This report covers actions taken place between July 1, 2018, and June 30, 2019. As required by Section 321 of the Public Utility Code, 66 Pa. C.S § 321, the Annual Report highlights the accomplishments and challenges the PUC faced over the course of the year in fulfillment of our mission as regulators and protectors of the public interest.

Ensuring the reliability and resiliency of utility service in the face of physical and cyber-related threats has been a major emphasis. Working with the Office of the Governor and other key public and private sector stakeholders, the Commission continued efforts to promote cybersecurity in the utility sector and hired a director to oversee the newly created Office of Cybersecurity Compliance Oversight.

The PUC now has jurisdiction over the enforcement of Pennsylvania One Call, with several of its bureaus working to successfully establish a Damage Prevention Committee. The Committee holds regular livestreamed meetings to review potential One Call violations by facility owners, excavators and project owners across the state.

The Commission continued its next stage of implementing regulatory oversight over the operations of Pittsburgh Water and Sewer Authority (PWSA), and also launched a proceeding to bring uniformity to lead line replacement under Act 120 of 2018.

The Commission also continued its focus on the safety of Pennsylvania's numerous rail crossings and adopted a final policy statement on third-party electric vehicle (EV) charging stations, a big step toward designing a regulatory landscape which supports innovative and dynamic pricing for EV charging.

The PUC took major steps to address energy affordability for low-income customers by revising the policy on Customer Assistance Programs (CAPs) as part of a two-year holistic review of CAP and thorough examination of energy burdens.

Additionally, the PUC continued its efforts to help preserve Pennsylvania's access to funding for rural broadband projects, and also initiated a rulemaking to assert the Commission's jurisdiction over pole attachments and created a forum for dispute resolution.

The PUC took its award-winning #UtilityCareers campaign across the state, joining with utilities and other state agencies at job fairs and public events in order to increase public awareness about career opportunities in the utility sector.

We look forward to continuing our mission to balance the needs of consumers and utilities; ensure safe and reliable utility service at reasonable rates; protect the public interest; educate consumers to make independent and informed utility choices; further economic development; and foster new technologies and competitive markets in an environmentally sound manner.

Gladys Brown Dutrieuille
Chairman

David W. Sweet
Vice Chairman

John F. Coleman Jr.
Commissioner

Andrew G. Place
Commissioner

Ralph V. Yanora
Commissioner



INTRODUCTION



The PUC regulates more than 9,000 entities, including the following in-state services: electricity; natural gas; telephone; water and wastewater collection and disposal; steam heat; transportation of passengers and property by motor coach, truck, taxicab and transportation network companies (TNCs); pipeline transmission of natural gas and hazardous materials; and public highway-railroad crossings.

ORGANIZATION

March 31, 1937 – Pennsylvania Public Utility Commission is created by the PA Legislative Act.

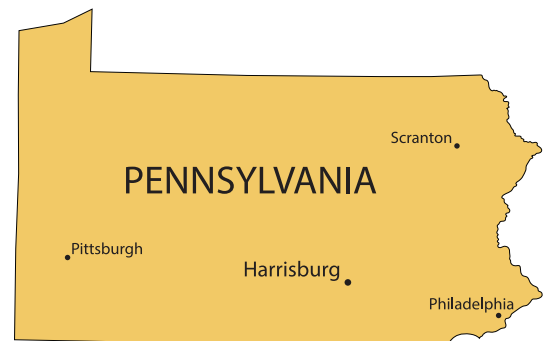
Mission Statement – The Pennsylvania Public Utility Commission balances the needs of consumers and utilities; ensures safe and reliable utility service at reasonable rates; protects the public interest; educates consumers to make independent and informed utility choices; furthers economic development; and fosters new technologies and competitive markets in an environmentally sound manner.

Locations – Harrisburg, Philadelphia, Pittsburgh and Scranton.

Funding – The PUC is funded by assessments on the regulated entities based upon intrastate revenues and by federal grant monies. Assessments are paid into the state Treasury's General Fund for use solely by the Commission.

Regulatory Filings – Utility mergers, rate adjustment requests, acquisitions and affiliated interest agreements.

The PUC [livestreams](#) its regular Public Meetings held in Hearing Room 1 of the Commonwealth Keystone Building, Harrisburg.





PUC Secretary's Bureau Fiscal Year 2018-19

28,085 filings received

65% of filings eFiled

12,529 documents served (including consumer and staff-initiated complaints)

Right-to-Know Requests

The Secretary of the Commission serves as the Commission's Right-to-Know (RTK) Officer. The Commission annually calculates the cost of in-house resources used to respond to RTK requests.

2016 - \$450,000

2017 - \$600,000

2018 - \$700,000

In 2019, due to an increase in the number of appeals filed with the Office of Open Records, an increase in approximate costs of in-house resources also is expected.

Fifty percent of RTK requests submitted to the Commission are from requesters outside of Pennsylvania. Since the Commission is funded solely on assessments paid by Pennsylvania utilities regulated by the PUC, PA ratepayers are funding the RTK requests and appeal expenses incurred by the Commission.

PUC's Bureau of Consumer Services Complaint Hotline:

1-800-692-7380

www.puc.pa.gov

COMMISSION BUDGET

EXECUTIVE GOVERNMENT OPERATIONS

GENERAL GOVERNMENT FUND	GENERAL FUND Estimated 2018-19 Expenditures	GENERAL FUND Approved 2019-20 Budget
State Funds:		
<i>Personnel</i>	\$60,775,000	\$60,936,000
<i>Operating</i>	13,102,563	14,387,000
<i>Fixed Assets</i>	307,437	210,000
Total State Funds	\$71,185,000	\$75,533,000
Federal Funds:		
<i>Personnel</i>	\$5,367,000	\$4,717,000
<i>Operating</i>	700,000	835,000
Total Federal Funds	\$6,067,000	\$5,552,000
Total Commission Budget	\$80,252,000	\$81,085,000

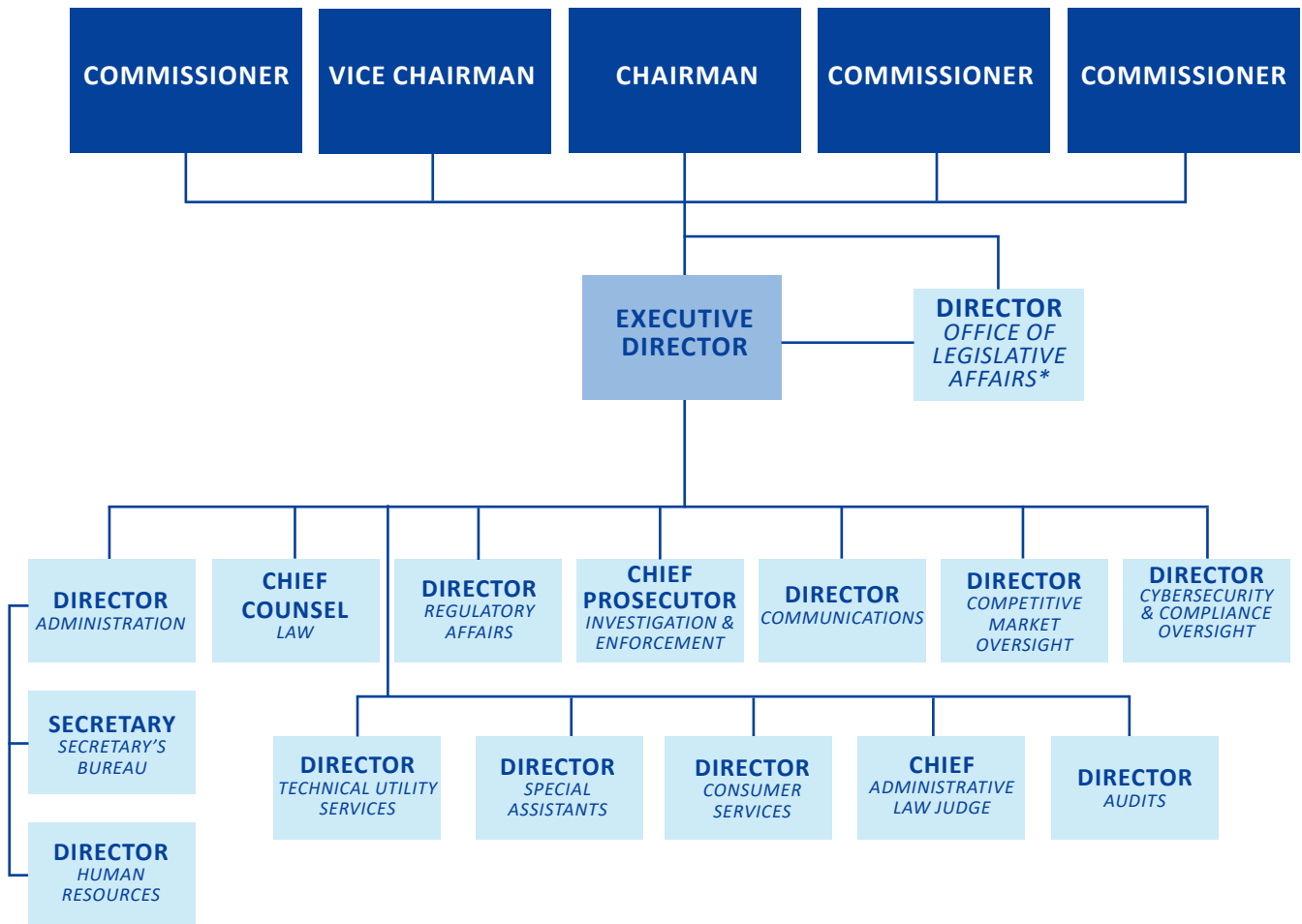
OTHER REVENUE SOURCES

	2018-19 RECEIPTS
Unconventional Gas Well Fund - Act 13	\$1,000,000
Filing & Copy Fees	6,077
Application Fees	651,158
Damage Prevention Fines	120,800
Violation of Order Fines	282,073
Federal - Gas Pipeline Safety	3,977,000
Federal - Motor Carrier (Motor Carrier Safety Administration Program)	2,090,000
Total	\$8,127,108

2018-19 APPLICATION FEES, FILING & COPY FEES & FINES

QUARTER	APPLICATION FEES	DAMAGE PREVENTION ADMINISTRATIVE PENALTIES	VIOLATION OF ORDER FEES	FILING & COPYING FEES	TOTAL
1	\$69,005	\$0	\$13,551	\$3,242	\$85,798
2	311,044	6,800	90,341	350	\$408,535
3	43,209	40,500	23,747	1,059	\$108,515
4	227,900	73,500	154,434	1,426	\$457,260
Total	\$651,158	\$120,800	\$282,073	\$6,077	\$1,060,108

ORGANIZATIONAL CHART



**Dual reporting relationship to Commissioners and Executive Director*

COMMISSION STAFF



SETH MENDELSON
EXECUTIVE DIRECTOR



ROBERT C. GRAMOLA
DIRECTOR
BUREAU OF
ADMINISTRATION



CHARLES RAINEY
DIRECTOR & CHIEF ALJ
OFFICE OF
ADMINISTRATIVE
LAW JUDGE



KELLY MONAGHAN
DIRECTOR
BUREAU OF
AUDITS



TOM CHARLES
DIRECTOR
BUREAU OF
COMMUNICATIONS



DAN MUMFORD
DIRECTOR
OFFICE OF
COMPETITIVE
MARKET OVERSIGHT



ALEXIS BECHTEL
DIRECTOR
BUREAU OF
CONSUMER SERVICES



MICHAEL HOLKO
DIRECTOR
OFFICE OF CYBERSECURITY,
COMPLIANCE AND
OVERSIGHT



MICHAEL ROBERTS
DIRECTOR
OFFICE OF HUMAN
RESOURCES



RICK KANASKIE
DIRECTOR
BUREAU OF
INVESTIGATION &
ENFORCEMENT



RENARDO (RICK) HICKS
CHIEF COUNSEL
LAW BUREAU



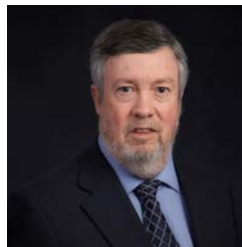
JUNE PERRY
DIRECTOR
OFFICE OF
LEGISLATIVE AFFAIRS



ROSEMARY CHIAVETTA
DIRECTOR
SECRETARY'S BUREAU



KATHY SOPHY
DIRECTOR
OFFICE OF SPECIAL
ASSISTANTS



PAUL DISKIN
DIRECTOR
BUREAU OF TECHNICAL
UTILITY SERVICES

COMMISSION STAFF

THE EXECUTIVE DIRECTOR is responsible for the oversight of the day-to-day management of the Commission's functions and staff. This position is responsible for the overall planning, direction, organization and operation of the Commission. Also, the Executive Director develops, recommends to the Commissioners, and implements the PUC's strategic plans and policies.

