Keystone Connection

Utility News in Pennsylvania

A Newsletter published by the Pennsylvania Public Utility Commission regarding utility news in the telecommunications, energy and water markets.

AUTUMN 2010

Rate Caps are Nearing the Expiration Date

The rate caps for the state's remaining electric customers expire Dec. 31. When the caps for customers of PECO Energy Company, Metropolitan-Edison Company, Pennsylvania Electric Company and Allegheny Power Company expire, all of Pennsylvania electric customers will be paying market-based prices for the generation portion of their bill.

While Pennsylvania consumers' rates have been capped since 1997, the market prices for electricity have risen. The impact of those caps on prices reflected the market prices when the companies were acquiring their power. The companies have been purchasing power for use in January 2011 through a series of auctions in accordance with their PUC-approved default service plans. Act 129 of 2008 required that the default price provide the "least cost to consumer over the long term." The companies will continue to make some spot market purchases and all of the state's electric distribution companies may adjust their price to compare (PTC) quarterly based upon their purchases and default service plan.

The competitive market for commercial and industrial customers is developing as it did when the PPL rate caps expired in December 2009. Experience dictates that the residential competitive market does not develop until the utility's PTC is known.

The residential PTCs for PECO (9.92 cents/kWh) and Allegheny's (7.118 cents/kWh) were announced in mid-October. Met-Ed (8.30 cents/kWh) and Penelec (7.03 cents/kWh) were announced at the end of the October. With that, competitive suppliers are beginning to make their announcements. More than 165 competitive suppliers are licensed to make offers to Pennsylvania electric customers. Each month more applications are being approved. To assist both residents and businesses with shopping, the PUC launched PAPowerSwitch.com. The website is the resource for residents and businesses to make decisions on which supplier to choose that will save them money while meeting all of their needs.

Connecting in Pennsylvania

Welcome to the 17th issue of *Keystone Connection*, a publication of the Pennsylvania Public Utility Commission (PUC) that gives a "snapshot" view of the utility markets under the jurisdiction of the Commission, and news on consumer and PUC issues.

By using the Docket Number or links referenced in some articles, readers may search on the PUC's website to find additional information related to the articles.

The PUC balances the needs of consumers and utilities to 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.

On the Inside

Act 129 Update

Energy Efficiency and Conservation Plans

The energy efficiency and conservation (EE&C) program requires each electric distribution company (EDC) with at least 100,000 customers to adopt a plan to reduce energy demand and consumption within its service area.

The Commission reviewed the EE&C Plan of each EDC and required modifications in each plan. With the exception of Allegheny Power's EE&C Plan, the Commission approved the revised EE&C Plans of all EDCs during fall 2009/winter 2010. By order entered June 23, the Commission approved Allegheny's revised EE&C Plan.

In September, all seven EDCs filed annual reports on their EE&C Plan, and four of the EDCs submitted revisions to their plans for Commission review and approval. Comments and reply comments have been submitted on the proposed changes. The submissions of Allegheny Power and PPL Electric Utilities have been referred to the Office of Administrative Law Judge (OALJ) for hearings, and recommended decisions are expected in these cases before the end of 2010. The Commission will address all the submissions at future public meetings. More information on the EE&C annual reports and proposed revisions may be obtained through a search of the Commission's website of the following Docket Numbers:

- Allegheny Power - M-2009-2093218
- Duquesne Light Company - M-2009-2093217
- Metropolitan Edison Company - M-2009-2092222
- PECO Energy Company - Docket No. M-2009-2093215
- PPL Electric Utilities Corporation - M-2009-2093216
- Pennsylvania Electric Company - M-2009-2112952
- Pennsylvania Power Company - M-2009-2112956

Smart Meter Plans

As reported in the last edition of the *Keystone Connection*, the seven EDCs filed Smart Meter Implementation Plans (SMIPs) on Aug. 14, 2009. The Commission approved the plans for PECO Energy, PPL Electric Utilities, the three FirstEnergy Companies and Duquesne Light on April 15. These utilities are now undertaking more comprehensive analyses and the phase-in of smart meter technologies on their systems.

On May 13, Allegheny Power asked that its SMIP proceeding, Docket No. M-2009-2123951, be delayed so the parties could consider the impact that the merger of Allegheny's parent company with FirstEnergy Corporation would have on the SMIP. The Commission granted this request. On Oct. 19, Allegheny and the Office of Consumer Advocate notified the Commission that they reached a settlement on Allegheny's SMIP. In response to requests for hearings, this proposal has been referred to OALJ. Following the issuance of a recommended decision, the Commission will consider the proposal at a public meeting.

On Oct. 28, PECO filed a petition for approval of PECO Energy Company's Initial Dynamic Pricing and Customer Acceptance Plan, at Docket No. M-2009-2123944. This proceeding has been referred to OALJ for hearings. A recommended decision is expected by Feb. 28, 2011. The Commission will then consider the petition at a public meeting.

Statewide Evaluation Team

On Sept. 2, the Commission's Act 129 Statewide Evaluation (SWE) Team met with interested Commissioners and staff and provided a PowerPoint presentation on their activities to date.

The SWE is under contract with the Commission and tasked with providing reasonable assurance the energy efficiency measures reported by the seven major EDCs are properly installed, utilized and obtaining the claimed energy savings or reductions. The SWE Team will also assist the Commission in identifying the cost-effectiveness of plans, identifying areas of program improvement and best practices. The presentation highlighted the SWE's work in producing the Act 129 Audit Plan, their work on the Technical Reference Manual and Technical Working Group for evaluation implementation. The meeting provided the first opportunity for dialog between the SWE and the broader Commission staff.

AEPS Contact Portals

The PUC's Bureau of Conservation, Economic and Energy Planning (CEEP) has established contact information to be made available to the public for any inquiries regarding the Alternative Energy Portfolio Standards (AEPS). Due to the abundance of inquiries being received, CEEP felt it would be advantageous to have specific contact portals in order to create direct access points for anyone with a concern or question pertaining to the AEPS. Other bureaus within the PUC can now forward AEPS inquiries directly to the AEPS phone number or email address and know that there are designated CEEP staff members ready to respond.

Telephone inquiries can be forwarded on to the PUC Energy Line at (717) 425-7584. Email inquiries may be forwarded on to the PA AEPS email inbox at ra-aeps@state.pa.us. The primary AEPS contacts within CEEP are Scott Gebhardt, Laura Edinger and Megan Good. These measures will help to direct the influx of calls and emails and make response times much shorter.

PUC Concludes Investigation on PECO's Nuclear Decommissioning Cost Recovery

Prior to the divestiture of its generating facilities at the end of 1999, PECO Energy Company had an ownership interest in seven nuclear generating units at three facilities. PECO recovers its share of the projected costs to decommission these units through its Nuclear Decommissioning Cost Adjustment Charge (NDCAC) mechanism reflected in the distribution rates of all customers.

As part of the Commission's approval of PECO's Default Service Plan in April 2009, the NDCAC was permitted to continue as a component of PECO's rates after the expiration of PECO's rate caps. The recovery of the other stranded costs related to the divestiture of PECO's generating facilities will end when the rate caps expire at the end of December 2010.

Following the approval of PECO's Default Service Plan, the Commission initiated an investigation (Docket No. I-2009-2101331) to determine whether PECO should continue to recover decommissioning costs from ratepayers over the remaining lives of these units.

In July 2010, the Commission adopted the recommendation of the parties and the administrative law judge to continue the NDCAC after the rate caps expire. One of the principal reasons for the recommendation was that the NDCAC was initially designed to recover decommissioning costs over the projected lives of the units to take advantage of favorable tax treatment and to lower the annual contributions from ratepayers.

During the investigation, the parties addressed the impact that the extension of the operating licenses of these nuclear units would have on the NDCAC. In its order concluding the investigation, the Commission reconfirmed that PECO's ratepayers will not be responsible for decommissioning costs associated with the operation of the units after the December 1999 divestiture by PECO. The Commission stated that any incremental costs associated with extending the lives of these units will not be recovered from PECO's ratepayers. In addition, extending the lives of these nuclear units will not result in higher total contributions from ratepayers since the NDCAC mechanism automatically prevents the over-recovery of decommissioning expenses from ratepayers.

Changes to the Electric Generation Supplier Application

The Commonwealth's competitive market for electricity has matured since the inception of restructuring more than 10 years ago. The expiration of rate caps on electric generation prices has facilitated a significant increase in the number of electric generation supplier (EGS) applications filed with the Commission. Therefore, the Commission recently issued a new EGS application template in order to better reflect current electric markets, current Commission policy, and current Commission procedures. The new EGS application is a product of the work and effort from many bureaus, including Fixed Utility Services, Secretary's, Consumer Services, and Law. The new application can be found under Online Forms on the PUC's website.

PECO Rate Case Settlement

On March 31, PECO Energy Company filed a proposed rate increase at Docket No. R-2010-2161575, *et al*. On Aug. 31, a number of the complainants and interveners filed a joint petition for partial settlement. No one opposed the partial settlement. Based on this settlement and electricity purchases to date, PECO now estimates that total prices for residential electric customers will increase less than seven percent, or less than $6 per month for the typical residential electric customer. A recommended decision was issued on Oct. 29, approving the settlement. The Commission will vote on the recommended decision at an upcoming public meeting.

Flashcut Estimates

In October, the PUC released the final comparison between current wholesale market prices for electric generation and capped retail rates currently paid by consumers. According to these estimates, which are available on the PUC's website under Electricity/Electric Price Estimates, the market has been relatively stable since the previous estimates were released in July. The PUC emphasizes that wholesale prices are subject to constant change and can be volatile. With the expiration of rate caps for all of the state's electric customers, the PUC expects to provide pricing information in another format for customers.

Update on Default Service Issues

Default Service Auctions

Since the last issue of *Keystone Connection*, most of the state's largest electric distribution companies (EDCs) have each held two default service auctions, one in the summer and one in the fall. The results of these auctions can be characterized overall as being reflective of market conditions. With the completion of the fall auctions, many EDCs are now moving toward filing actual price to compare (PTC) figures to become effective in 2011. These PTCs are increasingly important for the EDC's that will have rate-caps expiring in 2011. Unofficial residential PTCs for some of the largest EDCs include PECO at 9.92¢, PPL at 9.426¢, West Penn at 7.118¢, Met-Ed at 8.30¢, Penelec at 7.03¢, and Duquesne at 7.60¢.

