

Prepared Testimony of

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Introduction

Good morning, Chairman Matzie, Chairman Marshall, and members of the House Consumer Protection, Technology, and Utilities Committee. I am Gladys Brown Dutrieuille, Chairman of the Public Utility Commission (Commission or PUC).

Joining me today are my fellow Commissioners: Vice Chairman Stephen DeFrank, Commissioner Ralph Yanora, Commissioner Kathryn Zerfuss, and Commissioner John Coleman.

The Commission is steadfastly committed to our key regulatory oversight responsibilities related to public safety, consumer protection, and utility quality of service. Understanding the budgetary challenges that continue to be a concern for this Commonwealth, consumers and public utilities, the Commission strives to carry out its duties in the most cost-efficient manner, while continuing to address an ever-changing array of utility-related issues and concerns.

Overview

The Commission is headquartered in Harrisburg with regional offices in Philadelphia, Pittsburgh, Harmorville, and Scranton. The Commission's current complement of 526 employees is spread among 13 offices and bureaus reporting to an Executive Director, including Legislative Affairs, Secretary, Administration, Special Assistants, Technical Utility Services, Investigation and Enforcement, Audits, Law, Administrative Law Judge (OALJ), Consumer Services (BCS), Cybersecurity (OCCO), Competitive Market Oversight (OCMO), and Communications.

The Commission regulates more than 9,000 entities, including in-state services for electricity; natural gas; telecommunications and broadband (availability and speed in accordance with Pennsylvania statutory standards); water and wastewater collection and disposal; steam heat; transportation of passengers and property by motor coach, truck, taxicab, and transportation network companies (TNCs); pipeline transportation of natural gas and hazardous liquids; electric and natural gas suppliers and public highway-railroad crossings.

The supervision and regulation of these public utilities in Pennsylvania includes establishing just and reasonable rates; providing for adequate, efficient, safe service and facilities; conducting audits, inspections, and investigations; developing energy forecasts, plans and conservation guidelines; providing consumer services; and ensuring the enforcement of, and compliance with, public utility law and regulations.

The PUC has requested \$88,434,000 for the 2023-24 budget year, which includes \$5,538,000 in potential Federal Funds, used to regulate motor carrier, rail safety, and pipeline safety. This request represents a 3.5% increase over the current fiscal year state funding to fund contractual salary and increased benefit obligations.

Of the total amount requested, the Commission has determined that state funding is needed in the amount of \$82,896,000. The Commission receives its state funding from the assessments of jurisdictional public utilities based on their reported revenues from intrastate operations and the Commission's costs to regulate the various utility groups. In addition, the PUC assesses natural gas and hazardous liquids pipeline operators under Act 127 of 2011 and collects fees from electric generation

suppliers and natural gas suppliers for the PUC's oversight of these entities under Act 155 of 2014. Also, the Commission receives \$1,000,000 for the duties related to administering Act 13 (The Unconventional Gas Well Impact Fee Law), and a small portion of the Commission's funding is received from various fees charged by the Commission.

To control complement costs, vacancies are reallocated based on the operational needs of the PUC's offices and bureaus. In this FY 2023-24 request, the Commission plans on reviewing the need and availability of additional gas safety inspector positions; and if deemed necessary will look to add up to four (4) additional inspectors from Commission vacancies at that time. Also, the PUC continues to use consultants, temporary hires, and overtime as necessary.

Other ongoing cost reduction efforts address ways to increase individual productivity and operational efficiencies within existing PUC programs. Upgrades to InfoMAP, the Commission's internal case management system, continue to improve both information flow to consumers and utilities as well as internal case tracking. InfoMAP has created additional economies for utilities, practitioners, and consumers, through not only electronic filing benefits, but also with more transparency allowing the public to track cases and access important information now available on the PUC's website.

Both during the pandemic emergency and now post pandemic, the Commission continues to employ innovations implemented in recent years to give the public easier access to its proceedings – highlighted by the PUC's SharePoint File System enabling filers to submit large, complicated filings containing confidential or proprietary information through an easy and secure download. Another successful innovation enables consumers appealing an informal complaint with BCS to file quickly by emailing the appeal and formal complaint without the concerns of failing to meet regulatory filing deadlines by mail.

Finally, the Commission continues to digitize its historical records, allowing the public to access old records online conveniently and efficiently; staff have now converted almost 7 million historical documents and microfilmed records to digital scans which the public can now access on the PUC's website.

The PUC Secretary's Bureau received over 26,000 filings in 2022 and served approximately 10,500 documents, including nearly 700 orders and 5,700 Secretarial Letters. In 2022, the Commission received 148 Right-to-Know requests, all of which were responded to in a timely manner, and, in conjunction with the Law Bureau, handled five new appeals filed with the Pennsylvania Office of Open Records (OOR). Three petitions for review relating to Right-to-Know requests are pending in the Commonwealth Court of Pennsylvania.

Throughout 2022, OALJ presided over 438 telephonic or virtual evidentiary hearings and 23 telephonic or virtual public input hearings. PUC judges issued 236 decisions while PUC mediators resolved 163 cases through mediation processes.