THE BUREAU OF ADMINISTRATION is responsible for overseeing administrative, fiscal and personnel functions. The Bureau of Administration is comprised of the Office of Human Resources; Management Information Systems, which oversees technology; the Secretary's Bureau; the Office of Administrative Services, which is responsible for office services; and the Financial and Assessment Section that handles budget issues and the financial functions of the Commission.

THE OFFICE OF ADMINISTRATIVE LAW JUDGE fulfills a judicial role within the Commission by hearing cases, mediating cases through the alternative dispute resolution process and issuing Decisions. The office's primary duty is to provide fair and prompt resolution of contested proceedings before the Commission. The Administrative Law Judges (ALJs) are attorneys with experience in administrative law who preside over the hearings in cases, which can include consumer complaints, rate filings, investigations, ability to pay/billing disputes and applications.

THE BUREAU OF AUDITS performs financial, management, operational and specialized audits on electric, natural gas, steam heat, wastewater, water and telecommunications utilities. It also reviews certain adjustment clause rate filings and 1307(e) reconciliation statements. The audits may result in recommendations to refund over-recovered costs and to improve accounting/operational procedures that could save utilities and consumers money.

THE OFFICE OF COMMUNICATIONS is charged with handling Commission media relations, external communications, internal communications, consumer education and communications technology, in addition to acting as the lead staff for the Consumer Advisory Council. The bureau is responsible for issuing press releases, responding to media calls, conducting consumer education and outreach, distributing educational materials, creating internal and external publications, coordinating the PUC's websites and social media, and managing livestreaming and communications technology.

THE OFFICE OF COMPETITIVE MARKET OVERSIGHT serves as the Commission's electric and natural gas choice ombudsman and oversees the development and functioning of the competitive retail electric and natural gas supply markets, in addition to providing a forum for informal dispute resolution.

THE BUREAU OF CONSUMER SERVICES investigates informal complaints from residential and small commercial customers and enforces the PUC's customer service regulations. The bureau also serves as an intermediary between utilities and consumers, mediating complaints or making

payment agreements, and is responsible for implementing and monitoring universal service and energy conservation programs. The bureau prepares reports on complaint handling, customer service performance, universal service and collection performance.

THE OFFICE OF CYBERSECURITY COMPLIANCE AND OVERSIGHT advises the Executive Director and Commissioners on policy issues and procedural improvements involving cybersecurity oversight functions of regulated utilities; drafts proposed cyber-related regulations; and oversees the preparation of documents related to cybersecurity policies and procedures.

THE OFFICE OF HUMAN RESOURCES is responsible for planning, organizing and directing a comprehensive human resource services program for the Public Utility Commission. This includes personnel and position management, labor relations, staff development, equal opportunity, recruitment and placement, employee benefits and services, personnel and leave transactions, and complement management. The bureau provides administrative and advisory services to the Executive Director, Director of Administration and PUC management.

THE BUREAU OF INVESTIGATION AND ENFORCEMENT serves as the prosecutory bureau for purposes of representing the public interest in ratemaking matters. The bureau also prosecutes service matters before the Office of Administrative Law Judge, and enforces regulatory compliance with the state and federal motor carrier safety, electric safety, and gas pipeline safety laws and regulations. The bureau handles rail safety enforcement proceedings and investigates referrals from other bureaus. The bureau also prepares administrative reports for the Commission.

THE LAW BUREAU acts as the Commission's in-house legal counsel in three main areas: advisory, representational and enforcement, providing legal advice to the Commission regarding electric, natural gas, telecommunications, water/wastewater and transportation matters, as well as proposed legislation, regulatory and policy statements. The bureau's director serves as Chief Counsel to the Commission. The Law Bureau represents the Commission before state and federal courts and before other state and federal agencies.

THE OFFICE OF LEGISLATIVE AFFAIRS acts as the liaison between the PUC and the Governor's Office, the General Assembly and the Pennsylvania Congressional Delegation; identifies legislation that may affect the Commission or public utilities and obtains staff analysis; provides relevant information to the legislature; and promotes the Commission's position on legislation and issues with the General Assembly.

THE DIRECTOR OF REGULATORY AFFAIRS oversees the PUC's bureaus with regulatory functions, including the Bureau of Audits, the Bureau of Consumer Services, the Office of Special Assistants, the Bureau of Technical Utility Services and the Office of Administrative Law Judge. The Director of Regulatory Affairs also is responsible for planning, organizing, coordinating, directing and overseeing regulatory staff.

THE SECRETARY'S BUREAU is the PUC's official point of contact with the public. The Secretary serves as the prothonotary of the Commission, and all documents and filings received by the Commission must be officially filed with the Secretary. The bureau processes, docket and assigns all filings to the appropriate bureaus within the Commission for review and recommendation. All official Commission actions and decisions are issued over the Secretary's signature. The Secretary's Bureau coordinates the Commission's Public Meeting agendas, records the minutes of each Public Meeting, and issues all Commission Orders, Decisions and Secretarial Letters. The Secretary also is the Commission's official Right-to-Know Officer.

THE OFFICE OF SPECIAL ASSISTANTS is the Commission's advisory support bureau, providing legal and technical advice to the Commission primarily regarding challenges to Administrative Law Judge decisions, as well as policy issues; drafts proposed Opinions and Orders containing a review of the facts, the applicable law and a proposed resolution of the issues raised in contested proceedings; drafts opinions and orders pursuant to motions adopted at Public Meeting; and reviews petitions for relief following the issuance of Commission Orders.

THE BUREAU OF TECHNICAL UTILITY SERVICES serves as the principal technical advisory bureau to the Commission regarding fixed and transportation utility regulatory matters, as well as an adviser to the PUC on technical issues for electric, natural gas, water and wastewater, and telecommunications utilities. The bureau also offers policy recommendations on rates, tariffs and regulatory matters; processes utility applications; and coordinates emergency operations of utilities.

CONSUMERS



CONSUMER OUTREACH

From hundreds of statewide outreach events, to its annual Be Utility Wise events and [Prepare Now](#) campaigns, to the production of new educational videos in Fiscal Year 2018-19, the PUC's consumer outreach specialists provided utility education and outreach to thousands of consumers by working alongside health and human service providers, consumer advocates, utility community relations specialists, and groups advocating for seniors and low-income consumers.

The outreach team travels the state to ensure consumers from all socioeconomic backgrounds are educated about and understand their rights as utility customers through a series of workshops, free seminars and roundtable discussions. Outreach specialists also support and participate in community fairs, legislative forums, senior expos, public input hearings and other educational events.

PREPARE NOW



During Fiscal Year 2018-19, the PUC continued to work with electric and natural gas companies to help consumers ["Prepare Now"](#) for the higher costs of winter heating by educating about low-income programs, energy conservation, and electric and natural gas shopping.

SMART HEARINGS

PUC "Smart Hearings" enable consumers throughout Pennsylvania to see and hear testimony being offered during the hearings by watching a livestream on the [PUC website](#).

The Commission has built on the success of its online "Smart Hearings" pilot project by scheduling and conducting additional "Smart Hearings." In Fiscal Year 2018-19, the PUC employed "Smart Hearings" related to the [Aqua Pennsylvania Water and Wastewater Increase Requests](#).

As a way to increase transparency and participation, "Smart Hearings" also achieve modest travel and productivity savings, as fewer PUC employees are needed to travel to multiple in-person public input hearings throughout a particular service territory.

SHOPPING WEBSITES

PAPowerSwitch.com averages 68,437 visits per month.

PAGasSwitch.com receives 10,266 visits a month. More than 415,000 residential and business gas customers receive their natural gas supply from a competitive supplier, accounting for about 55 percent of April's total natural gas load.

PUC staff continue to meet with their counterparts in other states and countries to share best practices and lessons learned from these award-winning websites.

COLD WEATHER SURVEY RESULTS

Each year, prior to the winter heating season, the PUC requires electric utilities, natural gas utilities and Class A water utilities to check residential properties where heat-related service has been terminated due to non-payment. The goal of the annual [Cold Weather Survey](#) is for the company to attempt to reach payment agreements with the occupants so service can be restored.

The Commission requires that utilities 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.

The companies resurveyed the households without utility service in [February 2019](#).



CONSUMER ADVISORY COUNCIL



Pictured left to right: Chairman Timothy Hennessey, Sylvia Simms, Sonny Popowsky, Carl Bailey, Mary Bach, Lenora Best, Vice Chairman Ralph Douglass (Not pictured: Patrick Cicero, Chad Quinn, Joseph Toner and Justin Udo).

The [Consumer Advisory Council](#) (CAC) was created through regulation in 1977 to advise the Commission on matters relating to the protection of consumer interests under the Commission's jurisdiction. The CAC represents the public in advising Commissioners on matters relating to the protection of consumer interests under the PUC's jurisdiction. In 2018-19, the Commission received comments to its Advanced Notice of Proposed Rulemaking which proposed various regulatory revisions to improve the functions of the CAC.

LINKS TO COMMISSION'S REPORTS

[Universal Service Reports](#) – The report highlights data submitted by the electric distribution companies and natural gas distribution companies in compliance with the Universal Service reporting requirements. Reporting categories include residential collections, Low-Income Usage Reduction Program (LIURP), Customer Assistance Program (CAP), Customer Assistance Referral Evaluation Service (CARES) and Hardship Funds.

[Customer Service Performance Reports](#) – The PUC's Bureau of Consumer Services (BCS) compiles the report on the quality of service date for major electric distribution companies and natural gas companies in Pennsylvania.

[Consumer Activities Report & Evaluation \(UCARE\)](#) – This report is a valuable resource that allows consumers to review their local utility's customer service performance for each year. The report uses tables to graphically



As part of the Commission's #UtilityCareers campaign, Chairman Dutrieuille visited several schools and summer camps to share information about career options in the utility field.

represent company performance of electric, gas, water and telephone utilities. Performance measures include consumer complaint rate, justified consumer complaint rate, response time to consumer complaints, payment arrangement request rate, justified payment arrangement request rate, response time to payment arrangement requests, infraction rate and termination rate.

#UTILITYCAREERS CAMPAIGN

The PUC spearheads a collaborative effort among the Commission, public utilities and educational institutions to increase public awareness about career opportunities in the utility sector through its [#UtilityCareers](#) campaign. As part of that initiative, the PUC is working with institutions and agencies statewide to spotlight the options available for young people still considering careers, and for those searching for new opportunities.

BE UTILITY WISE



The PUC held its annual [Be Utility Wise](#) train-the-trainer conferences across the state in the fall of 2018.

Forums were held in Erie, Pittsburgh, Philadelphia, Berks County, Wilkes-Barre, Johnstown and Harrisburg. Integrating the theme "Building Our Collaborative

Community – Connect, Contribute, Communicate," the annual series of forums brought together front-line community partners, utilities and key stakeholders in highlighting energy efficiency, conservation and customer assistance programs intended to help low-income households maintain essential utility services. In total, more than 1,100 participants attended. The PUC's Be Utility Wise events are intended to help local human service agencies and assistance organizations better understand the utility programs and services available in their communities.

ENERGY AFFORDABILITY STUDY AND UNIVERSAL SERVICE AND ENERGY CONSERVATION PROGRAM REVIEW

The Commission also provides administrative oversight of universal service and energy conservation programs implemented by electric and natural gas utilities. The portfolio of universal service programs includes CAPs, LIURPs, CARES and Hardship Funds. These programs are primarily provided to customers at or below 150% of the Federal Poverty Income Guidelines, however, some programs, such as CARES, may be available to non-low-income customers who meet certain requirements. BCS reviews these programs to ensure they are developed, maintained and appropriately funded to ensure affordability and cost-effectiveness.