EDC Default Service Plans and Congestion Pricing Risk

Auction Revenue Rights (ARRs) and Financial Transmission Rights (FTRs) represent mitigation tools for electric generation suppliers (EGSs) or wholesale suppliers of energy. On April 30, PPL petitioned the PUC to amend its previously approved Default Service Plan (DSP) settlement to modify, prospectively, the allocation of ARRs and FTRs to its wholesale suppliers. On June 24, the PUC approved PPL's request to modify its Supplier Master Agreement (SMA) allowing PPL to allocate among EGSs serving its default customers the proportional amount of ARRs/FTRs associated with the load sold to PPL by each EGS.

The approval of the SMA modification will lower the congestion pricing risk faced by all EGSs when purchasing default supply. This should reduce the price of supply charged by the EGSs to PPL for default service which, in turn, would result in a lower price for customers.

Release of Customer Information

The PUC, in an order entered on June 21, approved a settlement of all issues in Duquesne Light Company's 2011 to 2013 DSP. In that order, the PUC solicited further comments on the release of customer account information asking if Duquesne should be held to the same standards as established in our PPL order entered Oct. 22, 2009. In the PPL order, the Commission directed that five pieces of information be released:

1. Customer name;
2. Account number;
3. Rate class and sub-class;
4. Service address; and
5. Billing address.

Telephone and or historical billing data were allowed to be restricted from release by the customers through an opt-out process. By order entered July 30, Duquesne was directed to provide each of the five points of customer data to its EGSs. Additionally, residential customers who do not want their service address released, may notify Duquesne to prevent such release to EGSs.

PPL Electric Rate Case Settlement

On March 31, PPL Electric Utilities Corporation filed for a rate increase at Docket No. R-2010-2161694. On Aug. 26, a few of the parties filed a joint petition for partial settlement, the remaining parties did not oppose the settlement. The settlement would increase PPL's overall annual revenues by about $77.5 million, or 1.6 percent, beginning Jan. 1, 2011. For the issues not resolved by the settlement, the parties filed main briefs and reply briefs. A PUC administrative law judge issued a recommended decision, and the parties had an opportunity to file exceptions and reply exceptions. At the Dec. 2 public meeting, a non-binding poll was conducted. The case will return to the Commission for a final vote at Dec. 16 public meeting.

CHARGE Update

The PUC's Office of Competitive Market Oversight continues to host bi-weekly conference calls for CHARGE, Committee Handling Activities for Retail Growth in Electricity, which is a working group comprised of various stakeholders addressing issues that are interfering with the effective development of a competitive retail market for electric generation supply.

Following discussions within CHARGE and the issuance of a tentative order seeking comments, the Commission adopted a final order on Nov. 12, setting forth guidelines on the information that must be included on Eligible Customer Lists provided by electric distribution companies (EDCs) to electric generation suppliers (EGSs). These lists are designed to provide EGSs with important information allowing them to more readily identify potential retail customers and better tailor products and service offerings to meet customers' needs. In addition to outlining the minimum requirements, the guidelines allow customers to restrict the release of their historical billing data and telephone numbers. The guidelines afford additional protections to victims of domestic violence or other similarly situated customers so they can restrict the release of all information. More details are available on the PUC's website, by using the Docket No. M-2010-2183412 in a search for public documents.

CHARGE Update *Continued on Page 9.*

Management Efficiency Investigations of PECO and Duquesne Light

The PUC released audit reports on the Management Efficiency Investigations (MEIs) of PECO Energy Company, at Docket No. D-2009-2128070, and Duquesne Light Company, at Docket No. D-2009-2083182, on July 29, and Nov. 19, respectively; which examined the companies' progress in implementing recommendations from prior Management and Operations Audits. Both audits were conducted by staff from the PUC's Bureau of Audits. The MEIs include 14 new recommendations for PECO and two for Duquesne and estimated that PECO and Duquesne could achieve additional annual savings of approximately $651,000 to $1,651,000 and $186,300, respectively, by effectively implementing the recommendations contained in the reports.

PECO Energy Company

The MEI of PECO included an examination of the company's progress in implementing 27 of the 53 recommendations from the Stratified Management and Operations Audit conducted by Schumaker & Company, released on Aug. 30, 2007, and its emergency preparedness efforts. The Audit staff found that PECO has effectively implemented 14 of the 27 prior recommendations reviewed and that it had taken some action on the 13 other recommendations. As a result of its implementation efforts, PECO is realizing annual savings of approximately $8.1 million. Some of the changes made by PECO since the 2007 audit include:

- Completing implementation of the Mobile Dispatch System, resulting in annual savings of approximately $6,500,000.
- Successfully reducing its energy-theft caseload by reorganizing its Revenue Protection Department and utilizing several reports to monitor for electric-theft; resulting in annual savings of approximately $1,200,000 since 2006.
- Taking steps to improve the effectiveness of its Gas-Theft of Service Program, resulting in annual savings of approximately $35,000.
- Reducing corrective maintenance costs from 2005 to 2009 resulting in annual savings of $112,000.
- Implementing a process to compare cost of services provided to affiliates resulting in annual savings of $273,000.

PECO's Implementation Plan submitted in response to the MEI indicated acceptance of 13 recommendations and partial acceptance of the other. Some of the more significant recommendations accepted by PECO include:

- Manage annual non-storm overtime spending through the use of proper controls, reviews and authorizations, including monitoring and tracking overtime, which should result in annual savings ranging from $500,000 to $1,500,000.
- Allocate vegetation funding levels among operation regions to target areas experiencing prevalent tree-related outages.
- Restructure the reporting relationship of the internal audit function so that it no longer reports administratively, directly or indirectly, to management responsible for the financial accounting, or to the finance operation of the company.
- Fill vacant Internal Audit Department positions more timely to reduce the need to augment audit services resulting in annual savings of $101,000.
- Strive to reduce the number of "at-fault" line hits attributable to inaccurate or incomplete mapping resulting in annual savings of $50,000.

Duquesne Light Company

The MEI of Duquesne included an examination of the company's progress in implementing 10 of the 15 recommendations from the Audit staff's Focused Management and Operations Audit, released on May 19, 2006, and its emergency preparedness efforts. The Audit staff found that Duquesne has effectively or substantially implemented all 10 of the prior recommendations reviewed. As a result of its implementation efforts, Duquesne is realizing annual savings of approximately $9.5 million and realized a one-time saving of $1.2 million. Some of the changes made by Duquesne since the 2007 audit include:

- Implementing a succession planning process for senior management and management positions.
- Filing affiliated interest agreements with the PUC.
- Establishing procedures requiring documentation of Duquesne Light's Board of Directors' approval for all inter-company loans and amendments thereto.
- Significantly reducing its amount of accounts receivable write-offs resulting in an average annual savings of almost $9.4 million.
- Reducing long-term residential arrearages resulting in average annual savings of $59,000.
- Significantly reducing its justified payment arrangement request rate.
- Reducing response times to consumer complaints.
- Conducting regular reviews of inactive inventory to identify, and dispose of obsolete inventory resulting in a one-time savings of $1.2 million and annual savings of $117,400.

***MEI for PECO and Duquesne** Continued on Page 6.*

West Penn Transmission Line

On Jan. 26, 2009, West Penn Power Company filed an application with the PUC requesting authority to locate, construct, operate and maintain a 138,000 volts (138 kV) electrical transmission line of approximately 2.2 miles in length within a 100 foot wide right-of-way in portions of Center Township and Franklin Township, Greene County. The line is commonly referred to as the Pursley Line. West Penn also requested that the PUC grant it eminent domain authority in connection with the proposed Pursley Line.

The PUC entered an opinion and order on May 26, at Docket Numbers A-2009-2086954 and A-2009-2086963, remanding this matter to the Office of Administrative Law Judge for further expedited proceedings on several narrow issues. Specifically, the PUC via the limited scope remand order seeks additional information on the allocation of costs of the Pursley Line and issues relating to the use of existing right-of-way for the line. The remand order also directed that a site visit be incorporated into the expedited proceeding and that personnel from the Commission's Bureau of Conservation, Economics and Energy Planning attend the visit.

Based upon the evidence presented in this case, the undersigned concludes that the Pursley Line proposed by West Penn is necessary and proper for the accommodation, convenience and safety of West Penn's patrons, employees and the public.

On Oct. 8, the ALJ's initial decision on remand stated that West Penn's application for approval to locate, construct, operate and maintain the Pursley Line should be granted and that West Penn's application for the exercise of the power of eminent domain in connection with the siting and construction of the line should be granted. At the public meeting of Nov. 4, the Commissioners voted to approve the ALJ's initial decision.

MEI for PECO and Duquesne

Continued from Page 5.

Duquesne's Implementation Plan submitted in response to the MEI indicated acceptance of both recommendations. The recommendations accepted by Duquesne are:

- Strive to increase its collection agency recovery rates for closed customer accounts and sustain the improved rates resulting in a potential annual savings of $186,300.
- Strive to further reduce the average response time to payment arrangement requests.

Application of TrAILCo

On Dec. 12, 2008, the Commission issued an opinion and order which among other things, stayed consideration of the applications with regard to the Prexy Facilities aspect of the Trans-Allegheny Interstate Line Company (TrAILCo) application pending the outcome of the voluntary collaborative process. As a result of that process a number of the parties filed a joint petition for settlement. On Oct. 13, 2009, TrAILCo filed an amendment to the application that avoids construction of the Prexy Facilities. By a recommended decision on remand, the ALJ recommended that the joint petition for settlement be approved and that the amendment to the application be granted. The Commission approved the settelement at the public meeting of Nov. 19. The case is at Docket No. A-110172, et al.

Interim Guidelines for Transmission Siting

On Nov. 4, the Commission issued interim guidelines for transmission siting at Docket No. M-2009-2141293. These interim guidelines were the result of a 10-month process beginning with the issuance of a tentative order on Jan. 28, seeking comments on a set of proposed interim guidelines for transmission siting. Comments were filed by all jurisdictional electric utilities and many non-utility parties. The guidelines request public utility applicants for transmission siting authority to provide additional information to supplement existing filing requirements appearing at Sections 57.71 – 57.76 of Title 52 of the *Pennsylvania Code*. These interim guidelines address the following areas:

1. Public notice;
2. Eminent domain;
3. Exemption from municipal zoning standards;
4. Route evaluation and siting;
5. Environmental filing requirements; and
6. Health and safety considerations.

These areas have elicited significant public concern in the two most recent transmission siting cases, the TrAILCo proceeding and the Susquehanna-Roseland proceeding.