The PUC's Office of Special Assistants prepared 205 orders for Commission consideration in complex rate, certification, and many other proceedings involving consumers and regulated utilities.

In 2022, the PUC Law Bureau regularly represented the Commission in an average of 62 open state and federal court appeals, administrative proceedings and matters involving affirmative litigation. Ninety percent of the 30 proceedings that concluded with decisions resulted in the courts affirming the Commission's opinions or other positive outcomes in support of the Commission's position. The Law

Bureau also participated in numerous proceedings before both the Federal Communications Commission (FCC) and the Federal Energy Regulatory Commission (FERC), including, but not limited to, PJM Interconnection LLC (PJM) matters.

Key PUC Issues

While not an exhaustive listing of all the matters before the Commission, we wish to highlight several of the key issues addressed by the Commission over the past year, which are as varied as they are impactful.

Diversity, Equity, and Inclusion

In 2022, the Commission adopted regulations requiring regular reporting on diversity programs and efforts by major public utilities under the Commission’s jurisdiction. It was the final step in an initiative launched in 2020 to revisit and update the Commission’s diversity reporting policy statement to “reinvigorate the Commission’s efforts to promote and implement effective diversity programs at our major jurisdictional utility companies.”

The regulation also identifies the information major jurisdictional utility companies should report to describe their efforts to employ and contract with members of diverse groups. It also requires utility companies to use a common form to file annual diversity reports with the PUC.

Consumer Issues

Throughout the year, the PUC has continued to vigorously promote its *#CallUtilitiesNow* initiative – working to connect struggling consumers with utility assistance programs. The pressures of rising energy prices, inflation, and the ongoing state and national recovery continue to impact our communities. The PUC stresses that it is important to work collectively to help keep residents and businesses connected to vital services. The *#CallUtilitiesNow* campaign has been recognized internationally as a creative and effective communications initiative.

During the past year, BCS handled 116,220 consumer contacts and 54,629 total complaints, including 27,957 payment arrangement requests. BCS answered more than 115,000 calls and investigated and issued more than 60,000 informal complaint decisions, including nearly 28,000 payment arrangement requests. While this is a considerable increase over the prior year, it is still less than normal informal complaint activity. The number of inbound contacts to the bureau for help generally averages between 150,000 to 200,000 annually.

Also, BCS implemented new technologies to enhance customer care through the PUC’s new Artificially Intelligent Virtual Agent, or “Aiva,” providing 24-7 bilingual assistance to web visitors and callers.

The PUC’s consumer educators reached front-line community partners and utility customers through many in-person and virtual educational events, including the PUC’s annual Be Utility Wise and Be Wise consumer-education conferences. Through educational outreach, the Commission encouraged

Pennsylvanians to stay connected through the Affordable Connectivity Program, a benefit started by the FCC.

Consumer outreach and education is another primary mission for the PUC, as evidenced by our energy information and shopping websites – PAPowerSwitch and PAGasSwitch. Drawing close to nearly one million visitors per year, these sites provide access to information about how to shop, how to save, energy efficiency, and different types of rates and product offerings. Our shopping websites serve as national and international models for retail energy shopping.

As consumer energy prices rose sharply through most of 2022, the Commission strongly encouraged consumers to explore energy conservation and energy efficiency, to best manage the impact of those higher energy costs. The Commission has also been highlighting opportunities for consumers to reduce their bills by shopping for competitive energy suppliers. The PUC's #SaveInPA campaign, launched in mid-March 2023, notes that more than 3.9 million residential customers across Pennsylvania could shrink their monthly energy costs by using competitive electric suppliers, in addition to the 1.2 million residential customers in Pennsylvania who currently shop for their electric supply. We continue to emphasize this point because the potential savings are substantial for many consumers, ranging from 21% to nearly 49% in the service territories for PPL, PECO, and Duquesne Light, which translates into typical customer savings of anywhere from \$2 and \$49 per month on an average electric bill.

Railroad Safety Issues

The Commonwealth has the most operating railroad companies of any state, with a total of 57 – ranging from the largest “Class 1” railroads, moving long trains of goods along busy main line tracks, to small “short line” railroads that may serve a short list of industries in a small area, moving a few cars at a time. Also due to our geographic location, there are a variety of commodities being transported into, out of, and across our Commonwealth each day.

There has been an increased interest in rail safety – here in Pennsylvania and nationally – in the wake of the disastrous train derailment near East Palestine, Ohio, in early February 2023. While much attention has focused on those recent events near the Pennsylvania-Ohio border, the PUC has been long-dedicated to the safe transport of all cargoes, including crude oil, chemicals, and hazardous materials, along with rail passengers traveling across our Commonwealth.

Pennsylvania's relationship with railroads is almost as long as our history as a Commonwealth, and the railroad network stretching across Pennsylvania is extensive and diverse. Pennsylvania has 5,600 miles of total rail lines, ranging from busy freight corridors that move large volumes of goods, delivering products to consumers and businesses in our Commonwealth and moving them to and from communities across the country, to a variety of smaller rail operations. Our rail network also includes heavily-traveled and higher-speed passenger lines that run from Harrisburg to Philadelphia, and the Northeast Corridor, from Philadelphia to New York City and Washington, D.C.