In 2017, the Commission initiated a comprehensive review of universal service programs and energy affordability in Pennsylvania. Throughout 2018 and 2019, the Bureau of Consumer Services worked with the utilities and other stakeholders on these initiatives. In January 2019, the Commission released [The Home Energy Affordability for Low-Income Customers in Pennsylvania staff report](#), which found that low-income customers enrolled in universal service programs continue to pay significantly more of their income for gas and electric service compared to the average Pennsylvania household. The Commission has taken comments from interested stakeholders on these issues, held multiple working groups, and developed next steps to update the universal service requirements for utilities.

PA RELAY SERVICE ADVISORY BOARD



Back row (left to right): Phonse Arnold, Kevin Cohen, Sharon Behn, Eric Jeschke, Kay Tyberg and Matt Hrivnak. Front row (left to right): Sandra McNally, Melissa Hawkins and Amy Goldman.

During 2018-19, the [Pennsylvania Relay Service Advisory Board](#) met quarterly to advise the Telecommunications Relay Service (TRS) providers on service issues, to discuss policy issues related to traditional TRS and Captioned Telephone Relay Service (CTRS), and to interact with Commission-appointed members.

SOCIAL MEDIA OUTREACH

The PUC continues to enhance the way we reach Pennsylvania utility customers. The Commission engages with consumers every day on a variety of social media platforms.





WHOLESALE ELECTRIC PRICING

“[PJM’s Evolving Resource Mix and System Reliability](#)” report concluded that PJM’s current portfolio remains reliable and diverse, even with the changing resource mix given environmental regulations, low-cost natural gas, increased penetration of renewable resources, and demand response and possible retirements of nuclear power resources. PJM ensures reliability in 13 states, including Pennsylvania, as well as the District of Columbia.

The study urges PJM’s ongoing review of events which impact reliability, identifying highest risks to reliability and ways to mitigate infrastructure vulnerabilities, especially given rapid growth in gas generation. The Commission serves on several working groups that monitor actions and provide comments to PJM.

COMPETITIVE MARKETS

During 2018-19, the PUC took additional steps to strengthen and enhance Pennsylvania’s competitive market, including:

- The Commission focused on overseeing supplier marketing efforts by carefully monitoring consumer complaints to detect areas of concern. This led to a detailed Secretarial Letter in April 2019 served to all competitive suppliers reminding them of the Commission’s marketing regulations and the Commission’s expectations as to appropriate behavior when engaged in door-to-door sales and marketing, along with telemarketing.
- A rulemaking was launched to review and update the Commission’s Chapter 54 electric supplier disclosure regulations. These important regulations address what must be included in the disclosures that suppliers provide residential and small business customers to describe their products and prices. The Commission’s Notice of Proposed Rulemaking (NOPR) issued for comment on proposals to ban early termination fees once an Electric Generation Supplier (EGS) has provided the customer with an initial contract renewal notice; requirements that EGSs display their prices in a format that allows for easier price comparisons; requirements that any introductory pricing be clearly identified and explained to the customer; requirements to provide more information about variable prices and the use of common, consistent terminology by EGSs in their customer communications, including marketing, billing and disclosure statements. After receiving comments from the stakeholders, the Commission expects to promulgate updated regulations in early 2020, for implementation in 2020.

- The ability of customers on FirstEnergy’s (Met-Ed, Penelec, West Penn Power and Penn Power) customer assistance program (CAP) to choose a competitive electric supplier was clarified through CAP-specific rules and standards. The new rules that restrict CAP customers from entering into a contract with a supplier at a price higher than the utility’s price to compare, and with no fees, went into effect on June 1, 2019. This was followed by a proceeding to examine the issue of CAP-customer shopping statewide, with similar rules and protections found in the FirstEnergy program. The Commission expects to adopt a policy statement in 2020 enacting new CAP shopping rules statewide.

- The PUC’s official website for electric shopping – PAPowerSwitch.com – was the focus of continued enhancements, including direct links connecting PAPowerSwitch shoppers to suppliers’ online enrollment webpages and the ability to display new products being offered by suppliers, including but not limited to flat monthly prices, enrollment fees and, eventually, time-of-use products.

- PECO filed a petition seeking Commission approval to permit 2,000 residential customers to voluntarily participate in a pilot program in which participants prepay for utility service. In a December 2019 Order, the Commission directed PECO to meet with interested parties and revise a pilot plan for further consideration in 2020.

- The Commission’s Law Bureau is currently reviewing testimony and comments provided by interested stakeholders during two en banc hearings held in summer 2018 on supplier consolidated billing.

ALTERNATIVE ENERGY PORTFOLIO STANDARDS (AEPS) ACT OF 2004

The Alternative Energy Portfolio Standards Act of 2004 (AEPS) requires electric distribution companies (EDCs) and EGSs to ensure that by 2021 at least 18% of the total electricity supplied is generated from qualified alternative energy resources.

On Oct. 30, 2017, Act 40 of 2017 became effective, essentially closing the borders to the use of out-of-state solar credits for complying with the AEPS Tier I solar requirements. On April 19, 2018, the Commission established [qualifications](#) for out-of-state solar systems seeking to qualify such that the credits from these systems would be eligible for complying with the solar photovoltaic requirements of the AEPS. On May 16, 2018, the Commission issued a Secretarial Letter further clarifying some procedural information for the filing of petitions that Commission staff would review to determine eligibility of credits from out-of-state solar facilities. On May 17, 2018, the Commission granted the Petition for Clarification and/or Reconsideration of the Final Implementation Order for Act 40 approved at the April 19, 2018, Public Meeting.

ACT 129

Act 129 of 2008 required the seven Pennsylvania EDCs with at least 100,000 customers to establish an energy efficiency and conservation (EE&C) plan. The Act is being implemented in phases. Phases I and II are complete. Phase III of Act 129, the current five-year phase, began on June 1, 2017, and will end on May 31, 2021. While the EDCs must implement energy efficiency programs during all five years of Phase III, the Commission required demand response programs only during the last four years of the phase. The Statewide Evaluator (SWE) monitors and verifies electric consumption and peak demand savings data.

February 2019 – The Commission released the [Act 129 SWE Phase III Program Year 9 Annual Report](#).

The Commission began the process of investigating the potential for a Phase IV of the EE&C program by issuing the 2021 Technical Reference Manual and the 2021 Total Resource Cost Test. In addition, the SWE initiated studies to determine the demand response and energy efficiency market potential in Pennsylvania. The Commission anticipates beginning the process for setting the Phase IV EE&C Program conservation and demand reduction targets by issuing a Tentative Implementation Order in the first quarter of 2020.

ELECTRIC VEHICLE (EV) CHARGING

On Nov. 8, 2018, the Commission issued a [Final Policy Statement Order](#) on third-party EV charging stations, providing greater clarity and consistency throughout the state regarding resale/redistribution of electricity,



and also required each EDC to file a tariff amendment consistent with the Policy Statement.

TRANSOURCE TRANSMISSION LINE PUBLIC INPUT HEARINGS

In summer 2018, the PUC conducted eight [public input hearings](#) in the two counties impacted by the electric transmission line applications and other related filings submitted by Transource Pennsylvania LLC (Transource). The hearings drew a total audience of nearly 1,000 concerned residents and more than 200 speakers.

RELIABILITY

September 2018 – The Commission released its annual [Electric Service Reliability Report](#), detailing the performance of the state’s EDCs during 2018.

June 2019 – The Commission released the [2019 Summer Readiness Overview reports](#), from the state’s electric distribution companies and the regional transmission organization, PJM Interconnection, which provide the companies’ preparations and plans for

various conditions that may affect electric supply, price and service reliability during the summer months.

Electric reliability for Pennsylvania EDCs has been challenged by stormy weather in 2017 and 2018. The two biggest outage causes are trees and equipment failure. Electric EDCs have increased their accelerated infrastructure initiative spending on upgrading and enhancing electrical distribution system equipment, which in the long term should increase reliability and resilience of the electric distribution system.

The PUC continues to monitor progress with microgrid and battery storage technology. It appears both technologies may in the future significantly impact how the transmission and distribution system operates along with the potential reliability and resilience gains by increasing power supply options when parts of the grid are under stress.

Electric EDCs have increased their accelerated infrastructure initiative spending on upgrading and enhancing electrical distribution system equipment.



EDCs may utilize a distribution system improvement charge (DSIC) to accelerate expenditures on infrastructure replacement and reliability improvement. To date, eight of the 11 EDCs have instituted a DSIC. EDCs must have a Commission-approved Long-Term Infrastructure Plan (LTIP) in place before implementing a DSIC. The EDCs have spent more than \$1.36 billion through LTIPs since 2013.

2018-19 AUDITS UPDATE

The PUC completed 47 audits, involving default service, purchased power, non-utility generation, transmission service costs, generation supply service, solar photovoltaic requirements, energy efficiency and conservation, and universal service programs.

The Commission also reviewed and processed 161 filings requesting changes to established adjustment clause rates and implementing revised surcharge rates, and an additional 66 Section 1307(e) reconciliation statements that were reviewed and processed.

The PUC performed the following periodic management and operations audits (MAs) or management efficiency investigations (MEIs), including:

- **Metropolitan Edison, Pennsylvania Power, Pennsylvania Electric and West Penn Power Company** – An MEI, released Oct. 4, 2018, showed that the company effectively or substantially [implemented](#) 13 of 27 prior recommendations and took some action on the remaining 14 recommendations. As a result of their implementation efforts, the companies realized annual and one-time savings of approximately \$1.6 million and \$13.5 million, respectively.

ELECTRIC SAFETY

The PUC's Electric Safety Division responds to an average of 24 reportable contacts with power lines in the state each year, with two as the average number of fatalities each year. Meanwhile, the Electric Safety Division investigates an average of 150 electric safety referrals from the Bureau of Consumer Services (BCS).

SMART METERS



Act 129 of 2008 requires PA's seven large (100,000 or more customers) EDCs to deploy smart meters to all customers by 2023. The PUC has approved all plans. As of the end of June 2019, 5.88 million smart meters (More than 99 percent of all meters) currently are deployed statewide.

In January 2019, the Commission initiated an investigation seeking input on how smart meter technology could be utilized to design default service rates in a way that better aligns associated wholesale cost allocation with retail cost allocation. In January 2020, the Commission issued a Secretarial Letter setting forth the results of the investigation and inviting the electric utilities to include in their default service plan filings information and analysis on a variety of default service topics to more fully inform the stakeholders and the Commission.

ALTERNATIVE RATEMAKING

In June 2018, Act 58 of 2018 was signed into law that permits the Commission to approve applications by utilities to establish alternative rates and rate mechanisms. In April of 2019, the Commission issued an Act 58 Implementation Order that set forth the Commission's guidelines for utilities to propose alternative rates and rate mechanisms in base rate proceedings and for the Commission to review and approve such proposed rates.

FEDERAL ACTION

The Commission monitored and participated in proceedings before the Federal Energy Regulatory Commission (FERC) on issues related to the wholesale markets and interstate electric transmission service in PJM. These include providing comments suggesting improvements to PJM's capacity repricing filing that imposed a minimum offer price on capacity resources receiving state subsidies; filing a petition for rehearing and clarification of FERC's Order that applied the minimum offer requirement on all new and existing resources that receive state subsidies noting that FERC applied the rule too broadly; and joining the petition for rehearing and clarification filed by the Organization of PJM States Inc. (OPSI) in this matter.

RATE INCREASE REQUESTS

During the fiscal year, the Commission finalized the following rate increase requests. Information about the [ratemaking process](#) is available on the PUC website.

UGI UTILITIES INC.-ELECTRIC DIVISION

Requested Rate Increase – \$7.7 million (8.6%)

Approved Rate Increase – \$3.2 million (3.6%)

Primary Reason – New investments in infrastructure, improving operations and strengthening reliability

DUQUESNE LIGHT CO.

Requested Rate Increase – \$133.8 million (16.13%)

Approved Rate Increase – \$92.7 million (8.1%)

Primary Reason – New investments in infrastructure, improving operations and strengthening reliability

PECO ENERGY CO.