The interim guidelines are being issued pending a Notice of Proposed Rulemaking which will initiate a docketed proceeding to examine potential revisions to existing transmission siting regulations. This proposed rulemaking, which is expected to take 12 to 18 months to complete, will involve a significant revision of the existing regulations to comport with changes in transmission policy at the federal level.

Petition by Citizen Power

Citizen Power, a Pittsburgh based nonprofit public policy research, education and advocacy organization, and the Pennsylvania Steel & Cement Manufacturers Coalition jointly filed a petition for a declaratory order. Specifically, the joint petitioners request that the Commission investigate and review the amount of stranded and transition costs claimed by the electric distribution companies (EDCs) and the EDCs' efforts to mitigate the amount of the claimed stranded and transitions costs. The joint petitioners' request that any amounts collected during the transition period that is greater than the actual stranded or transitions costs be refunded to EDC customers.

On Dec. 3, 1996, Governor Thomas J. Ridge signed into law the Electricity Generation Customer Choice and Competition Act, 66 Pa. C.S. §§ 2801 *et seq*. The Electric Competition Act restructured the electric industry in Pennsylvania by allowing customers to purchase electricity from suppliers other than their EDC. The EDC retains responsibility for safely and reliably delivering the electricity to the customer.

The joint petitioners point out that when the Electric Competition Act was passed, it was anticipated that electric generation rates would decline due to robust competition. The joint petitioners allege that robust competition did not occur and electric generation prices did not actually fall as expected. The joint petitioners assert that the efforts of EDC affiliates in shaping the wholesale electric market in the PJM Regional Transmission Organization raised wholesale generation rates such that actual market prices have greatly exceeded the long range price forecasts used to estimate stranded costs. The joint petitioners claim that these higher wholesale rates resulted in the EDCs and their affiliates collecting billions of dollars more in stranded costs than the costs actually stranded during the transition period.

The Energy Association of Pennsylvania, Duquesne Light Company, the FirstEnergy companies (Met-Ed, Penelec, and Penn Power) PECO, PPL Electric Utilities Company, UGI Utilities, and West Penn Power Company d/b/a Allegheny Power all filed answers to the joint petition. These answers assert multiple defenses and challenges to the claims and assertions made in the joint petition. The Commission is reviewing the joint petition and the answers and will determine how to proceed in the near future.

Solar Policy Statement

The PUC adopted a policy statement (Docket No. M-2009-2140263) in support of Pennsylvania solar projects, which became effective on Oct. 23. The purpose of the policy statement is to reduce barriers to the development of solar electric generation facilities that are needed to meet the requirements of the Alternative Energy Portfolio Standards (AEPS) Act.

Specifically, the solar projects policy statement strongly encourages electric distribution companies (EDCs) to develop standard competitive procurement protocols and processes, as well as standard solar alternative energy credits (known as SRECs) procurement contracts. EDCs are to use these standard protocols, processes and contracts in the development of their default service plans to be submitted for Commission approval. These protocols, processes and contracts are designed to increase SREC market price competitiveness and transparency and decrease administrative costs associated with solar project development and operation.

Finally, in conjunction with the adoption of the solar project policy statement, the Commission established a solar project stakeholder working group, composed of representatives from EDCs, EGSs, Commission staff, public advocates, solar aggregators, solar developers and other interested parties. This stakeholder working group is to meet at least semiannually to develop and propose standard SREC competitive bid processes and protocols, as well as, standardized contracts.

The working group will hold its first meeting on Jan. 27, 2011, at 1 p.m. in Hearing Room 1 of the Commonwealth Keystone Building in Harrisburg. Interested stakeholders can participate by phone or in person.

The work of the solar project stakeholder working group will be posted on the PUC's Alternative Energy webpage. The Commission believes that the solar project policy statement will facilitate the development of processes that will promote the funding of future solar energy projects to meet the requirements of the AEPS Act and, in turn, benefit electric consumers.

FERC Highlights

The Federal Energy Regulatory Commission (FERC) recently issued several important decisions.

FERC Demand Response NOPR

In March 2010, FERC issued a Notice of Proposed Rulemaking (NOPR) proposing to require the payment of full locational marginal pricing (LMP) to qualified, voluntary participants in the PJM demand response programs. PJM is the regional transmission organization (RTO) that coordinates the movement of wholesale electricity in 13 states, including Pennsylvania. After receiving numerous comments, FERC issued a supplemental notice, in which it sought additional comments on two specific issues:

1. Whether FERC should adopt a net benefits test for determining when to compensate demand response providers; and
2. Whether FERC should set requirements on how the costs of demand response are allocated.

FERC also held a technical conference on Sept. 13, after which parties were given an opportunity to submit comments. The PUC filed comments on Oct. 13, in which it advocated that a net benefits test is not needed at this time as such a test would unnecessarily add costs that reduce the benefits of demand response.

Instead, the PUC proposed that the focus should be on the development of a robust, accurate and reliable evaluation, measurement and verification of demand response to ensure that customers get the optimal benefits of the program. With respect to cost allocation, the PUC supported a "beneficiary pays" method where those who benefit from the demand response are responsible for the cost. Noting that the cost allocation formula may vary by RTO market design, the PUC suggested that FERC establish a general requirement that the costs of the demand response programs be borne by those who benefit and direct each RTO to submit a cost allocation that meets this requirement.

Smart Grid Standards

The National Institute of Standards and Technology (NIST) has been tasked with identifying and developing smart grid standards that will serve as the basis of a FERC rulemaking proceeding for smart grid functionality and interoperability in interstate transmission of electric power. In October 2010, NIST identified five foundational sets of standards for FERC's consideration. FERC stated in a press release that it will be issuing a NOPR for this rulemaking in the near future and opened the Docket No. RM11-2-000 for this matter.

Exelon's Deactivation Request (FERC Docket No. ER10-1418-000)

On June 9, Exelon filed a proposed Reliability Must-Run (RMR) Rate Schedule with FERC, in which it sought to continue the operation of two generating units in southeastern Pennsylvania that were scheduled to be retired. PJM had determined that the two units would be needed past the date of their planned deactivation to maintain transmission system reliability pending the completion of scheduled upgrades to the transmission system. Exelon initially planned to deactivate the units because they had failed to clear in the PJM capacity auctions for the 2011-12 and 2012-13 planning years. Comments and protests were filed by many parties, including the Independent Market Monitor, which raised concerns about Exelon's proposed cost of service and depreciation rate. FERC suspended the proposed RMR Rate Schedule, subject to refund, and set a hearing to determine, inter alia, whether the two units would continue to operate for the remainder of a reasonable amortization period.

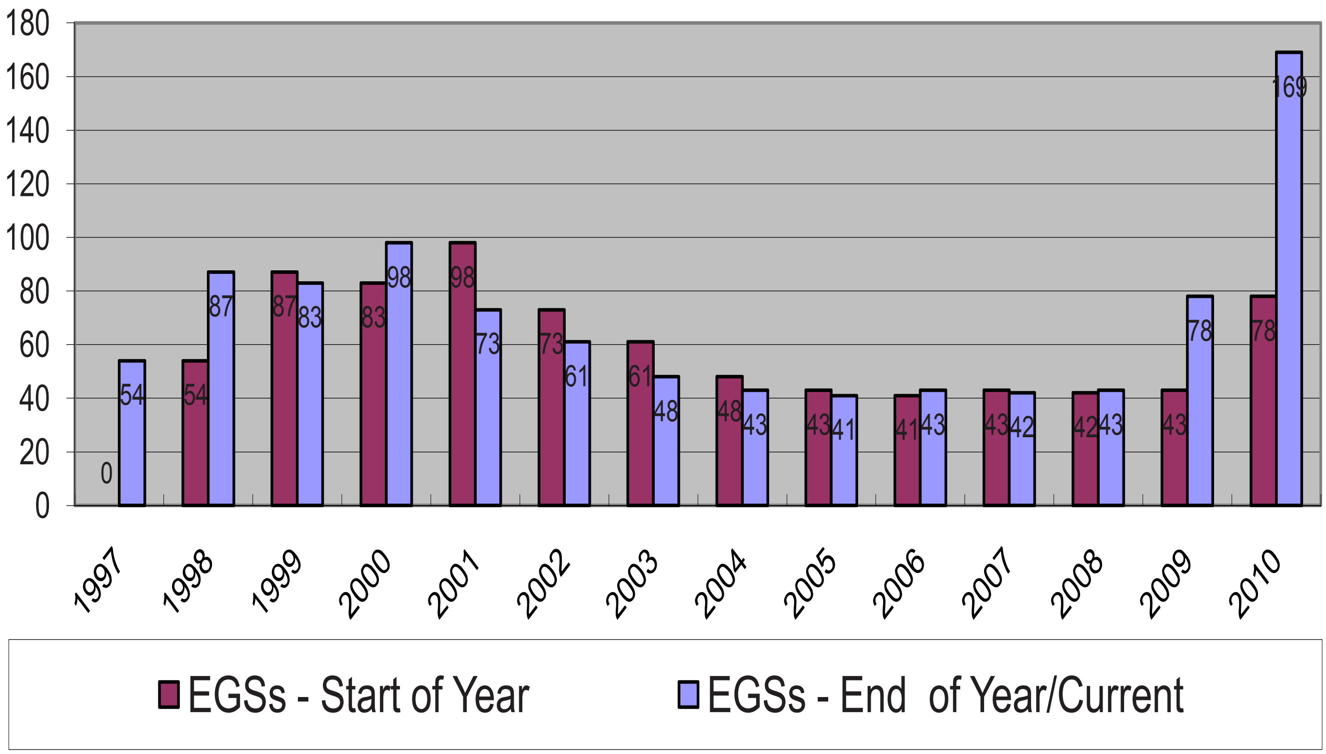
Pennsylvania Sustainable Energy Board Annual Meeting

The Pennsylvania Sustainable Energy Board (PASEB) held its annual meeting Tuesday, Dec. 7, 2010, in Hearing Room 1 of the Commonwealth Keystone Building. This meeting provided updates to Commonwealth agencies and other interested groups on activities of the regional sustainable energy funds, and the market status of sustainable energy technologies and projects. The meeting provided an opportunity for the regional funds to collaborate on larger projects that may be of interest to the collective funds. Presentations were made by the Sustainable Energy Funds of West Penn Power, Penelec, Met-Ed, PECO, as well as the Sustainable Energy Fund of Pennsylvania.

Electric Supplier Licensing

Activity from June 18, 2010, to December 3, 2010.

169 Active Licenses **1 License Cancelled** **46 Licenses Approved** **25 Applications Pending**



CHARGE Update

Continued from Page 4.