For more than 50 years, federal law has addressed rail safety with a set of nationally-established standards, enforced by the Federal Railroad Administration (FRA). The work performed by the PUC's Rail Safety Inspectors is done in conjunction with FRA Inspectors, with interactions almost daily. Those efforts are part of a tri-layer system of rail safety inspections in Pennsylvania, which includes the PUC along with

regional inspectors from the FRA. Additionally, railroads are also required to conduct their own regular inspections of track and equipment.

The PUC's Rail Safety unit includes both Rail Safety Inspectors and Rail Safety Engineers, with each group performing different functions. The PUC's Rail Safety Inspectors work under the authority assigned by the FRA in performing inspections of railroad track and equipment. The Rail Safety Engineering group maintains exclusive jurisdiction over the construction, relocation, suspension, and abolition of highway-railroad crossings in Pennsylvania.

The PUC Rail Safety Inspections group has ten (10) positions, including two (2) working supervisors who manage the FRA program and also conduct inspections, along with a staff of eight (8) inspectors. It is important to note that retaining inspectors has been a challenge. The current Commonwealth classifications and state-established pay range that applies to rail safety inspectors places Pennsylvania's compensation at the third lowest in the nation for these important positions, which can be a barrier to attracting and retaining skilled personnel.

Our Rail Safety Inspectors are certified by the FRA, and each inspector specializes in a specific railroad discipline. Additionally, PUC Rail Safety staff who are involved in the inspection of passenger trains are also certified by Amtrak.

The areas of expertise for PUC Rail Safety inspectors include:

- Track – The physical infrastructure of the railroads.
- Motive Power & Equipment – The locomotives and rail cars that cross our Commonwealth.
- Operating Practices – The “human element” of railroad activity, including qualifications of rail crew members and the way they operate, including their adherence to best safety practices.
- Hazardous Materials – The equipment used to transport hazardous materials, along with safe handling practices, labeling/placards and other related requirements.
- Signal & Train Control – The systems which are used to control the safe passage of trains.

During the last fiscal year, the PUC's Rail Safety team filed 1,988 Inspection Reports with the FRA, including:

- 471 Motive Power & Equipment inspections;
- 505 Track inspections;
- 380 Operations inspections;
- 457 Hazmat inspections; and
- 175 Signal inspections.

Additionally, while conducting those inspections, our staff examined tens-of-thousands of individual items – ranging from pieces of rail and components on a locomotive or rail car, to safety practices, crew certifications or clear radio communications.

Still, it is important to underscore that rail safety enforcement is outside the authority of Pennsylvania. All decisions regarding the prosecution of potential violations identified during inspections, along with the ultimate decisions about how those cases are resolved with the railroads, rest in the hands of the FRA. While PUC inspectors can raise concerns about their findings, any enforcement actions come under federal rail safety regulations and standards administered by the FRA.

Since the mid-2010s, in response to increased volumes of railroad traffic across Pennsylvania and related concerns about rail safety, the PUC has taken several steps to enhance our efforts:

- Increased Number of Rail Safety Inspectors – The PUC’s complement of Rail Safety Inspectors was increased by approximately 25%, from eight (8) inspectors to ten (10) inspectors (which includes two supervisors who also perform inspections), in response to concerns about increased railroad transportation of crude oil and other potentially volatile cargos across Pennsylvania.
- Enhanced Oversight on Major Routes – The Rail Safety Section enhanced oversight of oil train routes, which make up about 700 miles of the nearly 5,600 miles of total rail lines in Pennsylvania. These are typically the highest-volume routes for all cargoes, so the added attention initially generated by oil train concerns have resulted in closer monitoring of other items being moved by rail.
- Closer coordination with the FRA – The PUC Rail Safety Section continues to work with the FRA on focused inspections on major routes, including track, motive power and equipment, operating practices, hazardous materials, and grade crossings.

While the PUC, FRA and the railroads have all been working to increase inspections of track, equipment and operations – especially along oil train routes – our PUC Rail Safety Engineering group deals exclusively with the safety of highway-railroad crossings throughout the Commonwealth. Under Pennsylvania statute, the PUC has exclusive jurisdiction over the construction, relocation, suspension, and abolition of public highway-railroad crossings. There are approximately 5,600 public at-grade rail crossings in Pennsylvania and 3,200 bridge crossings. These crossings include at-grade crossings, where public roads cross railroad tracks; and grade separated crossings with bridges carrying public roads over railroads, bridges carrying railroads over public roads, or bridges carrying railroads over other railroads, which typically involve a host of involved parties, including the Pennsylvania Department of Transportation, the railroads, utilities, and municipalities.

The 7 PUC Rail Safety Engineers are involved in an average of 180 formal proceedings per year – from field meetings and site inspections to formal conferences regarding repair, replacement, safety upgrades and other enhancements – which bring together representatives from the railroads, property owners, local municipalities, and other state agencies – such as the Pennsylvania Department of Transportation – and other concerned parties. The PUC’s jurisdiction includes the ability to assign maintenance responsibilities associated with highway-railroad crossings to the parties. These parties can amicably agree to allocate maintenance responsibilities or litigate the matter before the PUC where the PUC will determine and order future maintenance responsibilities. Safety enhancements to crossings can range from projects to upgrade active warning devices, such as lights and gates, to the replacement of at-grade crossings with bridges.