Requested Rate Increase – \$142.5 million (11.6%)

Approved Rate Increase – \$85.5 million (7%)

Primary Reason – New investments in infrastructure, improving operations and strengthening reliability

NATURAL GAS



WHOLESALE GAS MARKET AND NATURAL GAS PRICES

In 2018, the state’s natural gas industry set another production record, producing 6.2 trillion cubic feet of gas – a 13.5% increase over the previous year. Pennsylvania ranks second behind Texas in total volume of natural gas production. Within the territory of the PJM Interconnection, the regional power grid operator that serves Pennsylvania, gas-fired generation makes up the highest percentage of installed generation capacity at 40%.

According to FERC’s [2018 State of the Market Report](#), 2018 natural gas prices in the United States, while still relatively low, generally increased regionally as compared to 2017, with some trading hubs experiencing 40% to 50% increases from the prior year. Price increases were driven by a number of factors. Natural gas use for power generation was up 20% in 2018 as compared to 2017. Gas storage inventories fell to their lowest level since 2014 at the start of the 2018 injection season. The United States increased its net exports of natural gas in 2018, rising to 2 Bcfd, with most of the increase driven by additional exports of LNG.

Throughout the ongoing development and growth of Pennsylvania’s natural gas industry, the Commission continues its effort to enhance pipeline safety across the Commonwealth, highlighted by adding engineers to the PUC’s pipeline safety team, supporting new federal regulations for Class 1 Gathering lines, and encouraging increased access to federal safety training resources for engineers – including discussions about creating a pipeline training facility in Pennsylvania.

COMPETITIVE MARKET OVERSIGHT

During 2018-19, the PUC continued moving forward on several fronts to further remove barriers to competition in the state’s natural gas market. Led by its Office of Competitive Market Oversight, the PUC took the following steps:

- Advanced efforts to amend and add to regulations addressing the release, assignment and transfer of capacity among natural gas distribution companies and natural gas suppliers. This included issuing an Advanced Notice of [Proposed Rulemaking](#) (ANOPR) for comment in late 2017 followed by a technical conference in March 2018 where suppliers, natural gas utilities and Commission staff discussed the issues in person. A NOPR is expected on these issues in 2020.

- The Commission focused on overseeing supplier marketing efforts by carefully monitoring consumer complaints to detect areas of concern. This led to a detailed Secretarial Letter in April 2019 served to all competitive suppliers reminding them of the Commission’s marketing regulations and the Commission’s expectations as to appropriate behavior when engaged in door-to-door sales and marketing, along with telemarketing. This was followed by a July 2019 press release informing the media and consumers as to what to look for and what to avoid when considering the purchase of competitive energy supply products. Finally, in late 2019, the Commission launched a comprehensive review of the Commission’s Chapter 111 supplier marketing regulations – especially concerning telemarketing – and to also address how marketing and sales have evolved since these regulations were initially adopted in 2012-13.

2018-19 AUDITS UPDATE

During Fiscal Year 2018-19, the PUC completed eight purchased gas cost (PGC) audits, four gas cost rate (GCR) audits and six universal service audits. The PUC also reviewed 22 gas cost rates, one consumer-education charge, 10 Universal Service Fund charges, three supplier choice audits, 45 distribution system improvement charges (DSIC), and 16 tax cut job act (TCJA) rate change and reconciliation filings.

LAUREL PIPE LINE APPLICATION

The Commission held two “Smart Hearings” regarding the [application by the Laurel Pipe Line Co. LP](#) to change the direction of its petroleum products transportation service over a portion of its system, west of its Eldorado facility in the Altoona area. The Commission determined that the reversal of flow on Laurel’s pipeline amounted to an abandonment of its service to customers in the East and that Laurel had not justified its abandonment, and therefore denied the application. Laurel appealed to Commonwealth Court, arguing that the proposed new service was interstate in nature, and therefore outside the Commission’s jurisdiction. A group of Laurel’s customers also appealed to Commonwealth Court, arguing that the Commission had erred

in determining that Laurel’s certificate of public convenience did not prohibit Laurel from ever reversing the direction of flow along the Laurel pipeline. During the course of these appeals, and related proceedings before the FERC, Buckeye Pipeline LP, Laurel’s owner, agreed to be purchased by IFM Global Infrastructure Fund, a private equity infrastructure fund owned by IFM Investors Pty Ltd. The proposed acquisition occurred during the briefing stage of the Commonwealth Court appeals.

On Aug. 29, 2019, the Commission approved a settlement that allows for bi-directional service through a portion of the pipeline and allows for continued east to west service throughout the year.

SUNOCO MARINER EAST

Litigation continues before the Commission regarding various complaints brought by the PUC’s independent Bureau of Investigation and Enforcement (I&E) and private citizens involving the Mariner pipeline systems.

The Office of Administrative Law Judge (OALJ) approved a Settlement where Sunoco agreed to pay a \$200,000 civil penalty, conduct a study on the remaining life of Mariner East 1, and make that report public. In December 2019, an Administrative Law Judge issued an Initial Decision approving the Joint Settlement of I&E and Sunoco Pipeline LP (a/k/a Energy Transfer Partners). The Initial Decision resolves a complaint brought by I&E regarding an alleged incident involving a leak of highly volatile liquids of ethane and propane from a pipeline in Morgantown, Berks County. The Initial Decision is pending Commission approval.

STEAM HEAT

Three steam heat utilities currently operate in Pennsylvania. Generally, steam heat is produced in central generation plants by heating water to its boiling point, and then distributing the steam heat to users through a series of underground pipes. In Fiscal Year 2018-19, the PUC reviewed and processed 29 steam cost rate adjustment clause and reconciliation filings submitted by jurisdictional steam heat companies. In addition, two steam cost rate audits were completed.

The PUC continues work on a proposed rulemaking that would amend the Commission’s regulations for steam utilities. Specifically, the rulemaking would revise



and expand the Commission’s steam heating service regulations, including the modernization of accident regulations to the same standard as other utilities, as well as the facilitation of the PUC’s Gas Safety Division’s safety inspections of jurisdictional steam heat distribution facilities.

MARCELLUS SHALE IMPACT FEE

The Commission is charged with collecting and distributing the unconventional gas well fee (also called the Marcellus Shale Impact Fee), and the distribution of those funds to local and state governments.

This year’s distribution totaled \$251,830,900, including \$8,866,900 resulting from a PA Supreme Court decision on payments for “stripper” wells. More than half (\$134,740,050) was distributed to county and municipal governments directly affected by drilling.

Over the past six years, the PUC has collected and distributed more than \$1.6 billion in impact fees to local governments and communities across Pennsylvania.

PIPELINE SAFETY

In Fiscal Year 2018-19, the PUC Pipeline Safety Division conducted 1,855 inspections; investigated

six reportable incidents (incidents resulting in death, personal injury, property damage exceeding \$50,000 or gas loss of more than 3 million cubic feet); and issued 28 non-compliance letters.

The Commission issued an Advanced Notice of Proposed Rulemaking Regarding Hazardous Liquid Public Utility Safety Standards seeking comment on more comprehensive rules on standards for the construction, operations and maintenance of hazardous liquids pipelines, as well as interaction and reporting requirements to local governments and the public. Comments have been submitted and are under review.

The Commission issued a Notice of Proposed Rulemaking Regarding Depreciation Reporting and Capital Planning for Crude Oil, Gasoline, or Petroleum Products Transportation Pipelines seeking comment on regulations requiring annual depreciation reporting, service life study reporting and capital investment reporting for pipeline utilities that transport crude oil, gasoline and petroleum products. Comments have been submitted and are under review.

In August 2018, the Commission approved a [Settlement Regarding Registration of Pipelines](#) involving PUC’s Bureau of Investigation and Enforcement and the owner and operators of

four mobile home communities in York County, following an investigation that the communities were served by natural gas or propane gas distribution systems, which are required to be registered with the PUC's Pipeline Safety Division.

PGC COSTS

Pursuant to Section 1307(f) of the Public Utility Code, natural gas distribution companies with gross annual operating revenues in excess of \$40 million recover their natural gas costs through a separate surcharge mechanism known as the Purchased Gas Cost (PGC) rate. The PGC is reviewed and reconciled annually. During the fiscal year, the following gas utilities made PGC filings: National Fuel Gas (Feb. 1); Philadelphia Gas Works (March 1); Peoples Gas Company LLC (April 1); Columbia Gas of PA (April 1); UGI Utilities Inc. (June 1); and PECO Gas (June 1).

DSIC

Pursuant to the Public Utility Code at Chapter 1353, NGDCs may utilize a distribution system improvement charge (DSIC) to accelerate expenditures on infrastructure replacement, particularly at-risk pipe materials such as cast iron and bare steel. To date, seven NGDCs have instituted a DSIC, including the five largest NGDCs. NGDCs must have a Commission-approved Long-Term Infrastructure Improvement Plan (LTIIP) in order to have a DSIC, and the LTIIP must be in compliance with the NGDCs' required Distribution Management Integrity Plans pursuant to the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA). The NGDCs have spent more than \$3 billion through their LTIIPs since 2013.

GAS-ON-GAS COMPETITION

The Commission issued an Opinion and Order giving guidance on issues related to gas-on-gas competition in limited areas where natural gas utility service territories overlap. In addition to the guidelines, the Commission directed that a collaborative working group be created to provide additional recommendations on unresolved issues.

RATE INCREASE REQUESTS

During the fiscal year, the Commission finalized the following base rate increase requests. Information about the [ratemaking process](#) is available on the PUC website.

COLUMBIA GAS OF PA

Requested Rate Increase – \$46.9 million (8.16%)

Approved Rate Increase – \$26 million (4.52%)

Primary Reason – The Commission approved the rate increase because new investments in infrastructure, improved operations and strengthened reliability are needed.

TELECOMMUNICATIONS



TYPES OF CARRIERS IN PENNSYLVANIA

- Incumbent Local Exchange Carriers – 37
- Competitive Local Exchange Carriers – 163
- Interexchange (Toll) Carriers – 56
- Interexchange (Toll) Resellers – 242
- Competitive Access Providers – 83

FEDERAL ISSUES

The Commission continues to address various issues that stem from the landmark federal Telecommunications Act of 1996 (TA-96) and the Federal Communications Commission's (FCC's) *2011 USF/ICC Transformation Order*. The Commission also actively participates in relevant proceedings before the FCC. The FCC's *2011 USF/ICC Transformation Order* fundamentally restructured the telecommunications regulatory environment, including, in particular, issues regarding federal universal service funding (USF) support and broadband, intercarrier interconnection and compensation, and federal preemption of state jurisdiction.

■ UNIVERSAL SERVICE

The universal service concept now includes broadband access in addition to voice services per the *2011 USF/ICC Transformation Order*. This is fully compatible with the statutory directives of Pennsylvania's Chapter 30 of the Public Utility Code, which directed universal broadband deployment by regulated incumbent local exchange carriers (ILECs) throughout the Commonwealth by Dec. 31, 2015, while maintaining universal telecommunications voice service at affordable rates.

■ BROADBAND

Under Chapter 30, broadband access must be made available throughout Pennsylvania at speeds of 1.544/0.128 Megabits per second or Mbps (download/upload) within 10 business days of a request. In comparison, federally funded broadband via Connect America Fund (CAF) Phase II model-based offer amounts must be supplied at speeds of at least 10/1 Mbps to eligible locations. The FCC has recently defined broadband as 25/3 Mbps. Technological changes, FCC mandates and consumer expectations have overtaken the statutory Pennsylvania broadband speed standard.

FCC reforms changed the way federal USF support is provided in high-cost rural areas by replacing preexisting funding mechanisms that supported voice service with conditional offers of funding to support a voice and broadband network support through the federal Connect America Fund Phase. Declined offers of CAF Phase II model-based support to provide funding for related network deployment to eligible locations in Pennsylvania have been auctioned off in Auction 903. All Pennsylvania federal price cap incumbent carriers, except Verizon Pennsylvania LLC and Verizon North LLC (Verizon), had accepted the offers of CAF Phase II model-based support. In total, Verizon declined almost \$140 million of CAF Phase II model-based funding support for Pennsylvania in order to provide service in their high-cost rural areas at eligible locations, including the deployment of broadband at speeds of at least 10/1 Mbps. Subsequent FCC rulings on the competitive auction triggered by Verizon's refusal made it apparent that those funds could migrate outside the Commonwealth. The Commission pursued efforts at the FCC seeking modest relief to retain access to those funds through a Joint Petition to the FCC filed with the Department of Community and Economic Development (DCED) on April 19, 2017. The Commission actively pursued support of the Joint Petition at the [FCC](#). The Joint Petition also had extensive bipartisan support from Pennsylvania's [Congressional Delegation](#) and from [multiple statewide municipal, farm](#) and other [associations](#).