On another important topic – marketing and sales practices for EGSs and natural gas suppliers (NGSs) - OCMO brought members of CHARGE together with members of SEARCH (Stakeholders Examining Avenues for Removing Competition Hurdles), the working group for natural gas competition issues, to develop proposed guidelines ensuring adequate consumer protections when competitive suppliers are engaged in direct sales to consumers, including telemarketing, mailings and door-to-door campaigns. As a result of proposals offered by CHARGE members both informally in the working group and formally in the filing of written comments, the PUC adopted an order on November 4 containing interim guidelines for marketing and sales practices applicable to both EGSs and NGSs. In setting forth these guidelines, the PUC emphasized the need for suppliers to conduct their marketing activities in good faith and deal fairly with consumers. Many of the protections focus on ensuring that consumers obtain accurate information prior to enrolling with an EGS or NGS. More details are available through a search of public documents on the PUC's website using Docket No. M-2010-2185981.

Other issues under discussion within CHARGE include supplier consolidated billing, displaying prices on PAPowerSwitch, and budget billing for variable-priced products. Agendas and recaps of all meetings, as well as other documents applicable to EGSs, are posted on the Commission's website at http://www.puc.state.pa.us/electric/electric_CompetitiveMarketOversight.aspx. Interested stakeholders may be added to the distribution list or submit issues for discussion by sending an e-mail to ra-ocmo@state.pa.us.

Water and Wastewater Company Rate Increases

Rate Increases Approved
June 17, 2010, through November 4, 2010.

Utility Name	Amount($) Requested	Amount($) Granted	% of Increase	Action	Action Date
Pennsylvania Utility Company Inc. (water)	112,309	70,000	43.30	Settlement	7/15/10
Pennsylvania Utility Company Inc. (wastewater)	369,827	275,000	173.10	Settlement*	7/15/10
Reynolds Disposal Company (wastewater)	77,167			Investigation	8/18/10
Total Environmental Solutions Inc. - Treasure Lake Water Division	376,120			Investigation	8/18/10
Total Environmental Solutions Inc. - Treasure Lake Sewer Division	268,140			Investigation	8/18/10
Corner Water Supply & Service Corporation	42,771	17,347	5.37	Option Order	8/18/10
Wonderview Water Company	21,025	21,025	32.50	Approved as Filed	9/2/10
Acorn Water Company LLC	6,500	7,413	245.90	Approved as Filed**	9/2/10
Elverson Water Company Inc.	15,644	15,644	11.60	Approved as Filed	9/23/10
Superior Water Company Inc.	404,190			Investigation	9/23/10
Deer Haven LLC d/b/a Deer Haven Water Company	29,266			Investigation	10/14/10
Deer Haven LLC d/b/a Deer Haven Sewer Company	40,314			Investigation	10/14/10
City of Lancaster - Bureau of Water	8,608,024			Investigation	10/21/10
The York Water Company	6,220,428	3,400,000	9.00	Settlement	11/4/10

* This settlement agreement consisted of a two phase increase.

** The proposed tariff, as recalculated, provided an increase in revenues of $7,413 rather than the $6,500 calculated by the company.

Commission Reaches Settlement with Aqua Pennsylvania Regarding Work Safety Issues

PUC prosecutory staff reached a settlement recently with Aqua Pennsylvania Inc. requiring Aqua to pay a $15,000 civil penalty and $10,000 to Aqua's Helping Hand fund that benefits low-income customers if approved by the Commission. The settlement also requires Aqua to adopt a number of measures that will improve work safety on job sites. An informal investigation examined two separate incidents that occurred on Aqua job sites in late 2009 and early 2010. In the first incident, an Aqua employee was injured when he mistakenly hit a PECO electric duct and water pipe encased in concrete. In the second incident, the foreman of an Aqua contractor was overcome by natural gas fumes after striking and attempting to plug a gas line.

In both cases, prosecutory staff's position was that Aqua violated provisions of the *Public Utility Code* by not properly training its work crew members to identify hazards, by not requiring its work crews to complete

Aqua PA Settlement *Continued on Page 12.*

Water and Wastewater Company Applications

Applications Approved
June 16, 2010, through November 4, 2010.

Utility Name	Action	Territory	Action Date
PA-American Water Company/Summit & Jefferson T	Additional Territory	Summit & Jefferson Townships, Butler County	6/16/10
Lancon Water Company Inc.	New Company	Lancaster Township, Butler County	7/15/10
Allied Utility Services Inc.	Additional Territory	North Whitehall Township, Lehigh County	7/15/10
PA-American Water Company/Birch Acres	Water Sys. Acquisition	Smithfield Township, Monroe County	7/15/10
North Heidelberg Water Company/Reading Area Water Authority	Abandonment	North Heidelberg & Jefferson Townships, Berks County	7/29/10
City of Lancaster Water-Department	Additional Territory	East Lampeter Township, Lancaster County	10/14/10
PA-American Water Co./South Hanover Township	Additional Territory	South Hanover Township, Dauphin County	10/14/10
PA-American Water Company/Knox Township	Additional Territory	Knox Township, Clarion County	10/21/10

Pennsylvania America Water Company's Wastewater Rate Cases

Coatesville

On April 23, Pennsylvania American Water Company (PAWC) filed a request to increase rates for its Coatesville Wastewater operations by $8,156,652 or 229 percent (Docket No. R-2010-2166212).

PAWC Coatesville, the PUC's Office of Trial Staff (OTS), the Office of Consumer Advocate (OCA), the Municipal Sewer Group, and the City/Borough Alliance entered into settlement negotiations and were able to reach joint settlement of all issues. If approved, the settlement will allow for a $5,999,000 increase in annual revenues. The settlement provides for an unprecedented six year phase-in of the rates as well as a six year stay-out. It was filed with the Commission on Oct. 27. The PUC administrative law judge (ALJ) issued a recommended decision for approval of the joint petition for settlement on Nov. 17.

Clarion

On April 23, PAWC filed a request to increase rates for its Clarion Wastewater operations by $968,817 or 83 percent (Docket No. R-2010-2166208).

PAWC Clarion, OTS, and the OCA entered into negotiations and were able to reach joint settlement of all issues. This settlement provides for a $600,000 increase in annual revenues. The settlement does not provide for a six year phase-in as the others do, but it does provide that PAWC Clarion will not file for another general wastewater increase before March 31, 2013. This settlement was filed on Nov. 5, and on Nov. 17 the ALJ issued a recommended decision for approval of the joint petition for settlement.

Pennsylvania American Wastewater Rate Cases *Continued on Page 12.*

Aqua PA Settlement

Continued from Page 10.

work safety checklists or to wear appropriate protective gear, and by not following other safety practices and/or excavation procedures. While denying these allegations, Aqua supports the need to prevent these types of occurrences in the future and, therefore, agreed to make changes to its training procedures and other safety-related procedures to ensure that similar errors do not occur again. As for the monetary payments, Aqua may not recover the payments from ratepayers.

Comments regarding the terms of the settlement have been solicited from the public. The Commission is expected to take final action on the settlement sometime in December 2010.

Pennsylvania American Wastewater Rate Cases

Continued from Page 11.

Claysville

On April 23, PAWC filed a rate increase request to increase rates for its Claysville Wastewater operations by $487,486 or 158 percent (Docket No. R-2010-2166210).

Once again, PAWC Claysville, OTS, and the OCA entered into settlement negotiations and were able to reach joint settlement of all issues. If approved, the settlement will allow for a $360,000 increase in annual revenues. The settlement provides for a six year phase-in of the rates as well as a six year stay-out. It was filed with the PUC on Nov. 10. The ALJ issued a recommended decision to approve the settlement on Nov. 18.

Northeast

On April 23, PAWC filed a rate increase request for its Northeast Wastewater operations. Rates would increase by $2,099,490 or 240 percent (Docket No. R-2010-2166214).

As with the other three companies, PAWC Northeast, the OTS, and the OCA reached a joint settlement of all issues in this proceeding. If approved, the settlement will allow for a $1,475,000 increase in annual revenues. As with Claysville and Coatesville, this settlement allows for a six year phase-in of the rates as well as a six year stay-out. The settlement was filed on Nov. 10, and on Nov. 18 the PUC's ALJ issued a recommended decision approving the joint settlement.

Management Audit of Newtown Artesian Water Company

The PUC released a management and operations audit (MA) report of Newtown Artesian Water Company (NAWC) at Docket No. D-2010-2152132, on Nov. 19. The audit was conducted by the PUC's Bureau of Audits staff.

The staff's MA report contained 10 recommendations for improvement, all of which are qualitative in nature and thus no projected savings were specifically indentified. In its implementation plan, NAWC indicated acceptance of all 10 recommendations. The audit recommendations include:

- Develop and maintain a damage prevention program that includes a damage statistic database and a pipeline awareness program for the company's stakeholders.
- Issue periodic reminder notices to commercial/industrial customers that are non-compliant with installing backflow prevention devices and implement measures to enforce installation of such devices for high risk customers and update the list of licensed testers.
- Develop a central file of main break and leak information and use this data to update the distribution maps and make informed main replacement decisions.
- Develop and maintain a Cyber Security Plan in accordance with Chapter 101 regulations and test and update it on an annual basis.
- Examine opportunities to reduce the billing lag to a more reasonable level.
- Maintain Board of Director fees at the current level until they more closely reflect the fees of similar size utilities.

The Commission will conduct a follow-up on NAWC's implementation efforts during a future management efficiency investigation.

PUC to Administer Federal New Entrant Audit Program

At the request of the Pennsylvania State Police (PSP), the PUC began administering the federal New Entrant Audit Program (NEA) on Oct. 1. The transfer of the NEA program from the PSP to the PUC was recently memorialized in a new Memorandum of Understanding between the two agencies.

As part of a United States Congressional mandate, each new entrant carrier, operating commercial motor vehicles (i.e. vehicles with a gross vehicle weight rating of 10,001 lbs. or more; vehicles transporting 16 or more passengers including the driver; or a vehicle seating between nine and 15 passengers for direct compensation; or transporting hazardous materials in a quantity requiring the display of placards) must undergo a comprehensive safety evaluation within the first 18 months after beginning operations. In addition, the new entrant's roadside safety performance will be closely monitored to ensure that the new entrant carrier has sufficient safety management controls to promote safe operations.

The Safety Audit is designed to provide educational and technical assistance to the carrier; and to gather data to make an assessment of the new entrant's safety performance. The audit will review required records to assess the compliance with applicable in the Federal Motor Carrier Safety Regulations (FMCSR's). The areas of review include, but are not limited to: driver qualifications, driver hours of service, vehicle maintenance, accident records, and compliance with controlled substances and alcohol use testing requirements.