In the last fiscal year, the work of our Rail Safety Engineering group resulted in 326 PUC orders and Secretarial Letters concerning highway-railroad crossing projects, involving more than \$1 billion in infrastructure improvements.

Pipeline Safety Issues

The Commission employs a team of 29 individuals, including 24 Gas Safety Inspectors, that monitor more than 48,000 miles of distribution lines and more than 1,200 miles of intrastate transmission lines.

One of the key safety and reliability issues that continues to face the natural gas industry is corrosion. Pennsylvania averages three reportable incidents involving natural gas a year. The majority of Pennsylvania gas leaks are occurring on cast iron and unprotected bare steel pipeline. Pennsylvania has approximately 7,515 miles of cast iron and unprotected bare steel pipeline. Over the last calendar year, operators in Pennsylvania removed from service approximately 130 miles of cast iron and more than 300 miles of bare steel.

The Pipeline Safety Division is responsible for investigating reportable incidents and accidents that occur with the PUC's jurisdictional pipelines including gas distribution, gas transmission, gas gathering and hazardous liquid intrastate pipelines. During 2022, the Commission's Bureau of Investigation and Enforcement, Pipeline Safety Division, (I&E Pipeline Safety) investigated four reportable incidents. Of those, three were on gas facilities and one occurred on the hazardous liquid pipelines that are public utilities in Pennsylvania. I&E Pipeline Safety also investigated approximately 20 non-reportable events.

The PUC's safety programs are audited annually by the federal Pipeline and Hazardous Materials Safety Administration (PHMSA). This past year, the PUC's programs earned scores of 99% in Gas, and 100% in each of the Hazardous Liquids and Underground Natural Gas Storage programs from PHMSA.

Other Public Utility Safety Issues

PUC safety personnel conducted more than 3,000 electric and pipeline safety field inspections. Thirty electric and pipeline incident investigations were handled by the divisions.

Also, during 2022, more than 400 underground facility owners, excavators and project owners were directed to attend Act 50 training (related to the Pennsylvania One Call Law), while the PUC's Damage Prevention Committee (DPC) approved 1,774 violations related to nearly 500 cases that were addressed during the year's 11 DPC meetings.

The PUC increased consumer education on electric safety, safe digging, and delaying the start of nonessential home digging projects to enhance safety and avoid accidental damage to underground lines. The second DPC annual report was issued, including an overview of its Alleged Violation Reports and the subsequent actions taken, such as the issuance of warning letters, administrative penalties and locator or excavator education.

The PUC continues working with interested parties on proposed changes in regulations for customer-owned pipeline system service lines, and enhancements to regulations for petroleum and hazardous liquids pipelines.

The PUC's Motor Carrier Enforcement Division conducted 77 focused reviews on carriers, completed more than 2,200 Federal New Entrant Safety Audits and more than 4,000 roadside inspections of commercial motor vehicles.

Cybersecurity and Emergency Preparedness

In November 2022, the Commission launched a review of its current regulations relating to cybersecurity – including requirements for reporting cyber attacks on utility systems and the regulations for utility self-certification of their security planning and preparedness.

The PUC is exploring whether existing PUC regulations are sufficient to ensure that they address public utility fitness in the current and anticipated future cybersecurity threat landscapes.

Through OCCO, the Commission continues to work with federal and state interests to conduct quarterly conference calls that disseminate cybersecurity information to regulated utilities – including connecting utilities with emergency response efforts. Additionally, OCCO updated the Cybersecurity Best Practices for Small and Medium Pennsylvania Utilities Guide and held a cybersecurity symposium.

Further, the Commission maintains active outreach and education with the Governor's Office, our sister state agencies, other state commissions, national organizations like the National Association of Regulatory Utility Commissioners (NARUC) and various federal agencies in effort to improve our capability to identify and respond to potential cyber-attacks.

Commission staff remain active in the coordination of state and regional emergency preparedness activities. Staff participated in several emergency preparedness exercises and activities with our colleagues at the Pennsylvania Emergency Management Agency (PEMA), along with other agencies and the regulated utilities. These activities included, but are not limited to, the PJM grid security exercise and the Commonwealth's hazard mitigation plan update, as well as a collaboration with the Pennsylvania Department of Environmental Protection's energy security plan for Pennsylvania.

Grid Reliability and Resource Adequacy

Weather Events -

Our country continues to experience an increase in significant weather events – the 2014 Polar Vortex, successive hurricanes, fires, and Winter Storm Uri in 2021, which brought down Texas' grid. The more recent Winter Storm Elliott which brought another severe and sudden cold snap - along with urgent calls for conservation - to our region during Christmas weekend is the latest example of extreme weather affecting the grid. The Commission thus finds that it must even more closely monitor the rules and mechanisms put in place in the competitive generation market, as well as the resiliency of the interstate transmission grid, to ensure that these markets are optimizing and prioritizing resiliency as well as affordability.