By a Public Notice issued Aug. 4, 2017, the FCC initiated the pre-auction process for the CAF Phase II Part 2 (a/k/a Auction 903). On Sept. 18, 2017, the PUC and DCED filed joint comments in response to the Public Notice reiterating their request in their



Joint Petition regarding their proposed modification to the auction formula and addressing the simplicity with which Pennsylvania's proposal to help retain support designed for Pennsylvania to stay in Pennsylvania could be incorporated into the FCC's application and pre-auction process.

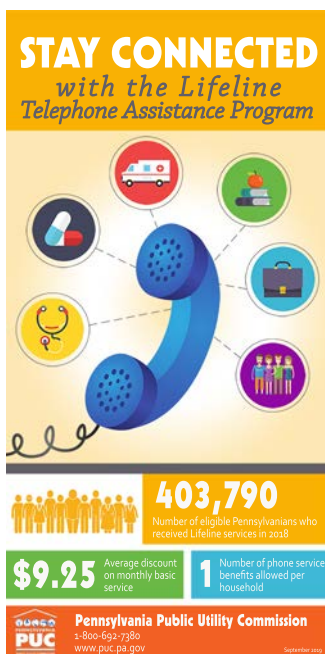
At its Jan. 30, 2018, Open Meeting, the FCC declined to grant the Commission/DCED's Joint Petition. Among other reasons, the FCC determined that the request lacked sufficient details on Pennsylvania's specific state initiatives to advance broadband deployment, including the provision of complementary state support. Subsequent to this order, by letters dated March 14, 2018, the FCC Chairman responded to members of the Pennsylvania Congressional Delegation who had supported the Joint Petition, explaining that the Joint Petition failed to sufficiently address state matching funds. The Chairman noted, however, that, in 2019, the FCC planned to move on to the Remote Areas Fund for those areas still without high-speed broadband and that any funding originally intended for rural Pennsylvania would be available in that second auction.

Auction 903 began July 24, 2018, purported to award up to \$198 million annually for 10 years (or \$1.98 billion) to service providers that commit to offer voice and broadband services to fixed locations in unserved high-cost areas, and closed Aug. 22, 2018. In Pennsylvania, five winning Auction 903 bidders were eligible under Auction 903 to receive \$57 million in support over 10 years to deploy broadband to approximately 55,000 service locations in the Commonwealth. The two largest successful bidders included Tri-County Rural Electric Cooperative, which was awarded support in the amount of approximately \$32 million to serve an additional roughly 7,000

locations in Pennsylvania, and Viasat Inc., a satellite provider, which was awarded support of almost \$20 million to serve an additional approximately 45,000 Pennsylvania locations. As discussed below, Tri-County received all necessary state approvals in 2019 to commence building its operations; Viasat’s approval remains pending while additional information is provided.

The Commission continues to work to improve its website to make information available regarding broadband availability in Pennsylvania.

■ LIFELINE



On March 23, 2018, the Commission filed reply comments to the 2017 FCC Order seeking to maximize the Lifeline program in Pennsylvania. In its reply comments, the Commission recommended: (1) elimination of the standalone Lifeline Broadband Provider (LBP) designation and reversal of the preemption of states’ regulatory authority to designate eligible communications carriers (ETCs); (2) collaboration between the Universal Service Administrative Company (USAC, which administers the federal Lifeline program) and state agencies to implement the National Verifier, which is a tool used to determine eligibility for Lifeline; (3) continuation of the forbearance that allows non-facilities-based ETCs to receive federal Lifeline support; (4) retention of the Lifeline subsidy for voice only service, use of the Independent Economic Household (IEH) worksheet and restoration of certain public assistance programs (for example, the Low-Income Home Energy Assistance Program or LIHEAP) to qualify subscribers for Lifeline assistance; (5) prohibition of self-certifying continued subscriber eligibility when the consumer is no longer participating in the qualifying program used to demonstrate initial eligibility for participation in the Lifeline program; and (6)

rejection of the proposal to adopt a benefit limit (i.e., amount of support or length of time of participation) for the Lifeline program.

On July 18, 2018, the FCC provided updated Lifeline minimum service standards for fixed broadband speed, 18 Mbps downstream and 2 Mbps upstream, and shared that the budget for federal universal service support for the Lifeline program beginning on Dec. 1, 2018, would be \$2,237,114,250 on a nationwide basis. The National Lifeline Eligibility Verifier launched in 2018. On March 5, 2019, the National Verifier launched in Pennsylvania, which requires all service providers in the Commonwealth to use the National Verifier to check the eligibility of Lifeline service applicants before enrolling them in the federal Lifeline program. In December 2019, the Lifeline subsidy amount was reduced from \$9.25 to \$7.25.

■ PREEMPTION

The Commission continues to participate in FCC proceedings addressing federal proposals that might preempt the Commission’s ability to act under existing state law or the General Assembly’s authority to enact new state laws.

The Commission participated in the *USTelecom Forbearance Petition* proceeding before the FCC and submitted initial and reply comments respectively on Aug. 6, 2018, and Sep. 5, 2018. The Commission became involved in this proceeding because it exercises regulatory oversight over wholesale interconnection agreements between incumbent and competitive telecommunications carriers, as well as the availability and provision of unbundled network elements.

The Commission also participated in the FCC’s Internet Protocol Captioned Telephone Service (IP CTS) proceeding through the submission of initial and reply comments. The Commission, along with a number of other state public utility commissions, questioned the FCC’s intended contribution assessment of intrastate telecommunications service revenues for the funding of the federal IP CTS program.



■ AREA CODE RELIEF AND NUMBERING

The North American Numbering Plan Administrator (NANPA), Neustar (an FCC contractor and neutral third party), informs Pennsylvania and the other states of current and projected numbering resources. Commission staff closely monitors this information in all the Commonwealth's area codes to ensure the availability of adequate numbering resources.

On Aug. 23, 2018, NANPA, on behalf of the Pennsylvania telecommunications industry, filed a Petition asking the Commission to approve an all-services distributed overlay of the 814 area code. NANPA projects that absent relief, the supply of central office codes (often referred to as "NXX" codes) for the 814 area code will exhaust during the second quarter of 2022. The Petition is currently under Commission consideration.

The Commission continues to monitor developments at the FCC regarding the provision of numbering resources to Voice over Internet Protocol (VoIP) service providers and has prepared appropriate registration forms for industry use.

STATE ISSUES

■ BROADBAND

Since the December 2015 completion of broadband deployment obligations by the Commonwealth's incumbent local exchange carriers (ILECs) at the 1.544/0.128 Mbps statutory standards, the Commission continues to police the availability and provisioning of relevant broadband access services by those carriers through its informal and formal complaint processes. See [Terry R. White v. Verizon North LLC and Roberts v. The United Telephone Company of Pennsylvania LLC, d/b/a/ CenturyLink](#). The Commission also continues to respond to legislative inquiries regarding potential

legislative re-examination of Chapter 30 download and upload speed standards, as well as other broadband related matters.

In March 2018, the Commission joined Gov. Wolf and other state officials to announce the launch of the Governor's Office of Broadband Initiatives, reaffirming the Commonwealth and Commission's commitments to helping bring greater broadband access to underserved and unserved areas of the Commonwealth. Through this program, \$35 million in financial incentives was offered to eligible providers bidding on eligible census block service areas in Pennsylvania in the FCC CAF Phase II Auction. The Pennsylvania-specific support funding was premised on the deployment of networks capable of delivering broadband access download speeds of at least 100 Mbps.



■ MUNICIPAL BROADBAND

The Commission has ruled on petitions involving the deployment of municipal broadband networks in Pennsylvania consistent with the statutory requirements of Chapter 30 of the Public Utility Code. These matters have included a [Petition](#) from the Central Bradford Progress Authority for the construction of a fiber-optic network, and a [Petition](#) from DRIVE (Columbia and Montour Counties) for the construction of open access fiber-optic infrastructure.

■ INTERCARRIER INTERCONNECTION AND COMPENSATION

The Commission continues to approve interconnection agreements between carriers and adjudicate carrier disputes involving intercarrier compensation pursuant to TCA-96. This included the adjudication of a complex intercarrier compensation [dispute](#) between Core Communications and Verizon PA. Notably, the Commission addressed a [petition](#) for emergency relief from Affiniti-PA LLC, a provider of special access circuits and services to entities such as schools and libraries and health care facilities in rural areas of Pennsylvania, so that the exit of this entity from the marketplace could be carried out in an orderly fashion without the disruption of voice and broadband access services to its customers.

■ TRI-CO ETC DESIGNATION

By an Order entered April 11, 2019, the PUC granted the [petition](#) of Tri-Co Connections LLC (Tri-Co), a subsidiary of Tri-County Rural Electric Cooperative serving North-Central Pennsylvania, for designation as an ETC. Tri-Co obtained this ETC designation in order to be eligible to receive the federal high-cost support funds following its successful bid to obtain a portion of that federal support from the FCC's CAF which was established to help promote efforts to provide voice and broadband services in underserved parts of rural Pennsylvania. This federal high-cost support along with funding provided through the Governor's Office of Broadband Initiatives and a grant from the Pennsylvania Redevelopment Assistance Capital Program will help Tri-Co to build voice and broadband networks and provide related services in high-cost areas of Pennsylvania. Tri-Co plans to provide broadband service over a fiber-to-the-home network at download speeds of at least 25 Megabits per second and potentially as high as one Gigabit per second. On Aug. 12, 2019, the FCC authorized the release of \$3,232,622.83 of federal high-cost support funding from the CAF per year over the next decade (a total of \$32.33 million) to Tri-Co to deploy broadband service at 1 Gbps/500 Mbps to 7,015 eligible locations in Pennsylvania.

Tri-Co also obtained Commission [certification](#) as a telecommunications public utility operating in Pennsylvania in December 2018.

■ PA UNIVERSAL SERVICE FUND

The USF continues to support universal service within the Commonwealth. The annual PA USF distribution supports physical network facilities that provide both voice and broadband access services. The total USF fund size for 2018 calendar year was \$34.323 million. GVNW is the PA USF Fund Administrator, selected through a Request for Proposal process and awarded a contract that expires on June 30, 2021.

■ POLE ATTACHMENTS RULEMAKING

By Order entered July 13, 2018, the Commission issued a Notice of Proposed Rulemaking (NOPR) to begin the assertion of Commission jurisdiction over pole attachments pursuant to the Telecommunications Act of 1996 (TA96). Section 224(c) of the TA96 provides that a state may exercise reverse preemption of Federal Communications Commission (FCC) jurisdiction over pole attachments if a state seeking such jurisdiction can exercise it in accordance with federal law.

On Sept. 3, 2019, the Commission entered a Final Rulemaking Order (FRM) to exercise reverse preemption by adopting and enforcing pole attachment regulations as promulgated by the FCC at the time the regulation becomes effective and as may be amended by the FCC, while also retaining Commission authority to prevent future federal regulatory changes from going into effect for good cause shown.

The assumption of pole attachment jurisdiction will assist Pennsylvania pole owners and those entities that seek to utilize pole attachments by providing a local forum for dispute resolution. The final rulemaking, among other things, furthers Pennsylvania's interest in enhanced broadband deployment and establishes a pole attachment working group to ensure that the Commission is apprised of industry concerns; that federal amendments are properly vetted before becoming effective; and that dispute resolution processes are working efficiently. The final rulemaking will also encourage voluntarily negotiated agreements between pole owners and attaching entities.