At the conclusion of the audit, PUC officers will review the findings with the carrier. The carrier will receive a pass or fail notification. If a carrier passes the audit, they will be allowed to continue operation and will continue to be monitored for the 18 month period. If a carrier is notified it failed the audit, the carrier will receive notification that its United States Department of Transportation (US DOT) new entrant registration will be revoked, and its operations placed out of service unless it takes actions to remedy the safety deficiencies. Failure of a safety audit will occur if one of 16 violations outlined in section 385.21 of 49 CFR is identified during the audit. For example, a carrier would fail the audit if it failed to implement a controlled substance and/or alcohol testing program.

The PUC currently has 19 enforcement officers who have been certified to conduct New Entrant Audits. A New Entrant Audit Coordinator must be hired to oversee the program. It is anticipated that the PUC will need to complete 2,000 safety audits during fiscal year 2011. Recent changes in the federal NEA process has made the program compatible with the current PUC Safety Fitness Review, therefore, allowing the PUC to accept the NEA in lieu of a Safety Fitness Review, improving efficiency and reducing redundancy.

The NEA safety program is considered to be closely related to the mission and scope of the PUC Motor Carrier Services and Enforcement Divisions' mission of reducing accidents and making the highways of the Commonwealth safer through education and verification of sound safety practices by carriers.

Norfolk Southern to Build a Regional Intermodal Facility

The Consolidated Appropriations Act of 2010 directed the Federal Railroad Administration (FRA) to establish strategic goals and deliver to Congress the first ever long range National Rail Plan (NRP) in the fall of 2010. When completed, the first-ever NRP will establish the framework necessary to begin laying a foundation that will improve our transportation network for future generations. The necessary improvements in passenger and freight mobility will lead to economic, environmental, and societal benefits for all Americans.

Rail transportation is certainly one of the safest and most fuel-efficient transportation modes, but the NRP must allow rail transportation to be complimentary of the entire transportation system. Rail passengers and freight often travel between locations on the same corridors. Many regions have pursued commuter rail as a low-cost way to improve transportation capacity, from suburban to central business districts using existing railroad corridors. The primary issue facing all three systems (intercity, commuter, and freight) is that limited capacity in existing corridors makes maintaining both reliability and safety a challenge. A high-performance freight system will require modernized corridors that have the capacity to allow both passenger and freight trains to operate without interfering with each other.

In the United States today, two distinctly different rail systems exist: freight railroads and passenger railroads. Freight railroads are privately owned and operated; they are in business to make a profit for their investors. Passenger railroads are publicly subsidized

Regional Intermodal Facility *Continued on Page 14.*

Regional Intermodal Facility

Continued from Page 13.

by taxpayers; they provide a public service by offering a safe and environmentally friendly travel option. These two different types of rail transportation usually occur in the same corridor and on the same infrastructure.

Our nation's intercity passenger rail service is provided by the National Railroad Passenger Corporation (Amtrak), which was created in 1971 to relieve the freight railroads from their common carriage obligation to provide passenger service. The current passenger services, which serve as an important component of a national transportation system, must be improved and intermodal connections enhanced. To better develop high-speed rail service, whether operated by Amtrak or another entity, the Recovery Act, signed into law by President Obama on Feb. 17, 2009, contains funding and sets forth requirements for the development of high-speed intercity rail. The Recovery Act designated $8 billion specifically for the development of high-speed intercity rail transportation.

There are many challenges when operating a slow freight train and a fast passenger train on the same track and rail network. The FRA and the PUC are dedicated to providing the safest mode of transportation for all concerns. There are several new safety requirements proposed and enacted to enforce and ensure compliance. New technologies will also enhance railroad safety such as positive train control (PTC) to prevent collisions of two trains on the same track and electronically controlled pneumatic brakes (ECP) which provide quicker stopping distance. Both of these safety improvements will be utilized on Pennsylvania's rail lines.

Smaller railroads also play a critical role in providing transportation services. These generally lower-cost railroads preserve transportation options for local shippers, and thus play an important part in the national transportation system by providing the link to connect local shippers with the larger, Class 1 carriers for efficient, long-haul service. Pennsylvania has more short-line railroads than any other state.

It is expected that the NRP will not only provide the framework for rail transportation improvements for the nation, but also important economic and social enhancements for the Commonwealth of Pennsylvania.

PUC Inspects Chambersburg's Municipal Gas Distribution System

The Borough of Chambersburg, Franklin County, is the only municipality in Pennsylvania to operate an electric utility, natural gas utility, water utility, a sanitary sewer utility, and a residential/commercial solid waste program. They are one of only two municipal natural gas utilities, the other being the City of Philadelphia.

The PUC Gas Safety Division has entered into an agreement with the United States Department of Transportation's (US DOT) Pipeline and Hazardous Material Safety Administration (PHMSA) to complete gas safety inspections and conduct incident investigations on the natural gas distribution system operated by Chambersburg.

Through its safety inspections and investigations, the Gas Safety Division inspectors ensure that the Chambersburg system is in compliance with the same pipeline safety standards as other public utility natural gas distribution systems in Pennsylvania.

During the past few months, the Gas Safety Division and Borough officials have worked together to augment Chambersburg's emergency plans, so that consumers are educated to dial 9-1-1 for gas odors and carbon monoxide detection issues, and the Franklin County Emergency Operations Center notifies fire department personnel and the Borough's gas utility employees. Chambersburg has also revised its website to include a consumer education section that informs residents to phone 9-1-1 when a gas odor is detected. Since PHMSA has jurisdiction over Chambersburg's gas distribution system, PHMSA reimburses the PUC for its work in Chambersburg, as per the provisions of the PUC's federal grant. The PUC does not have rate regulation over Chambersburg.

The Borough of Chambersburg is a full service municipality organized under the Pennsylvania Borough Code to serve the citizens and business of Chambersburg. It has a population (2000 census) of just over 18,000 residents. The Borough maintains a staff of over 200 full and part time employees to serve the community.

Verizon Taking White Pages Green

Starting in 2011, Verizon and Verizon North will no longer automatically toss paper copies of residential White Pages directories at your front door. Verizon is going GREEN! Paper copies of the residential White Pages will still be available upon request. From now on, looking up a residential telephone number in an area covered by a Verizon directory will only require access to the Internet or to a CD-ROM that Verizon will provide on request.

Verizon and rural/competitive local exchange carriers with customer listings in the Verizon directories will need to work with the PUC's Bureau of Consumer Services and Office of Communications to work out the details of customer notice and bill inserts. The details of the Verizon green initiative may be found at Docket No. P-2010-2108820. The PUC's Nov. 3, order provides details on how other carriers that publish directories may implement similar initiatives. Staff from four bureaus are working on this project.

Verizon's Financial Remedies Plan

During the second quarter of 2010, Verizon implemented a financial remedies plan for directory errors that affect customers of competitive local exchange carriers (CLECs) with residential and business listings in the Verizon directories. In the fourth quarter 2010, the financial remedies plan was extended to customers of CLECs with governmental listings in the Verizon directories. This remedy plan was the result of years of negotiation between Verizon, CLECs, Office of Consumer Advocate, Office of Small Business Advocate, and PUC staff in the Pennsylvania Carrier Working Group (PA CWG).

The PA CWG ultimately decided that the financial remedies plan did not need to be extended to errors affecting listings of CLEC customers in Verizon's electronic databases. The question of non-financial remedies for Verizon errors that affect the customers of CLECs is still an open question.

The details of the plan are discussed at Docket Nos. M-2009-2134347 and M-00011468(F0016). Staff from the PUC's Office of Special Assistants, Bureau of Fixed Utility Services, Bureau of Consumer Services, and Law Bureau are working on this project.

Paper Bill Fees

The Commission initiated an investigation into the practice of some telecommunications carriers charging a fee for issuing a paper bill. The investigation is a joint endeavor between the Bureau of Fixed Utility Services (FUS), the Bureau of Consumer Services (BCS), and the Law Bureau (Law). Notice of the investigation was published in the *Pennsylvania Bulletin* and questionnaires were sent to all telecommunications carriers. More than 130 questionnaires were received. While the majority of carriers reported that they did not charge a fee to receive a paper bill and offered electronic billing as a voluntary alternative to a paper bill, 24 companies reported charging a paper bill or statement fee to residential and/or business customers.

The fees ranged from $1.95 to $3.89 for residential customers and $1.95 to $30.00 for business customers. Only one company currently charging a paper bill fee reported providing an exemption for Lifeline customers and customers with no Internet access. Staff will submit a final report and recommendation to the Commission on or before Dec. 15.

Verizon Metrics and Remedies Review

In order to provide service to their own customers, competitive local exchange carriers (CLECs) often purchase a variety of services from Verizon. To ensure that the service that Verizon renders to the CLECs is satisfactory and/or on a par with the service that Verizon renders to its own customers, Verizon's service to the CLECs is measured by Commission-adopted metrics. If service falls below the requisite level, then Verizon pays the CLECs self-executing remedies. Periodically, the metrics and remedies are reviewed by independent third parties.

Four consultants have submitted proposals for the next independent review. It is anticipated that a consultant will be selected in the last quarter of 2010 and that the review will span Verizon's service rendered in the first half of 2011. A final report is expected in the third quarter of 2011. Details of this project are at RFP-2010-2. Staff from the Office of Special Assistants, Bureau of Audits, Fixed Utility Services, and Law Bureau is working on this project.

Two New Members Appointed to TRS Advisory Board

The PUC recently announced the appointment of Melissa Sanders and Sheila Brown to serve on its Pennsylvania Telecommunications Relay Service (TRS) Advisory Board. The appointees will serve for a two-year term ending Aug. 18, 2012.

Ms. Sanders is a Living Well Specialist serving hard of hearing consumers with the Living Well with a Disability Program at the Center for Independent Living (CIL) of Central Pennsylvania. The mission of the CIL is to advance the rights of persons with disabilities through the elimination and prevention of barriers that are experienced by people with disabilities. The CIL of Central Pennsylvania serves Cumberland, Dauphin, Juniata, Mifflin and Perry Counties.

Ms. Brown is the Supervisor of the Telecommunications Policy and Evaluation Unit with the Commission's Bureau of Consumer Services. She replaces Holly Frymoyer who had been the previous Commission representative to the TRS Board before her retirement.