For Winter Storm Elliott, PJM has assessed more than \$1.8 billion in performance penalties on about 200 market participants for falling short on their required power deliveries on December 23-24, 2022. PJM has indicated that the figure number of violators is subject to change. The penalties sparked at least 10

complaints pending at FERC. For those entities that may qualify to receive bonus payments for stepping in to provide needed supply, those amounts will not be known until PJM billing is complete. Originally scheduled for April, PJM now plans to issue its Winter Storm Elliott report in July 2023, with a further report to follow in the Fall.

Of note, on February 16, 2023, FERC approved new extreme cold-weather reliability standards stemming from a series of recommendations proposed in the wake of the February 2021 Winter Storm Uri event. The reliability standards contain new and revised requirements to advance reliability of the grid during extreme cold weather temperatures. They include implementation of generator freeze protection measures, enhanced cold weather preparedness plans, identification of freeze-sensitive equipment in generators, corrective actions for when equipment freeze issues occur, annual training for generator maintenance and operations personnel, and procedures to improve the coordination of load reduction measures during a grid emergency.

The Commission will monitor the FERC cold-weather reliability standards carefully and continue tracking these issues through our membership in the Organization of PJM States, Inc. (OPSI). Through this organization, the 13 states within PJM along with the District of Columbia coordinate efforts and advocate on numerous issues related to PJM markets and operations.

Generation -

Although we no longer regulate generation, the Commission spends a fair amount of time considering wholesale energy market issues. As a restructured state, we do not choose energy sources. Section 2805(a) of the Electric Competition Act directs the Commission to work with PJM to ensure adequate electric service to the Commonwealth as a whole. Our advocacy and intervention in wholesale market issues is to ensure that wholesale markets remain competitive and reliable.

When it comes to electric generation in Pennsylvania, it is a mixed and complex picture involving nuclear, coal, natural gas, renewable energy sources like solar and wind, and now storage – further complicated by competing economic factors and actions in other states.

The electric generation breakdown for Pennsylvania is as follows:

- Natural gas provided 53% of Pennsylvania’s electricity generation in 2021; this figure has almost doubled in the last five years. In capacity terms, natural gas made up 45% of Pennsylvania’s installed capacity in 2021.
- In 2021, nuclear power supplied 33% of our Commonwealth’s net generation and 19% of installed capacity.
- Coal remains a factor in electric generation in Pennsylvania, but it comprised just 12% of net generation in 2021, an almost 50% reduction over the past five years. Coal provided 21% of installed capacity in 2021.

The U.S. Energy Information Administration projects that coal-fired generation capacity will decline through 2030 and then remain relatively flat, as coal plant retirements slow and utilization of the remaining coal fleet increases. That coal is providing much more capacity than energy indicates this

change is already happening. Essentially, coal is acting as a reliability backstop. On April 3, 2023, the Homer City Generating Station in Indiana County announced its plan to retire 1184 MWs of nameplate capacity effective July 1, 2023. PJM recently completed its reliability analysis for the retirement of Homer City which found no impact on transmission reliability.

Meanwhile, right now, over 90% of the new resources seeking to interconnect to the grid in our region is comprised of solar, wind, and storage. This is a massive change in electricity generation, and Pennsylvania, the larger PJM region, and the nation as a whole, will have to determine the role of competitive markets, the role that existing fossil and nuclear plants will play in state and local economies, and the balance between resilience of the grid and the warming climate.

The other generation issue that we are currently tracking, and I should say “always” tracking, is capacity market reform. Most recently, on February 24, 2023, PJM published an analysis which indicated, based on current market signals, that PJM may experience reliability issues because an expected 40,000 MWs of resource retirements would outpace the rate at which new generation sources come online and interconnect to the grid. The PJM Board responded to the study by implementing a Critical Issue Fast Path (CIFP) process to adjust capacity market rules in order to ensure that reliability is not endangered by the retirement of capacity resources. The Commission is monitoring and participating in the PJM stakeholder process which inform the future PJM capacity reform filing.

Transmission -

It does not matter how much power is generated, or what its fuel source is, if there are not sufficient transmission lines to get the power to customers. Transmission lines are literally the highways and byways that deliver the energy that keeps our homes, businesses, and economy running. When discussing current and future transmission needs, it is important to consider dual concerns – that transmission is a key variable in how successful the ongoing transition to a low-carbon generation fleet will be, and that the increase in renewables will require the utilization of balancing resources. Those balancing resources likely will be fossil or steam generators powered in large part by plentiful natural gas, until such time as energy storage resources can scale up.

FERC, to its credit, saw the changes already occurring in the generation fleet – the gradual shift away from large fossil fuel generators located close to load centers; the steady growth in smaller renewable generators located farther from load centers; and the Clean Energy Transition that was already underway. The NARUC Transmission Task Force comprised of states and FERC has been tasked with addressing some of the thorny challenges that come with building out a transmission grid for a shifting generation paradigm.