■ REGULATION OF ILEC LOCAL SERVICE RATES AND QUALITY OF SERVICE

The Commission regulates the rates and revenues of ILECs through review and approval of the companies' annual filings pursuant to their respective Chapter 30 alternative regulation and network modernization plans (Chapter 30 Plans). ILECs have the option to implement increases approved under their Chapter 30 Plans in actual rates or to bank them for future use. Some ILECs may bank increases indefinitely; others have a four-year limit. In a February 2015 order, the Commission granted a petition filed by the Verizon companies and determined that standalone basic local telephone service was competitive for residential and small business customers in 153 Verizon PA and Verizon North wire centers serving geographic areas in or adjacent to Verizon's Philadelphia, Scranton/Wilkes-Barre, Harrisburg, Pittsburgh, Allentown and York service territories. As a result, the Commission does not regulate local service rates in these competitive wire centers. No other ILECs have sought or obtained a Commission determination that standalone basic local service rates are competitive. Those rates continue to be regulated pursuant to the companies' Chapter 30 Plans.

During 2018, ILECs were authorized to implement a total of \$4.2 million in annual revenue increases under their respective price cap filings. From this figure, the companies banked \$2.6 million for future use. During this same period, the companies implemented a total of \$1.66 million into actual rate increases. The Commission continues to oversee the safety, adequacy, reliability and privacy of telecommunications services provided by all ILECs, including service provided by Verizon in competitive wire centers.

By Order entered July 12, 2018, the Commission instituted an Advanced Notice of Proposed Rulemaking (ANOPR) to consider revisions to its regulations primarily appearing in 52 Pa. Code Chapters 63 and 64, relating to telephone service and standards and billing practices for residential telephone service, in light of the competitive classification of 153 of Verizon Pennsylvania Inc.'s and Verizon North LLC's wire centers. See [Joint Petition of Verizon Pennsylvania LLC and Verizon North LLC for Competitive Classification of all Retail Services in Certain Geographic Areas and for a Waiver of Regulations for Competitive Services](#). The [ANOPR](#) solicited public input regarding the status the Commission's regulations.

■ DE FACTO GROSS INTRASTATE OPERATING REVENUES

The Commission issued a [Proposed Policy Statement](#) in November 2018 that proposed to amend Chapter 69 of the Commission’s regulation by adding a provision, codified at Section 69.3701, to provide guidance to jurisdictional telecommunications public utilities that they must report all gross intrastate operating revenues for Section 510 fiscal assessment purposes. The Proposed Policy Statement established expectations that jurisdictional public utilities should report their *de facto* gross intrastate operating revenues as part of their obligation to pay a reasonable share of the costs of administering the Public Utility Code. The Proposed Policy Statement particularly addressed those jurisdictional public utilities who were providing “jurisdictionally mixed” special access lines and services and were either not filing revenue reports, or were filing but reporting zero gross intrastate operating revenues for fiscal assessment purposes.

By an Order entered on July 11, 2019, the Commission issued a Final Policy Statement that advised telecommunications carriers that Section 510 of the Public Utility Code requires carriers to report their *de facto* gross intrastate operating revenues.

■ OTHER ACTIVITIES

- On March 17, 2017, the Commission concluded its [investigation](#) into the grant of certificates of public convenience to providers of Distributed Antennae Services (DAS) and whether the service was jurisdictional. The Commission concluded that, because DAS facilities are used to provide a “wireless” service, they furnish mobile domestic cellular radio telecommunications service and, hence, cannot be certificated as public utilities under the Public Utility Code. Crown Castle East LLC and Pennsylvania-CLEC LLC filed an appeal with the Commonwealth Court and received a stay of the Commission’s Order. On June 7, 2018, the Commonwealth Court reversed the Commission’s Order, affording no deference to the Commission’s reevaluation of its prior certifications. The Commission challenged the Commonwealth Court’s reversal of its March 17, 2017, Order regarding the jurisdictional classification of DAS network operators with the Pennsylvania Supreme Court. Crown Castle filed a motion to maintain the status quo during this

Supreme Court appeal period. On Aug. 6, 2018, Law Bureau filed a response indicating the Commission does not object to maintaining the status quo. On Aug. 8, 2018, the Commonwealth Court granted Crown Castle’s request “solely to reinstate and maintain the *status quo ante*.” By Order issued Jan. 3, 2019, the Pennsylvania Supreme Court granted the PUC’s Petition for allocator to address both the deference issue and the merits of whether DAS service qualifies as public utility service or is part of non-jurisdictional wireless service. The Commission is awaiting a decision from the Pennsylvania Supreme Court in this matter.

- By Secretarial Letter dated March 2, 2018, the Commission issued data requests to all Pennsylvania ILECs operating under a Chapter 30 alternative regulation plan in an effort to determine whether rates approved under those plans remained just and reasonable following the reduction in the federal corporate income tax rate provided in the federal Tax Cuts and Jobs Act of 2017 (TCJA). Following the May 2018 filing by 10 Pennsylvania rural ILECs of their respective annual Chapter 30 Price Stability Index/Service Price Index (PSI/SPI) reports, the Pennsylvania Office of Consumer Advocate (OCA) filed formal complaints against each filing, generally alleging that these filings failed to maintain just and reasonable rates by not including an exogenous event “Z factor” adjustment to account for the TCJA tax expense savings. This omission, the OCA claimed, may result in each company’s calculation of its allowed annual revenue increase to be overstated. On June 14, 2018, the Commission unanimously approved the Motion of Commissioner Place to accept the rural ILECs’ annual PSI/SPI filings as being procedurally consistent with the rural ILECs’ Chapter 30 plans and permitted them to go into effect subject to the adjudication of the OCA’s formal complaints and further Orders of the Commission as necessary. The OCA’s complaints against these, and ultimately other Chapter 30 rate filings, remain pending. The Commission’s March 2018 inquiry into the status of ILEC earnings under their Chapter 30 plans in light of TCJA was put on hold pending adjudication of OCA’s complaints.

- The Commission continues to review several telecommunications utility merger and acquisition (M&A) proceedings annually. Given the evolution of competition following extensive industry



restructuring through M&A activity over the years, the Commission has begun to take a more aggressive review of the impact of this activity on Pennsylvania. Significant proceedings in this area included the review and approval of the [merger](#) between Sprint Communications Company LP and T-Mobile USA Inc. and the transfer of control [proceeding](#) involving Consolidated Communications and certain of its local telephone company subsidiaries. Following an extensive level of FCC review, Securus Technologies and Inmate Calling Services [withdrew](#) their merger and transfer of control applications that were pending both before the FCC and this Commission.

- The Commission annually reviews the monthly residential and business surcharge for the Pennsylvania Telecommunications Relay Service (TRS), which remains at \$0.08 per access line per month.
- Through companion [Orders](#) entered on Feb. 27, 2019, the Commission approved a [permanent Wireless Expansion Initiative \(WEI\)](#) under the telecommunications device distribution program (TDDP) to include wireless devices for eligible persons with disabilities, and the creation of a task force to review Pennsylvania's TRS and the TDDP for recommendations on current and future needs, as well as modernization efforts. The Commission's approval of the WEI on a permanent basis followed the evaluation of a two-year pilot program that was carried out by the Temple University Institute for Disabilities that administers the TDDP on behalf of the Office of Vocational Rehabilitation, Department of Labor and Industry. The WEI will be funded from the existing Pennsylvania TRS Fund pursuant to the state statutory directive to provide assistance to qualified individuals to access telecommunications services by wire or radio and to comply with the federal Americans with Disabilities Act and Section 225 of the federal TA-96.

TRANSPORTATION & SAFETY



TRANSPORTATION NETWORK COMPANIES

The Commission has provided licenses to several Transportation Network Companies (TNCs) and worked with the Pennsylvania legislature on establishing [Act 164 of 2016](#), which amends Titles 53 (Municipalities Generally), 66 (Public Utilities) and 75 (Vehicles) of the Pennsylvania Consolidated Statutes. Act 164 establishes the regulatory framework for the provisions of TNC service. In March 2019, the PUC approved the first-ever [review](#) of Uber's background check process in Pennsylvania and recommended future improvements.

List of PUC-licensed TNCs:

- **Rasier-PA** (an affiliate of Uber) was licensed on Jan. 26, 2017.
- **Lyft** was licensed on Feb. 9, 2017.
- **Freed Man Autonomous Vehicles**, trading as CabbyGo, was licensed on Feb. 9, 2017.
- **Yellow Cab Company of Pittsburgh**, trading as Z Trip Pittsburgh, was licensed on June 27, 2017.

These companies are licensed to provide transportation between points in Pennsylvania, excluding service falling under the jurisdiction of the Philadelphia Parking Authority. The Commission continues to monitor these services to ensure regulatory compliance.

APPLICATION OF SCOOTER DUDES

In May 2019, the PUC denied the application of Scooter Dudes, which sought to provide paratransit service to transport, as a common carrier in experimental service, persons upon call and demand, and for tours and private functions, between points in the Borough of State College. The company's application included using a three-wheeled lightweight vehicle as a common carrier.

ADVANCING UPDATED TRANSPORTATION REGULATIONS

The PUC is continuing efforts to address changes in the transportation industry and eliminate barriers that could prevent qualified passenger carriers from serving Pennsylvania communities. In response to Act 85 of 2016 and as

a way to better ensure a competitive marketplace responsive to consumer demands, the Commission has promulgated regulations providing for flexible ratemaking in the taxicab and limousine industries. In its Final Rulemaking, the Commission has reduced unnecessary barriers to entry across all types of transportation services.

February 2018 – The Commission issued a [Proposed Rulemaking Order](#) regarding liability insurance limits for motor carriers transporting fewer than 16 passengers. Following publication in the Pennsylvania Bulletin for comment, the Commission now is reviewing comments and preparing a Final Rulemaking Order.

RAIL SAFETY RESPONSIBILITIES

The Commission’s Rail Safety Engineers oversee highway-railroad crossings throughout Pennsylvania – including approximately 5,600 at-grade crossings, where public roads cross railroad tracks; along with 3,200 bridge crossings, involving bridges carrying public roads over railroads; bridges carrying railroads over public roads; and bridges carrying railroads over other railroads.



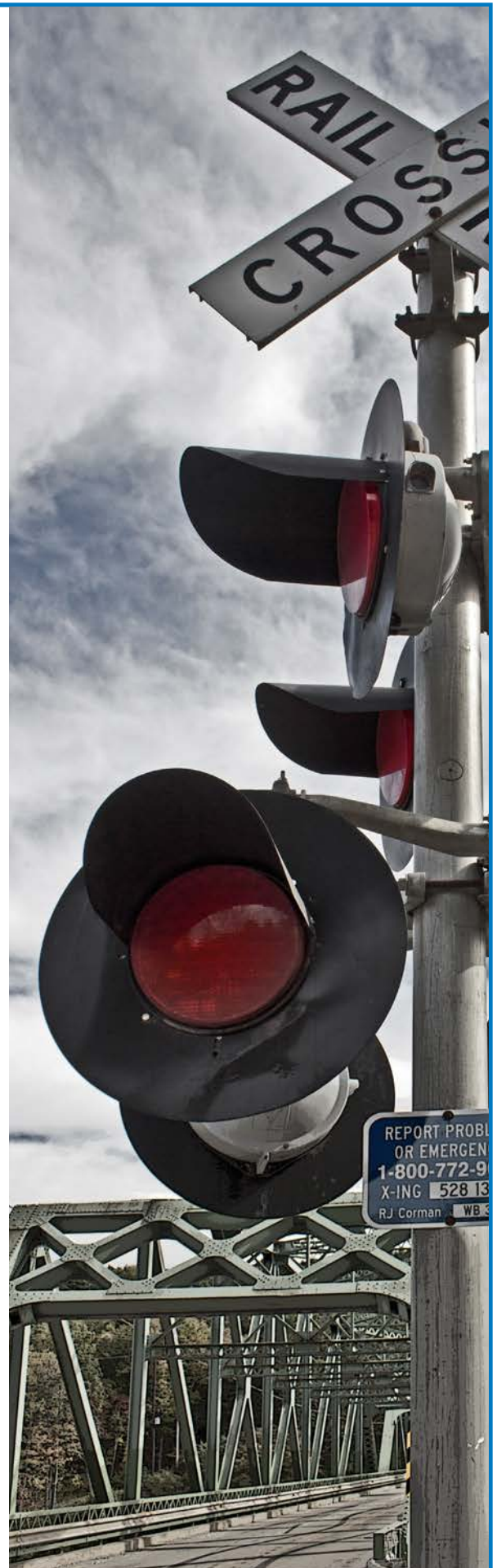
OPERATION LIFESAVER®

OPERATION LIFESAVER

During Fiscal Year 2018-19, rail safety personnel attended several events across the state to promote [Operation Lifesaver](#), a nonprofit, national public education program dedicated to eliminating collisions, deaths and injuries at rail-highway crossings and on railroad rights-of-way. Operation Lifesaver strives to increase public awareness about the danger for motor vehicle operators and pedestrians at rail-highway intersections.