TRS is a regulated AT&T service, available 24-hours a day, seven days a week, that offers persons who are hearing, deaf, hard of hearing or speech disabled three ways to connect using the telephone: Traditional Relay (Dial-Up), Video Relay, and Internet Relay. Information on using these various types of connections to TRS, as well as the latest news and calendar of events, can be obtained on the PA Relay website at www.parelay.net.

The TRS Advisory Board was established by the PUC in 1990 for the purpose of identifying any improvements which might be needed to be implemented to ensure the continued success of the TRS program. It is comprised of 12 representatives who are selected from the following entities: AT&T, the Pennsylvania Telephone Association, the PUC, the Office of the Deaf and Hard of Hearing, and the community of persons who have experience with, or who are, deaf or hard of hearing, or those with language and speech disorders. The Board meets quarterly in Harrisburg. The last quarterly TRS Advisory Board meeting for this year took place on Dec. 8.

TDDP and PMAS Legislative Reports

On Oct. 1, the Commission submitted its annual report to the General Assembly for the Telecommunications Device Distribution (TDD) Program and the Print Media Access System (PMAS) Program. The TDD Program provides a choice of telecommunications devices, such as text telephones and amplifiers, to qualifying persons. The telecommunications devices enable eligible persons with disabilities to access telephone services independently. PMAS Program, also known as NFB-Newsline, (National Federation of the Blind) is a newsprint reading service for persons with certain vision and physical disabilities who cannot read conventional newsprint.

Each program is funded from revenues of the Telecommunications Relay Service surcharge, the TDDP and PMAS are operated by the Office of Vocational Rehabilitation with Commission oversight. The Commission confirmed in the report that all monies drawn from the fund were used only for qualifying services and equipment. To learn more about these important services and to see the report, please visit us at http://www.puc.state.pa.us/telecom/telecom_relay_service.aspx.

Policy Statement on Guidelines for Certification of ETCs

In July, the PUC adopted a final policy statement addressing the applicable standards for eligible telecommunications carrier (ETC) designation. All future petitions for ETC designation and recertification will be reviewed consistent with these standards. The Commission formally adopted the FCC requirements for ETC designation. In addition to the federal requirements, carriers seeking ETC status in Pennsylvania must meet Pennsylvania's Lifeline and Link-up America requirements. All Pennsylvania ETCs must provide Lifeline service to eligible customers and must coordinate with the Department of Public Welfare to allow proper notification and information to qualifying individuals.

The Commission's order was published in the *Pennsylvania Bulletin* and may be viewed here: http://www.pabulletin.com/secure/data/vol40/40-40/1879.html.

See also the Lifeline and Link-up Programs at Docket No. M-00051871 (May 23, 2005). This order is available on the PUC website through a search using the docket number.

Access Charge Investigation Update

On Aug. 3, the Commission released the Administrative Law Judge's (ALJ) recommended decision in the Rural Local Exchange Companies' (RLECs') Access Charge Investigation at Docket No. I-00040105, *et al*. The recommended decision addresses the remaining issues in the RLEC's Access Charge Investigation as well as those issues raised in 96 formal complaints alleging access charge violations by 32 Pennsylvania telephone companies. This investigation was originally initiated on Dec. 20, 2004, several years after a first round of access charge reductions directed in the *Global Order* (Docket Nos. P-00991648 and P-00991649), to examine whether there should be further intrastate access charge and intraLATA toll rate reductions in the RLECs' service territories as well as to examine the rate issues/changes that should or would result if the Pennsylvania Universal Service Fund (PA USF) disbursements were reduced.

Last year, on July 23, 2009, a companion ALJ recommended decision was issued. That recommended decision reopened the then stayed RLEC access charge investigation for the limited purpose of determining, among other things, whether the current $18 benchmark rate cap, for those RLECs that draw from the PA USF, should be increased. A final decision on the ALJ's recommended decision is still pending before the Commission.

Earlier this year, in an order entered on May 11, at Docket No. C-20027195, the Commission lifted the stay on Verizon Pennsylvania Inc. and Verizon North Inc.'s Access Charge Investigation. Consistent with its actions in the RLEC Access Charge Investigation, the Commission had previously granted several one-year stays of the Verizon Companies' Access Charge Investigation pending the outcome of a decision by the FCC in its Unified Intercarrier Compensation proceeding.

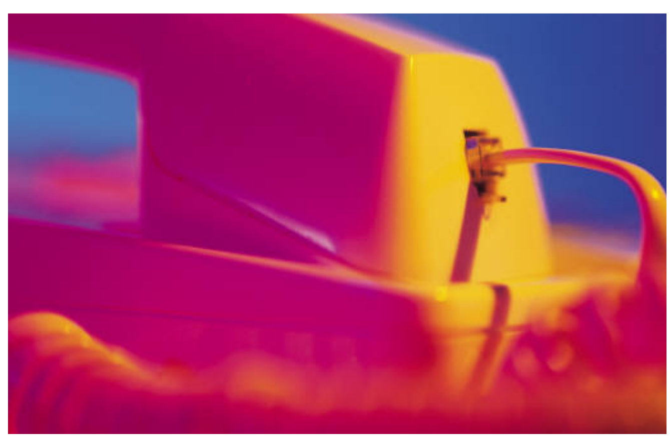
In response to a request by Verizon for another one-year stay of the investigation, the Commission, in its May 11 order, denied Verizon's request but adopted an alternative time frame for the required adjudication of this matter such that hearings shall not be held until after the issuance of a recommended decision by the presiding ALJ in the Rural ILEC Access Charge Investigation at Docket No. I-00040105. As noted above, that recommended decision was issued on Aug. 3, 2010, and the Verizon Access Charge Investigation was recommenced soon thereafter.

Covista Settles Unauthorized Charges

A recently concluded informal investigation by the Commission's Law Bureau prosecutory staff (LBPS) revealed that Covista Inc., a competitive local exchange company, had been inappropriately charging customers a monthly service charge of $2.00 to receive paper bills and offering promotional bundled services with subsequent rate increases, without Commission approval and without an associated tariff containing the pertinent rates, rules and regulations. The investigation, which resulted in a joint settlement with the Commission's LBPS, looked into Covista's billing and service termination practices and whether these conformed to its filed and approved tariff.

The *Public Utility Code* requires that a public utility adhere to properly approved tariffs and the Commission's regulations require that all promotional service offerings for noncompetitive services be filed with the Commission for approval, in the form of a tariff, before being offered to the public.

In October, the Commission approved a settlement between Covista and the LBPS to amicably resolve Covista's violations. In summary, the terms of the settlement require Covista to pay a $3,000 civil penalty and refund a total sum of $84,831, which is comprised of $17,048 for the paper bill fee, $50,000 (approximately one-half of the over-charge) for failure to file a tariff for the "bundled service rate" plan, and $17,783 for the unauthorized rate increase. Covista will refund this amount to those affected end users that it can identify and locate, and among all current customers if the affected customers could not be located. The LBPS noted that Covista has since taken corrective action by no longer assessing the paper bill fee and by adopting the Commission's Bureau of Consumer Service's specific recommendations with regard to Covista's general business practices on service terminations.



Rulemaking on Recording Calls

Section 63.137 of Commission regulations says, among other things, that the "recording of conversations is prohibited." This is generally interpreted as prohibiting jurisdictional telecommunications utilities from recording calls between customers and company representatives for training and quality of service purposes. No other utility is so restricted by Commission regulation. The rulemaking at Docket No. L-2009-2123673 proposes to lift the restriction on telecommunications companies. Comments on the rulemaking were due in November 2010. Staff from several bureaus are working on this project.

CenturyLink and Qwest Merger

On May 14, CenturyLink and Qwest Communications Company LLC filed for approval of a merger by which CenturyLink would acquire control of Qwest. On Sept. 3, the parties filed a unanimous settlement at Docket No. A-2010-2176733 resolving all outstanding issues in this proceeding.

A PUC administrative law judge reviewed the proposed settlement and recommended its approval without modification. The ALJ found the transaction would promote the public interest for many reasons, including CenturyLink's commitment to accelerate the deployment of broadband and to forego increases in non-competitive rates during 2011-12. The Commission adopted this recommendation at its public meeting of Oct. 14.

Relief Plans for the 717 and 814 Area Codes

The PUC was informed that the 717 and 814 area codes will exhaust their supply of telephone numbers by the end of 2012. Exhaustion triggers the need for new area codes. NeuStar Inc., which is the neutral third party number planning area relief planner for Pennsylvania, petitioned the PUC to institute "overlay" plans in each area as the form of area code relief to address the pending exhaust of the telephone numbers.

An overlay plan means that once the existing telephone numbers are exhausted, new telephone services in that geographic region would be assigned telephone numbers from the new area code which is "overlaid" over the existing geographical area that the old area code encompasses. Because the local area then would have more than one area code, ten-digit local dialing would be necessary for all telephone calls.

The PUC denied the petitions in order to elicit comments. Public input hearings were scheduled throughout the 717 and 814 area codes on which form of area code relief should be implemented in each region: an overlay or a geographic split within the NPA, creating new area codes for each particular geographic region. The PUC is reviewing the written comments submitted to it as well as the comments received at the public input hearings. After its review, the PUC will make a determination as to which form of area code relief it will implement to address the exhaust of the telephone numbers in the 717 NPA and the 814 NPA.

FCC Highlights

The Federal Communications Commission (FCC) recently issued several important decisions.

FCC Expresses Pennsylvania Concerns with the National Broadband Plan

The FCC has issued more notices on the National Broadband Plan (NBP) in Docket No. 09-51. The FCC wants to implement a national plan to provide broadband to all Americans by taking money from the current federal Universal Service Fund and using it to pay for broadband. The PUC is concerned that this approach will undermine Universal Service, Intercarrier Compensation, and broadband deployment programs already underway or complete in Pennsylvania.

The PUC expressed concern about the projected $20 to $350 billion cost for the NBP. Pennsylvania is already a net contributor of about $170 million into the

FCC Highlights *Continued on Page 19.*

FCC Highlights

current $9 billion fund. Any increases for broadband will likely increase Pennsylvania's contribution. In addition, the NBP envisions FCC inter-carrier compensation reforms that could replace state-set rates with a mandatory federal rate might reduce some carriers' federal support or intrastate revenues even though the carrier is using that money to complete or continue their broadband deployment commitments under Chapter 30.

Chairman Cawley Continues Active Involvement with the Joint Board in Docket No. 96-45

After appointment by the NARUC President to the Federal-State Joint Board on Universal Service, Chairman James H. Cawley has been working with other state members to shape the states' response to the FCC on federal universal service. The Joint Board advises the FCC on the federal universal service fund, a fund to which Pennsylvania contributes over $170 million a year. Chairman Cawley is one of five state members and the only member that is a major net contributor.