A data point which really stands out is the escalating amount of money spent on electric transmission. In the late 1990s, that cost was approximately \$2 billion per year, while in 2019, that number was \$23 billion.

With those escalating costs in mind, we need to consider:

- How do we plan efficiently to reduce costs?
- How do we allocate costs fairly, so that the correct parties are paying?

- And what kind of oversight is needed to contain those costs?

In an attempt to answer those questions, FERC issued an omnibus transmission Advance Notice of Proposed Rulemaking in 2021, and then three transmission-themed Notices of Proposed Rulemaking in short order. The Commission has commented on the ANOPR and NOPRs either through NARUC, OPSI, or by filing individual comments. Of note, on December 15, 2022, FERC issued a transmission permitting NOPR at RM22-7, to update its regulations in response to changes made in the Infrastructure Investment and Jobs Act (IIJA). A significant change coming out of the IIJA is the addition to FERC backstop siting authority for electric transmission lines. Previously, FERC backstop siting was triggered if a state did not act on a siting application within a year. Now, state denial of a siting application can also trigger FERC siting authority. The Commission has filed comments at FERC which mainly focus on the interplay and possible interference that the timing of federal backstop siting processes may have with state siting processes.

Earlier, I mentioned PJM's capacity market reforms which are being fast-tracked due to reliability concerns. While capacity market reform is a wholesale market issue, the tie-in to transmission cannot be ignored. The Commission, along with other PJM states, have communicated to the PJM Board that the problem is not simply too many retirements, but that the interconnection queue process for new generation resources is too slow to reliably bring new resources online. The Commission suggested several methods the PJM Board could use to speed up the queue to increase the new entry of resources.

Impact Fees

Last year, the Commission successfully distributed more than \$234 million in natural gas drilling impact fees deposited in the Unconventional Gas Well Fund in accordance with Chapter 23 of Act 13 (relating to Unconventional Gas Well Fee) to local governments and state agencies.

County and municipal governments directly affected by drilling received a total of \$123,217,163 during 2022, which was generated by activity during the 2021 reporting year. Additionally, \$86,030,934 was transferred to the Marcellus Legacy Fund, which provides financial support for environmental, highway, water and sewer projects, rehabilitation of greenways and other projects throughout the Commonwealth. Also, \$25,189,477 was distributed to state agencies. With that 2022 distribution, the PUC has collected and distributed more than \$2.2 billion to Pennsylvania communities.

The Commission is now finalizing the next round of impact fee distribution, based on drilling activity reported for 2022 calendar year, and will be making that announcement by the end of this month. Those funds will be delivered to recipient local government entities and state agencies in early July 2023.

Rate Cases

In 2022, the PUC's rates and technical divisions participated in 12 base rate cases with a total requested increase value of more than \$471 million, five Section 1329 acquisitions, and seven Section 1307(f) annual purchased gas cost filings. The PUC's Office of Special Assistants and OALJ prepared numerous orders for Commission consideration on these many filings.

Retail Market Pricing

In 2022, utilities, EGSs and NGSs, and consumers were all impacted by sharply escalating wholesale natural gas and electric prices. However, we are seeing in 2023 sharply lower wholesale natural gas and electric prices. These price drops are finding their way to the consumers – being reflected in decreasing NGDC purchased gas costs – making home heating less expensive. Electric default prices have also stabilized and are even dropping in some instances, but admittedly, not as quickly. This reflects how electric default service is procured and structured – with the goal being price stability – not necessarily market reflectivity. This means default electric prices are slower to rise, but also slower to drop. Regardless, we are now seeing EGSs in a position to offer products at significant savings compared to the utility default service. Commission staff continues to monitor energy markets closely and encourage consumers to review their bills and energy supply contracts, shop for better deals, seek ways to conserve energy and, if needed, seek assistance.

There are currently 464 EGSs and 333 NGSs licensed with the Commission. The PUC monitors compliance in the state’s competitive energy markets through a variety of oversight methods, including informal complaints filed with our BCS, formal complaints and contacts to OCMO, and enforcement proceedings initiated by our Bureau of Investigation and Enforcement. In the past fiscal year, the Commission took formal enforcement action against five competitive EGSs.

As part of its continuing effort to enhance consumer information about energy shopping in Pennsylvania and help avoid consumer confusion and frustration, the PUC recently revised its disclosure regulations in 52 Pa. Code Chapter 54 for EGSs serving residential and small commercial customers.

Telecommunications and Broadband Issues

The Commission continues its review of incumbent local exchange carriers’ rates for basic local telephone services through the annual alternative ratemaking filings made pursuant to Chapter 30 of the Public Utility Code to ensure that rates for basic services remain just and reasonable.

At the same time, the Commission continues to promote the deployment of broadband services throughout the Commonwealth. With its ongoing review and approvals of Eligible Telecommunications Carrier (ETC) designations for a federal broadband deployment program in rural Pennsylvania, the PUC continues its support of the Pennsylvania Broadband Investment Incentive Program and work to secure federal funding.