ANNUAL ASSESSMENT REPORT REVIEW OF MOTOR CARRIER ASSESSMENTS

The Commission conducted two reviews of selected motor carrier Annual Assessment Reports during Fiscal Year 2018-19 and continues to conduct reviews of selected motor carriers to make adjustments to assessable revenues and make recommendations for improved record keeping and reporting. Through its efforts in 2018-19, the Commission was able to update the numbers in terms of carriers that no longer are subject to fiscal assessments. Through its efforts in 2018-19, the Commission was able to update the numbers in terms of carriers that are no longer subject to fiscal assessments.





2018-19 ENFORCEMENT ACTIVITIES

- 291** Informal consumer and carrier complaint investigations
- 687** Safety fitness educational reviews for newly certificated PUC carriers
- 4,400** Safety inspections of trucks, buses, taxis, paratransit vehicles and limousines

2018-19 INSPECTIONS

- 199** Locomotives
- 627** Railroad grade crossings inspected
- 7,563** Operating Practice inspections
- 605** Miles of track
- 3,812** Hazmat units
- 9,800** Railroad cars

2018-19 ENGINEERING

- 1** Public Utility Municipal Contracts approved
- 28** Bridge projects approved at \$137 million
- 102** At-grade crossing projects approved at \$28 million
- 141** Formal proceedings processed
- 202** Field meetings/inspections conducted
- 118** Formal proceedings closed

REGULATED MOTOR CARRIERS

- 18** Airport Transfer Companies
- 33** Contract Passenger Companies
- 89** Group and Party 11-15 Bus Companies
- 252** Group and Party 16+ Bus Companies
- 174** Household goods movers
- 153** Limousines
- 506** Paratransit Companies
- 6,369** Property Carriers
- 15** Scheduled Route Companies
- 113** Taxis
- 4** Transportation Network Companies

WATER & WASTEWATER



OVERSIGHT OF PITTSBURGH WATER AND SEWER AUTHORITY (PWSA)

The Commission approved a [Final Implementation Order](#) for Act 65 of 2017, addressing the Commission’s regulatory oversight of water, wastewater and stormwater services by entities created by Pennsylvania cities of the second class – specifically the Pittsburgh Water and Sewer Authority (PWSA). During public forum events in early 2018, the Commission heard directly from residents to better understand the concerns of PWSA customers.

The Commission approved a [Final Implementation Order](#) laying out a process for the implementation of Chapter 32, including tariff approval, ratemaking, compliance plan and assessment provisions. On Sept. 28, 2018, PWSA filed its Compliance Plan and Long-Term Infrastructure Improvement Plan (LTIIP) with the Commission. The Commission issued a corrected [Secretarial Letter](#) on Nov. 28, 2018, establishing a two-stage phased review of PWSA’s Compliance Plan. Stage 1 was focused toward urgent infrastructure remediation and improvement, and the revenue and financing requirements of maintaining service that supports public health. As part of Stage 1, the Commission consolidated the Compliance Plan and LTIIP proceedings to allow for more complete consideration by the Commission, interested parties and the statutory advocates. The Commission also approved the Recommended Decision by the Office of Administrative Law Judge recommending approval, as corrected and modified the Joint Petition for Settlement of the water and wastewater rate case proceedings designed to produce a new increase in user charge operating revenues of \$21 million. PWSA’s currently approved water and wastewater tariffs became effective in the first quarter of 2019. Stage 2 will address PWSA’s compliance with Chapter 14 of the Public Utility Code, Chapter 56 of the Commission’s regulations and the development of a PWSA stormwater tariff. The litigation of Stage 2 matters will commence after the issuance of a Commission Order on Stage 1 issues in late 2019.

LEAD SERVICE LINE REPLACEMENT

Lead contamination in drinking water is a public health and safety matter. Water utilities across Pennsylvania, as well as across the country, are diligently working to address this critical issue. The PUC encourages all public utilities to accelerate the replacement of lead lines in water distribution systems. In 2017, the PUC approved an adjudication case settlement involving the [York Water Company](#) for the immediate replacement of company-owned and customer-owned lead service lines, with total line replacement done at the same time. Additionally, as part of the PWSA compliance plan that was filed in September 2018, the utility included details on its proposal

to address lead service lines. PWSA's lead service line replacement program also was addressed as part of the revenue and rate increase settlement approved by the Commission in the first quarter of 2019. Lead contamination in drinking water is a public health and safety matter. Accordingly, Act 120 amended Chapter 13 of Title 66 of the Public Utility Code, 66 Pa C.S. § 1311(b) to promote the timely replacement of lead service lines within water distribution systems and includes language that provides public utilities with the ability to include in rate base, the original cost incurred by a public utility to replace customer-owned lead service lines for water or customer-owned damaged laterals for wastewater. A public utility providing water or wastewater service must obtain prior approval from the Commission for the replacement of customer-owned lead service lines or customer-owned damaged wastewater laterals by filing a new tariff or tariff supplement under Section 1308 of the Public Utility Code, 66 Pa. C.S. § 1308.

[Pennsylvania-American Water Company \(PAWC\)](#) and [PWSA](#) have proceedings before the Commission addressing company replacement of customer-owned lead service lines. Municipal Authorities were previously granted the ability to replace customer-owned lead service lines through an amendment to the Municipal Authorities Act. PWSA, operating as a municipal authority, reported that in 2018 it replaced more than 2,000 lead service lines and, as of May 2019, replaced an additional 700 company-owned and 600 customer-owned lead service lines. PWSA is funding these lead service line replacements through a combination of low interests loads and grants from the Pennsylvania Infrastructure Investment Authority totaling approximately \$49 million.

MERGERS AND ACQUISITIONS

During Fiscal Year 2018-19, the Commission finalized five mergers and acquisitions in the water and wastewater industry, mainly transfers of assets from municipalities. In addition, the Commission approved seven applications for water/wastewater territory expansion.

POLICY ON ACQUISITION INCENTIVES

The PUC continues to implement a longstanding [Policy](#) on water and wastewater system acquisition incentives to promote water system viability and regionalization.

2018-19 MANAGEMENT AUDITS AND EFFICIENCIES

During Fiscal Year 2018-19, the PUC performed management and operations audits (MAs) or management efficiency investigations (MEIs), including:

- **Pennsylvania American Water Company** – An MEI released on Feb. 7, 2019, by the PUC indicated the company implemented 10 of the 35 prior recommendations reviewed and took some action on the remaining 25 recommendations.

2018-19 DSIC AUDITS

During Fiscal Year 2018-19, the PUC completed no distribution system improvement charge (DSIC) audits. The PUC reviewed and processed 48 rate adjustment and reconciliation filings.

EMERGENCY RESPONSE PLANNING

In conjunction with the standard MAs and MEIs, emergency response plans were audited for six of the larger utilities in the water, electric and natural gas industry. One of those included a water company.

PUBLIC UTILITY CODE SECTION 1329

Section 1329 of the Public Utility Code at Title 66 became effective June 13, 2016, and established a voluntary, alternative process for the valuation of the assets of municipally or authority-owned water and wastewater systems that are acquired by investor-owned water and wastewater utilities or other entities. For ratemaking purposes, the valuation is the lesser of the fair market value or the negotiated purchase price. Section 1329 also allows the acquiring entity's post-acquisition improvement costs that are not recovered through a DSIC to be deferred for book and ratemaking purposes. The Commission strives to adjudicate Section 1329 acquisition cases within a six-month timeframe.

The Commission adopted a [Final Supplemental Implementation Order \(FSIO\)](#) entered Feb. 28, 2019, finalizing application filing procedures and guidelines. The FSIO included a revised application filing checklist, standard data requests and established

jurisdictional exceptions to the Uniform Standards of Professional Appraisal Practice that Utility Valuation Experts (UVEs) are to follow when establishing their appraisals of the system. Additionally, the FSIO included a requirement that the UVEs provide written direct testimony as part of the initial filing.

The following Section 1329 applications were submitted to the Commission in the 2018-19 fiscal year:

1. [Suez Water Pennsylvania Inc. – Wastewater Division](#) for the acquisition of Mahoning Township’s wastewater system assets.
2. [Suez Water Pennsylvania Inc.](#) for the acquisition of Mahoning Township’s water system assets.
3. [Aqua Pennsylvania Wastewater Inc.](#) for the acquisition of Cheltenham Township’s wastewater system assets.
4. [Pennsylvania-American Water Company – Wastewater Division](#) for the acquisition of Exeter Township’s wastewater system assets.
5. [Pennsylvania-American Water Company](#) for the acquisition of Steelton Borough’s water system assets.

In an appellate decision issued Oct. 11, 2018, the PA Commonwealth Court further clarified the Commission’s implementation and adjudication of Section 1329 acquisition application cases. The Court decision addressed the potential rate impacts of such acquisitions and the requirements for publication of adequate notice for the consumers of both the acquiring public utility and the acquired system.

SYSTEM VIABILITY

Pennsylvania has more than 2,200 community drinking water systems, many of which are small water systems serving fewer than 3,300 consumers. The PUC regulates the rates and service of about 135 water and wastewater companies.

Many small water and wastewater 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. A viable water/wastewater system is one that is self-sustaining and has the financial, managerial and technical capabilities to reliably meet both PUC and DEP requirements on a long-term basis.

The Commission’s Small Water Company Task Force meets quarterly with other state agencies to identify and initiate assistance to small water companies that are in distress from financial, operational or regulatory issues.

‘FIX A LEAK WEEK’



In March 2019, the PUC highlighted the importance of safe drinking water, along with the role of water efficiency and conservation efforts, in conjunction with National “Fix a Leak Week.” The annual [Fix a Leak campaign](#) challenges households across the country to check their fixtures for leaks and consider the environmental and economic impact of wasted water.

THE PUC REGULATES:

- 134 – Water/Wastewater Utilities
- 30 – Municipal Water/Wastewater Utilities

2018-19 RATE INCREASE REQUESTS

- 16 – Companies granted requests.
- \$112,761,387 – Combined amount requested.
- \$75,672,822 – Combined amount the PUC granted.
- \$1,916,947 – Combined amount of six cases still pending before the Commission.

At the end of Fiscal Year 2018-19, the following are pending before the Commission:

- **Buck Hill Water Company (Water)**
(\$106,458 – 34.6%)
- **Newtown Artesian Water Company (Water)**
(\$934,154 – 16.9%)
- **Community Utilities of Pennsylvania Inc. (Water)**
(\$362,019 – 26.3%)
- **Community Utilities of Pennsylvania Inc. (Wastewater)** (\$378,770 – 20.8%)
- **Eaton Sewer and Water Company Inc. (Water)**
(\$61,573 – 34.8%)
- **Eaton Sewer and Water Company Inc. (Wastewater)** (\$73,973 – 45.2%)

RATE INCREASE REQUESTS

During the fiscal year, the Commission concluded six water/wastewater rate increase requests. The Commission granted 32.89% less than the overall annual increases proposed:

Reynolds Water Company (Water)

Customers Served: 722 in Pymatuning, Delaware and Hempfield Townships, Mercer County

Requested Rate Increase: \$236,829 (45.4%)

Approved Rate Increase: \$158,600 (30.4%)

Primary Reason: The Commission approved the increase to restore the Company's rate of return and net operating income to a reasonable level and to recover a return on and of capital investments that have occurred and will occur on a pro forma basis.