The Joint Board has recently been focused on the FCC's referral on the federal Lifeline/Link-up programs. This program provides support to lower-income Americans so they can purchase and retain telephone service. This Lifeline/Link-up fund is the only federal fund not frozen. Costs have escalated recently, primarily for wireless service for lower-income consumers.

The FCC sought input on what measures should be considered to identify eligible customers, verify a customer's eligibility, and what public outreach is needed to advance the program. Chairman Cawley is particularly focused on the growth and measures to prevent fraud because any increased cost or expansion for new programs could increase the payments collected from Pennsylvania carriers or consumers.

PUC Conditionally Supports Title II Reclassification for Network Facilities in Docket No. 09-51

The FCC is proposing to classify some facilities used to provide Internet service as telecommunications and not information service. Telecommunications is regulated by the FCC and PUC whereas the FCC alone regulates information service.

Until now, the FCC used its Title I ancillary authority to make sure that consumers using the Internet are not blocked or slowed down. However, a federal court ruled that the FCC cannot use Title I for that purpose.

The FCC response was a proposal to classify some of the facilities from a customer's premises to the telephone or cable office as telecommunications under Title II. Title II has historically preserved state authority to set local rates.

The PUC conditionally supported the FCC so long as state power is preserved consistent with the mandate to ensure that network owners are paid for using their network and to protect public safety consistent with the VoIP Freedom Bill at 73 Pa.C.S. 2251. That law continues the FCC's authority to make sure that networks protect the public and that network owners are paid by others who use their network. Without state authority, carriers seeking payment or public safety officers would have to go to the FCC and not the PUC.

PUC Seeks Supreme Court Review of FCC Decision Limiting State Authority over Local Rates

The PUC filed a Writ of Certiorari with the United States Supreme Court in August asking the Supreme Court to review a federal court decision which upheld the FCC's power to set local rates. This Writ questions whether the FCC or the states are responsible for setting the rate a carrier must pay another carrier for local calls when the call provides dial-up Internet access. A dispute arose because most people were using their phone to make a local call to the Internet and some carriers thought the state-set rate was too high. The FCC's subsequently imposed a federal rate on those local calls at a substantially lower rate that continues today for those consumers who still use their phone to get to the Internet.

The Supreme Court previously ruled that the FCC is supposed to establish the model the states use to set local rates but it is Pennsylvania, not the FCC, that sets the local rate. The new federal rate violates that rule. The Supreme Court also upheld the FCC's Total Element Long Run Incremental Cost (TELRIC) model. Pennsylvania used this model to set state rates but the new FCC rate is not based on TELRIC. The new model violates that holding.

Finally, this decision may have negative long-term impacts on state rates. The FCC decision expressed an intention to replace state rates with a uniform rate that will eliminate all jurisdictional and regulatory distinctions. The FCC may use this decision to set a uniform rate for all state rates well below TELRIC. If that happens, carriers could lose state revenues or go out of business because the FCC rates do not reflect their cost. The Supreme Court is expected to rule on the Writ by the end of November.

***FCC Highlights** Continued on Page 23.*

Gas Safety Settlements

T.W. Phillips Gas and Oil Company

This settlement involves a natural gas explosion that occurred on Feb. 17, 2008, in Ringgold, Schuylkill County. The explosion resulted in property damage but no fatalities. No leaks had been determined in the vicinity of the explosion when T.W. Phillips conducted a leak detection survey in May 2007. Nevertheless, after the explosion, a total of five gas leaks, which were concentrated in two locations, were discovered and classified as grade one leaks that required immediate repair.

The company notified the Commission of the incident on Feb. 18, 2008, 12.5 hours after it was aware of the incident. After the explosion, an excavation of the three-inch steel mains revealed a one-inch diameter hole caused gas to migrate to the property. The breach in the bare steel main was caused by corrosion and it is likely that the main was vulnerable for several months prior to the explosion.

On Jan. 19, 2010, a settlement agreement was filed. Before addressing the settlement, the PUC requested T.W. Phillips to provide a schedule detailing its record of leak repairs and unaccounted-for gas from 2007 to the present time in order to gauge the effectiveness of enhancements to its Corrosion Control System. The Commission approved the settlement by order entered Aug. 23.

The terms of the settlement include a two-pronged program costing $30,000 designed to improve T.W. Phillips' public education on gas safety and prevention of damage to gas lines and a new program designed to educate children on preventing damage to buried gas lines. In addition, the settlement also provides for an annual leak survey of bare steel pipe, reduced from a three year frequency; a competition between company districts as an incentive to find and repair more leaks and a Hot Lists program to increase patrols on targeted segments of the system. T.W. Phillips also conducted a complete review of its emergency plan and conducted a complete retraining of its emergency responders.

In approving the settlement the Commission found that the public education program and T. W. Phillips' enhanced Corrosion Control Program initiated by the company adequately mitigate against the imposition of a civil penalty in this instance. The case is at Docket No. M-2010-2037210.

UGI Utilities Inc.

On Oct. 21, the Commission finalized a settlement (Docket No. M-2010-2138591) with UGI Utilities Inc. that includes a $17,500 civil penalty for allegedly violating the *Public Utility Code* and PUC regulations.

UGI owned and operated a propane gas distribution system that served the Farmington Way residential subdivision in Lititz, Lancaster County. Following a complaint in a letter raising concerns about a September 2009 outage and the location of the propane tanks, the Commission's independent Law Bureau prosecutory staff began an informal investigation. In reviewing the company's actions in relation to the outage and complaint, the prosecutory staff alleged that UGI:

- Failed to monitor the propane gas supplies serving its customers;
- Failed to furnish and maintain adequate, efficient, safe and reasonable service; and
- Failed to provide correct information on its emergency placard.

Under the terms of the settlement, UGI agreed to pay a $17,500 civil penalty, which cannot be recovered from ratepayers; revise internal operating procedures with regard to the monitoring of propane levels in propane tanks servicing its gas beyond the mains customers; verify the emergency telephone number on the fence placards has been corrected; and convert the Farmington Way subdivision from propane to natural gas, which has been completed.

Columbia Gas of Pennsylvania Inc.

On July 21, the Commission ordered Columbia Gas of Pennsylvania to pay a $10,000 civil penalty for alleged violations of the state *Public Utility Code* and federal regulations on pipeline safety.

The settlement (Docket No. M-2009-1505396) was reached after an investigation into an incident that occurred Aug. 24, 2007, in German Township, Fayette County, in which an excavation contractor struck a service line owned by the Columbia Gas. The PUC's Law Bureau prosecutory staff alleged that the company did not provide for temporary marking of buried pipelines in the area prior to excavation activity and also did not keep maps and records of its distribution system of the incident site. In addition to the penalty, Columbia Gas has agreed to continue to follow its current program for abandoning inactive service lines as required by the Commission's regulations.

PGW Rate Case Settlement Update

On May 19, Philadelphia Gas Works (PGW) filed a joint petition for settlement with the Commission. This settlement lowered PGW's requested increase from $42.5 million to $16 million. It also allowed PGW to keep in rates a $60 million increase it had been awarded as part of a 2008 Extraordinary Rate Relief proceeding. The settlement established that PGW would not be able to file another distribution rate case earlier than 24 months after Commission approval of the settlement.

On June 18, the administrative law judge (ALJ) issued a recommended decision. In the decision, the ALJ recommended that the joint petition for settlement be approved without modification. One consumer filed exceptions to the recommended decision and the company filed reply exceptions.

At its public meeting on July 29, the Commission adopted the ALJ's recommended decision with the only modification being a clarification of a sentence relating to funding for post-employment benefits. PGW could then file tariff supplements to become effective upon at least one day's notice.

Laser Marcellus Application

On Jan. 19, Laser Marcellus Gathering Company LLC, filed an application (Docket Number A-2010-2153371) for a certificate of public convenience for certain townships in Susquehanna County. The applicant changed its name when its ownership changed to Laser Northeast Gathering Company LLC. A series of protests were filed, as well as interventions from the Office of Consumer Advocate, Office of Trial Staff, and a number of gathering companies. Two public input hearings were held in July. The evidentiary hearing was held in August, and the parties filed a non-unanimous settlement with briefs and reply briefs. The recommended decision was issued on Dec. 1, and exceptions are due on Jan. 14, 2011, and reply exceptions are due on Feb. 7, 2011. The final decision will be made at a public meeting in 2011.

Peregrine Pipeline Application

Peregrine Keystone Gas Pipeline LLC filed an application on Sept. 17, for approval to begin to offer, render, furnish or supply natural gas gathering, compression, dehydration and transportation services in Greene, Fayette and Washington counties. The company has three Pennsylvania affiliates and four pipeline affiliates operating in Texas, New Mexico and Arkansas. Peregrine is a natural gas midstream company whose primary purpose is to construct, build, own and operate natural gas gathering, transportation and related facilities and to provide gathering and transportation services to natural gas producers in Pennsylvania. The application has received several protests and petitions to intervene and has been assigned to the Office of Administrative Law Judge for hearings.

PECO Rate Case Settlement

On March 31, PECO Energy Company filed a proposed rate increase at Docket No. R-2010-2161592, et al. A number of complaints and petitions to intervene were filed in the case. On Aug. 31, a joint petition for settlement was filed by all active parties of the company, the Office of Trial Staff, Office of Consumer Advocate, Office of Small Business Advocate, the Philadelphia Area Industrial Energy Users Group, the Pennsylvania Communities Organizing for Change Inc. and Local 614. A recommended decision was issued on Oct. 19, approving the settlement. The cost for a residential natural gas customer is expected to increase about eight percent, or less than $8 per month.

Winter Reliability Assessment Meeting

The PUC held its annual Winter Reliability Meeting assessment on Thursday, Nov. 4. The meeting featured representative from the Energy Association of Pennsylvania, PECO Energy, Spectra Energy Transmission LLC, UGI Energy Services Inc. and the Commission's Bureau of Conservation, Economics and Energy Planning (CEEP).

The presenters reported that natural gas companies across Pennsylvania are prepared for this winter. The meeting provides a snapshot of various conditions that may affect natural gas supply, price and service reliability for the upcoming winter.

Energy Price Forecast for Winter 2010

The Energy Information Agency's (EIA) November 2010 Short-Term Energy Outlook reports that West Texas Intermediate (WTI) crude oil spot prices will average $83 per barrel this winter (October 1 to March 31) and will average about $87 per barrel by the fourth quarter of 2011. The EIA forecast assumes the United States gross domestic product (GDP) will grow by 2.6 percent in 2010 and 2.2 percent in 2011 and world oil prices will rise gradually as global economic growth leads to higher global oil demand.