Under the IIJA of 2022, the federal government will allocate approximately \$35 billion dollars to build broadband networks in unserved and underserved areas of the nation. This adds to the \$100 million already provided to every state through the Broadband Equity and Deployment (BEAD) program . Each state will get an additional allocation of the \$35 billion dollars based on the percentage of unserved and underserved consumers they have compared to the nation. It should be noted that the areas defined as unserved are areas without broadband at 25 megabits per second down and 3 megabits per second up (or 25/3). Underserved is a consumer without broadband at 100 megabits per second down and 20 megabits per second up. The first priority is for all unserved areas to receive broadband before addressing the underserved.

A recent FCC Section 706 Report showed that Pennsylvania has about 509,000 consumers without broadband. When compared to the entire nation, this suggests that Pennsylvania could receive at least \$1 billion in funding although the figure may be higher since the allocation will be based on an updated FCC map set to be released 6/30/23. To continue our involvement in broadband issues and allow us to distribute the federal funds for buildout of this needed service, the Chairman of the Commission represents the PUC as a member of the Broadband Authority per Act 96 of 2021, which allows for PUC interaction in discussions about broadband enhancement efforts across the Commonwealth.

The PUC encouraged Pennsylvania consumers to learn more about the Emergency Broadband Benefit (EBB) that was initiated by the Federal Communications Commission – and to stay connected through the Lifeline Program and Affordable Connectivity Program. This program has since been superseded by the current Affordable Connectivity Program (ACP), a program that provides \$30 monthly support and up to \$100 for eligible consumers to purchase equipment. The ACP is a broadband only service. The Commission continues to make the Eligible Telecommunications Carrier (ETC) designations required under federal law to provide eligible consumers a separate \$9.95 a month to purchase voice and broadband service in the Lifeline Program. Brochures explaining these programs are on our website.

During 2022 the PUC, through its Pole Attachment Working Group, continued to advance the process in assuming jurisdiction over pole attachments.

Additionally, it reminded consumers of the assignment of 835 as a new area code, which is serving the same geographic area in Southeastern Pennsylvania currently served by the 610 and 484 area codes. The remaining supply of available telephone numbers in the 610 and 484 area is estimated to be exhausted in 2023 – requiring the establishment of a new area code to support future demands in the region.

Water and Wastewater Issues

Public access to clean water at reasonable rates has always been a foundation of this Commission’s responsibilities, and we continue to maintain a keen interest in administering regulations that can foster a healthy water industry and well-functioning wastewater disposal facilities.

A major goal for the PUC is bringing uniformity to the replacement of lead water service lines and damaged wastewater laterals under Act 120 of 2018 (Act 120). The Commission has completed a rulemaking to implement Act 120, modifying its regulations at Title 52 to establish certain standards, processes, and procedures for these critical issues.

The Commission also has proposed guidelines designed to enhance coordination of tariffed fire protection services by the Commonwealth’s regulated water public utilities. The PUC’s proposed policy statement incorporates a “best practices” approach to PUC oversight of regulated fire protection services and further develops guidelines under which tariffed fire protection services are offered to the public in a coordinated and consistent manner.

Additionally, the PUC increased awareness for Pennsylvania consumers regarding the Low-Income Household Water Assistance Program (LIHWAP) and is very pleased to see that Governor Shapiro and his Administration are pursuing additional funding from the U.S. Department of Health and Human Services

(HHS) to provide more qualified Pennsylvania residents with financial help through this important program.

Like other fixed utilities, the water industry faces challenges caused by its outdated infrastructure. Thanks to the foresight of the General Assembly, each major water utility utilizes the DSIC (Distribution System Improvement Charge) to accelerate infrastructure replacement.

Lastly, we are pleased to see continuing progress related to the Pittsburgh Water and Sewer Authority (PWSA), which was placed under the Commission's jurisdiction with the General Assembly's passage of Act 65 of 2017. Most recently, the Commission approved a joint settlement addressing PWSA stormwater issues. All this progress has been facilitated by the hard work of our staff, PWSA and interested parties.

Audits

During the past year, the PUC Financial Audits team released 33 reports covering 83 years' worth of adjustment clauses and reviewed and approved approximately 381 adjustment clause filings. Management Audit staff released four Management Audits, two Management Efficiency Investigation reports, and the 516 Annual Reports for Calendar Year 2022.

Recommendations included in the Management Audits and Management Efficiency Investigations included \$39 million in annual savings and \$22.5 Million in one-time savings, along with potential improvements in operations, service reliability, and safety programs.

Regional and National Utility Issues

Given the size and scope of Commission responsibilities, combined with the knowledge and skills of the Commission staff, Pennsylvania exercises a strong voice among regional, national and international utility regulators. We are heavily involved in the Mid-Atlantic Conference of Regulatory Utilities Commissioners (MACRUC), OPSI, and NARUC. Additionally, staff and Commissioners are active in various MACRUC and NARUC committees.

Issues Moving Forward

Review of Universal Service Programs

As part of a comprehensive statewide review of universal service program design, this Spring the Commission solicited public comments on improving coordination of universal service programs among jurisdictional fixed utilities – with an in-depth analysis into ways to streamline enrollment as well as to improve the verification and re-enrollment processes for income-qualified customers.