Hidden Valley Utility Services LP (Water)

Customers Served: 1,224 in Jefferson Township, Somerset County

Requested Rate Increase: \$150,629 (107.2%)

Approved Rate Increase: \$65,557 (46.6%)

Primary Reason: The Commission approved the increase to provide sufficient revenues to furnish adequate, safe and reliable water service, to provide cash flow necessary to meet financial obligations, and to afford the opportunity to achieve an adequate rate of return.

Hidden Valley Utility Services LP (Wastewater)

Customers Served: 1,172 in Jefferson Township, Somerset County

Requested Rate Increase: \$185,432 (63.1%)

Approved Rate Increase: \$82,227 (28%)

Primary Reason: The Commission approved the increase to provide sufficient revenues to furnish adequate, safe and reliable wastewater service, to provide the cash flow necessary to meet financial obligations, and to afford the opportunity to achieve an adequate rate of return.

SUEZ Water Pennsylvania Inc. (Water)

Customers Served: 60,786 in various municipalities and counties across Pennsylvania

Requested Rate Increase: \$6,236,405 (13.2%)

Approved Rate Increase: \$3,000,000 (6.4%)

Primary Reason: The Commission approved the increase to recover investment in facilities to serve customers, recover increases in operating costs and taxes and to earn a fair return on its investment.

The York Water Company (Water)

Customers Served: 67,319 in various municipalities in York and Adams Counties

Requested Rate Increase: \$6,398,961 (13.1%)

Approved Rate Increase: \$3,361,327 (7.2%)

Primary Reason: The Commission approved the increase to provide sufficient revenues to recover the cost of providing service to consumers; to allow the company to discharge properly its public duties by continuing to furnish an adequate, safe and reliable level of service; to maintain the company's facilities properly; and to afford the opportunity to more nearly approach a fair and reasonable rate of return on the original cost measure of value of company property used and useful in rendering service.

The York Water Company (Wastewater)

Customers Served: 2,285 in East Prospect & West York Boroughs, and East Manchester & Lower Windsor Townships, York County

Requested Rate Increase: \$288,623 (25%)

Approved Rate Increase: \$288,623 (25%)

Primary Reason: The Commission approved the increase to provide sufficient revenues to recover the cost of providing service to its consumers; to allow the

company to discharge properly its public duties by continuing to furnish an adequate, safe and reliable level of service; to maintain the company's facilities properly; and to afford the opportunity to more nearly approach a fair and reasonable rate of return on the original cost measure of value of company property used and useful in rendering service.

Timberlee Valley Sanitation Company Inc.

Customers Served: 89 in Connoquenessing and Lancaster Townships, Butler County

Requested Rate Increase: \$22,560 (36.4%)

Approved Rate Increase: \$22,560 (36.4%)

Primary Reason: The Commission approved the increase to restore the rate of return and net operating income to a more reasonable level to recover a return on and of investments.

Borough of Indiana (Wastewater)

Customers Served: 3,973 in White Township, Indiana County

Requested Rate Increase: \$390,062 (31.8%)

Approved Rate Increase: \$316,817 (26.8%)

Primary Reason: The Commission approved the increase to provide sufficient revenues to enable the borough to properly discharge its public duty to furnish sewage conveyance and treatment services; to provide the cash flow necessary to continue to operate, maintain and renew borough facilities properly and meet borough financial obligations; and to afford the opportunity to achieve an adequate return of and on borough investment in wastewater property.

Pittsburgh Water and Sewer Authority (Water)

Customers Served: 75,323 in the City of Pittsburgh, Millvale Borough, and Reserve, O'Hara and Blawnox Townships, Allegheny County

Requested Rate Increase: \$21,384,279 (22%)

Approved Rate Increase: \$16,916,284 (16.3%)

Primary Reason: The Commission approved the increase to cover increased costs, to account for revised sales projections and to maintain credit ratings.

Pittsburgh Water and Sewer Authority (Wastewater)

Customers Served: 100,035 in the City of Pittsburgh, Allegheny County

Requested Rate Increase: \$5,635,907 (9.3%)

Approved Rate Increase: \$4,415,012 (6.9%)

Primary Reason: The Commission approved the increase to cover increased costs, to account for revised sales projections and to maintain credit ratings.

Venango Water Company (Water)

Customers Served: 237 in Sugarcreek Borough and Village of Reno, Venango County

Requested Rate Increase: \$23,208 (18%)

Approved Rate Increase: \$19,644 (15.3%)

Primary Reason: The Commission approved the increase to cover the company's operating expenses; to enable the company to make payments on its liabilities; and to provide sufficient funds to cover investments required to continue to provide safe, reliable and adequate service to the company's customers and maintain compliance with current and upcoming regulations.

Blaine E. Rhoads Sewer Company (Wastewater)

Customers Served: 216 in Sugarcreek Borough and Village of Reno, Venango County

Requested Rate Increase: \$14,228 (18.1%)

Approved Rate Increase: \$10,617 (13.5%)

Primary Reason: The Commission approved the increase to cover the company's operating expenses; to enable the company to make payments on its liabilities and to provide sufficient funds to cover investments required to continue to provide safe reliable and adequate service to the company's customers; and maintain compliance with current and upcoming regulations.

Sugarcreek Water Company (Water)

Customers Served: 75 in Sugarcreek Borough and Village of Sugarcreek, Venango County

Requested Rate Increase: \$7,038 (21%)

Approved Rate Increase: \$3,245 (9.7%)

Primary Reason: The Commission approved the increase to cover the company's operating expenses; to enable the company to make payments on its liabilities and to provide sufficient funds to cover

investments required to continue to provide safe, reliable and adequate service to the company's customers and maintain compliance with current and upcoming regulations.

West Hickory Water Company (Water)

Customers Served: 184 in Harmony Township and Village of West Hickory, Forest County

Requested Rate Increase: \$18,393 (31.2%)

Approved Rate Increase: \$13,547 (22.8%)

Primary Reason: The Commission approved the increase to cover the company's operating expenses and to provide sufficient funds to cover investments required to continue to provide safe, reliable and adequate service to the company's customers and maintain compliance with current and upcoming regulations.

Aqua Pennsylvania Water (Water)

Customers Served: 428,758 in various municipalities and counties across Pennsylvania

Requested Rate Increase: \$66,372,833 (15.4%)

Approved Rate Increase: \$42,347,943 (9.8%)

Primary Reason: The Commission approved the increase to cover investments in system repairs and improvements, and operation and maintenance costs.

Aqua Pennsylvania Wastewater (Wastewater)

Customers Served: 19,007 in various municipalities and counties across Pennsylvania

Requested Rate Increase: \$5,396,000 (40.1%)

Approved Rate Increase: \$4,650,819 (34.6%)

Primary Reason: The Commission approved the increase to cover investments in system repairs and improvements, and operation and maintenance costs.

MULTI-UTILITY ISSUES



CYBERSECURITY

While recognizing [Cybersecurity Awareness Month](#) in September 2018, the PUC also announced the appointment of a Director of the Office of Cybersecurity Compliance and Oversight (OCCO), a new position created by the PUC to direct the Commission's cybersecurity and regulatory oversight program in helping to ensure that the Commonwealth's regulated utilities are protected from cyber attacks and ensuring adequate, safe and reliable public utility service to consumers. This position also serves as co-chair of the PUC's Cybersecurity Committee.

The PUC has worked with utilities and other stakeholders to enhance the Commonwealth's ability in terms of resiliency and recovery efforts for addressing long-term and widespread outages caused by so-called "Black Sky" events, which are wide-reaching and long-lasting utility service outages caused by natural or manmade events. In collaboration with the Pennsylvania Emergency Management Agency, the Commission participates in the Black Sky Steering Committee (BSSC), which aims to prepare for, respond to, and recover from extraordinary and wide-area power outages that last for weeks or months. The BSSC established working groups for four lifeline sectors (energy, communications, water/wastewater and transportation), and each group is drafting a specific strategic Black Sky response plan. Chairman Dutrieuille currently chairs the [Committee on Critical Infrastructure](#) for the National Association of Regulatory Utility Commissioners (NARUC), addressing these issues.

The PUC continues to update its guide, [Cybersecurity Best Practices for Small and Medium Pennsylvania Utilities](#), outlining ways utilities can prevent identity or property theft; manage vendors and contractors who can access company data; understand anti-virus software, firewalls and network infrastructure; protect physical assets; and access federal cyber incident resources.

TAX REFORM SAVINGS FOR CONSUMERS

Effective July 2018, customers of major electric, natural gas, and water and wastewater utilities began to see credits or "negative surcharges" on their monthly bills due to substantial decreases in federal corporate tax rates and other tax changes under the Tax Cuts and Jobs Act (TCJA) of 2017.

In early 2018, the PUC [ordered](#) 17 major electric, natural gas, and water and wastewater utilities to begin adding credits or "negative surcharges" to monthly customer bills. Utilities are expected to return [\\$400 million](#) in annual savings to consumers. The Commission's action followed an extensive [investigation](#) into the effects of federal tax reform on the rates charged by Commission-regulated utilities – which, among other things, reflect annual taxes owed both to the federal and state governments.



ALTERNATIVE UTILITY RATEMAKING

In [April 2019](#), the Commission approved an [Implementation Order for Act 28 of 2018](#), putting forth procedures through which utilities may seek Commission approval of applications establishing alternative rates and rate mechanisms in future base rate proceedings. Act 58 gives the Commission express statutory authority to approve alternative rate mechanisms for natural gas distribution, electric distribution and water/wastewater companies, as well as what notices of such ratemaking requests are to be given to customers.

COMBINED HEAT AND POWER

Beginning July 1, 2018, EDCs and natural gas distribution companies (NGDCs) are required to biennially report on the CHP systems in their respective service territories. This report not only provides information regarding current combined heat and power (CHP) deployment, but also the strategies, communication and outreach by each distribution company to promote CHP and the potential barriers that may impede CHP development.

In April 2018, the Commission adopted a [Policy Statement](#) related to CHP technology and increasing development among Pennsylvania's regulated electric and natural gas distribution companies. CHP captures the waste heat energy that is typically lost through power generation, using it to provide heating and/or cooling for manufacturing and business. CHP is an efficient means of generating electric power and thermal energy from a single fuel source, providing cost-effective energy services to commercial businesses such as hospitals, universities and hotels.

VOLUNTARY ENERGY EFFICIENCY AND CONSERVATION PROGRAMS

Act 129 of 2008 established a comprehensive energy efficiency and conservation (EE&C) program for the large EDCs within the Commonwealth. However, the Commission believes that customers served by small EDCs also can benefit from EE&C measures. Since EDCs with fewer than 100,000 customers were exempted from Act 129, the Commission issued a [Secretarial Letter](#) to encourage smaller EDCs to file voluntary

EE&C Plans. Several utilities (electric and natural gas) responded by offering voluntary EE&C programs to their customers. To date, the Commission has approved four voluntary EE&C plans for UGI Utilities Inc. – Electric Division; Philadelphia Gas Works; UGI Utilities Inc. – Natural Gas Division; and UGI Utilities Inc. – Penn Natural Gas.

PA ONE CALL ENFORCEMENT



[ACT 50 OF 2017](#) enhanced the PA One Call Law, eliminating exemptions that allowed some facility owners to not participate in the program and avoid marking their lines, or allowed some excavation to occur without first contacting PA One Call. The statute also shifted enforcement authority to the PUC and established a [Damage Prevention Committee](#), modeled after successful programs in other states. The goal of the PUC program is to reduce the number of hits to underground lines by 50% over the next five years through increased enforcement and education. In the fiscal year, the DPC took more than 1,240 actions against nearly 400 underground facility owners, excavators and project owners. The actions resulted in administrative penalties totaling more than \$850,000.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Act 11 of 2012 allows jurisdictional water and wastewater, natural gas and electric utilities to petition the Commission for approval to implement a DSIC to fund infrastructure upgrades. Under the law, the DSIC must be designed to provide for “the timely recovery of the reasonable and prudent costs incurred to repair, improve or replace eligible property in order to ensure and maintain adequate, efficient, safe, reliable and reasonable services.”

To be eligible to recover costs from a DSIC, a utility is required to submit a Long-Term Infrastructure Improvement Plan (LTIIP) for Commission approval. Currently, there are LTIIPs for six water companies, two wastewater companies, two municipal water utilities, eight electric distribution companies and six natural gas distribution companies.

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