This effort includes, but is not limited to, identifying any current barriers to greater coordination and sharing of information among multiple utilities; and among utilities and state social service agencies; looking at the option of administering customer assistance programs (CAPs) on a statewide basis rather than on a utility-by-utility basis; pursuing additional consumer education and outreach to income-

qualified consumers; and examining whether the PUC’s CAP Policy Statement should be amended to include jurisdictional water utilities.

Our review of the public comments filed with the Commission is now underway – with a keen focus on three particular areas:

- (1) Increasing program coordination among all utilities.
- (2) Streamlining the eligibility and enrollment process.
- (3) Improving both the verification and re-enrollment processes for universal service programs to help eligible consumers avoid losing low-income benefits.

Notice of Proposed Rulemaking on Proposed Changes to LIURP Regulations

Consistent with our ongoing review of the state’s universal service programs, the Commission recently adopted a “Notice of Proposed Rulemaking” proposing amendments to current regulations for Pennsylvania’s Low-Income Usage Reduction Program (LIURP).

The PUC’s existing LIURP regulations apply to natural gas distribution companies and electric distribution companies. These public utilities are required to include a LIURP as part of their universal service and energy conservation programs. These programs also include Customer Assistance Programs (CAPs), Hardship Funds, and Customer Assistance Referral and Evaluation (CARES) programs.

The Commission is now seeking to update the LIURP regulations, which have not been amended since 1998. This regulatory update is important to keep up with the changing energy landscape and technology improvements, to ensure coordination among Commonwealth energy reduction programs, and to ensure fair, effective, and efficient energy usage reductions.

After the Notice of Proposed Rulemaking is published in the *Pennsylvania Bulletin*, the Commission will be accepting written comments and reply comments from the public and key stakeholders on our proposed changes to the LIURP regulations.

Utility Terminations

With the end of Pennsylvania’s seasonal winter termination moratorium (on March 31, 2023), the Commission is once again emphasizing the importance of direct communication between consumers and utilities to discuss options to help households remain connected to utility services.

At this point, the best action any consumer with a past-due bill can take is to call their public utility’s customer service hotline and ask for information about their customer assistance programs designed to make energy bills more affordable. Utilities understand the assistance programs available in their communities for income-qualified consumers – including utility-run Customer Assistance Programs, national programs like the Low-Income Home Energy Assistance Program (LIHEAP), and various hardship fund programs operated by utilities and non-profit organizations.

Utilities also can help enroll consumers in assistance programs, guide them to other available resources and discuss new payment plan options to address overdue balances and help consumers move forward.

Each major utility has a team of representatives trained to help consumers explore the many options that may be available and connect those families with the necessary resources. If a consumer is unable to resolve an issue or obtain needed information from the utility, they may contact the PUC's Bureau of Consumer Services (BCS) toll free at 1-800-692-7380.

Additionally, the PUC notes that consumers may also contact Pennsylvania's "211" system (Dial 211 or visit www.pa211.org) for information and resources in their communities to help with utilities, housing, food, employment and more. If, after calling the utility, consumers are not satisfied with the assistance provided, they can contact BCS.

Sunset of Chapter 14

On October 22, 2014, Governor Corbett signed into law Act 155 of 2014, effective on December 22, 2014. The law reauthorized and amended Chapter 14 of the Public Utility Code for 10 years. Chapter 14 provides public utilities with collection mechanisms and procedures that promote timelier collections, while also providing for payment arrangements for customers with arrearages. As amended, those payment arrangements can range between 6 months and 5 years depending on household income.

Chapter 14 will sunset on December 31, 2024. The PUC recently testified before the Pennsylvania Senate Consumer Protection and Professional Licensure Committee as it begins the important process of considering reauthorization of Chapter 14 of the Public Utility Code. Based on experience gained over the past 10 years of Chapter 14 implementation, the Commission has suggested new amendments to Chapter 14. We hope to serve as an informational resource as the General Assembly considers reauthorization.

Sunset of PA One Call Law

Act 50 of 2017, the Underground Utility Line Protection Law, also sunsets in 2024 and would need to be reauthorized by the General Assembly.

Act 50 authorizes the PUC to enforce provisions of what is known as the "One Call Law." As a requirement of Act 50, all underground facility damages are to be documented and submitted to the PA1Call System. Also included in Act 50 is the creation of the Damage Prevention Committee, which meets regularly to review alleged violations of the Act and makes determinations as to the appropriate responses, including, but not limited to, the issuance of warning letters, educational requirements, or administrative penalties. The Commission recently has recommended amendments to Act 50 based on experience gained implementing the existing statute and we hope to serve as an informational resource as the General Assembly considers reauthorization.

Closing

The PUC is well-equipped to decisively carry forth its statutory obligations by promulgating and administering regulations in an objective manner. As we continue to do so, we will not stray from our true mission: to balance the needs of consumers and utilities; ensure safe, adequate, and reliable utility service at reasonable rates; protect the public interest; educate consumers about their rights and to

make independent and informed utility and supply choices; further economic development; and foster new technologies and competitive markets in an environmentally sound manner.

My colleagues and I thank you for your interest in our mission. We are at your service if you should have any questions.