United States price for regular gasoline is expected to average $2.84 per gallon in winter 2010 and $2.97 in 2011.

The Henry Hub (Louisiana) natural gas spot price is expected to average $4.35 per million Btu (MMBtu) for 2010, and decrease to $4.31 per MMBtu during 2011.

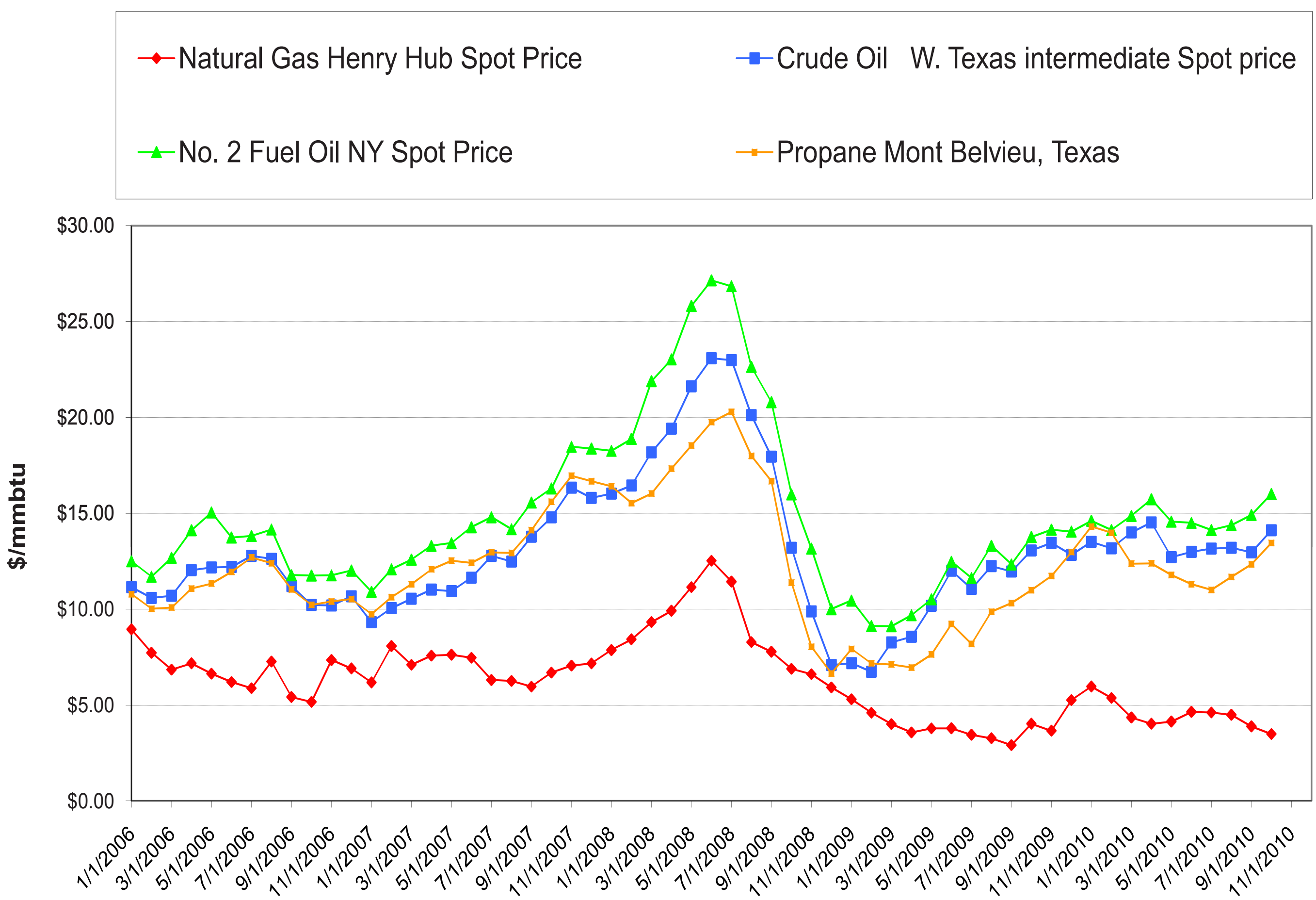
Annual average retail electricity prices are expected to increase slightly thru the end of 2010. Higher generation fuel costs this year are expected to be passed through to retail consumers during 2011, pushing up residential prices by 1.7 percent next year.

EIA projects average household expenditures for space-heating fuels will total $965 this winter, about the same as last year. Higher expenditures are expected for fuel oil and propane, but lower expenditures for natural gas and electricity. Fuel oil prices have increased about 8 percent from last year but are likely to remain below $3.00 per gallon thru January 2011.

Additional forecast details can be found from the November Short-Term Energy Outlook at http://www.eia.doe.gov/oiaf/forecasting.html and the 2010 Winter Fuels Outlook Conference found at http://www.eia.doe.gov/pub/oil_gas/petroleum/presentations/2010/winterfuels2010/index.html.

Wholesale Fuel Prices by Heat Content

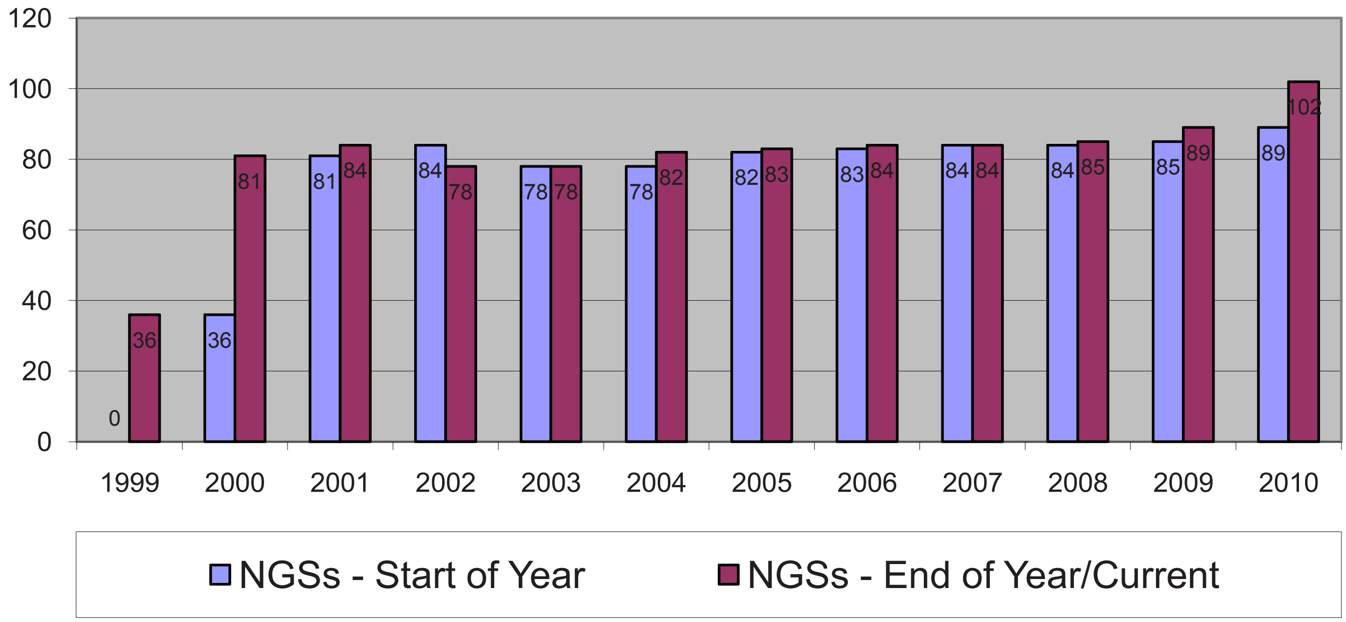
Data from EIA's *Weekly Gas Report* and *Weekly Petroleum Status Report*
(Unweighted Average)



Natural Gas Supplier Licensing

Activity from June 18, 2010, to December 3, 2010.

102 Active Licenses **7 License Approved** **0 Licenses Cancelled** **13 Applications Pending**



Financial Security Requirements Changing for Natural Gas Suppliers

The PUC's final regulations revising the financial security requirements to obtain or maintain a natural gas supplier license are progressing through the regulatory process. After adoption by the PUC on June 17, the Independent Regulatory Review Commission approved the regulations on Nov. 4, and the regulations were deemed approved by the standing committees of both houses of the General Assembly. The regulations are currently awaiting approval by the Office of Attorney General and will be effective upon publication in the *Pennsylvania Bulletin*.

A key provision of the regulations (52 Pa. Code §62.111) would permit the use of a natural gas supplier's accounts receivables in a PUC-approved purchase of receivables program to satisfy all or part of the security requirement. Also, the regulations set forth possible triggering events for adjusting the security amount and reasonable criteria for the adjustment of the security amount. More details can be obtained by searching the PUC's website using the Docket No. L-2008-2069115.

FCC Highlights

Continued from Page 19.

Commission Participation in Pennsylvania Helps Secure Federal Funding for Several Telecommunications Projects

Following enactment of the American Economic Recovery and Reinvestment Act in 2009, Pennsylvania has worked to obtain federal funding from the National Telecommunications Infrastructure Agency (NTIA) for telecommunications infrastructure and broadband mapping projects. NTIA is the federal agency under the Department of Commerce charged with dispensing billions of dollars in Broadband Technology Opportunity (BTOP) grants and support for State Broadband Development Data (SBDD) efforts. These programs are in addition to those funded under the Department of Agriculture's Broadband Initiatives Program (BIP).

The Commission has actively worked with the Office of Administration in maximizing Pennsylvania grants. Commerce recently finished their decision making on BTOP and SDBB grants. The joint efforts in Pennsylvania resulted in a total of $157.4 million for nine broadband projects and a statewide mapping effort. Of this amount, $150 million is for the broadband projects and the other $7.4 million supports a statewide mapping effort.

Bureau of Consumer Services is Victorious in Its Backlog Attack

The PUC's Bureau of Consumer Services' (BCS) Customer Assistance and Complaints Division (CACD) had carried between 1,200 and 10,000 backlogged cases over the past 10 years. Backlog traditionally has been defined as cases that have aged more than six months without a resolution. In March 2010, with a current caseload of 14,000 and a backlog of 7,000 cases, BCS launched its 2010 Backlog Attack! – a strategic effort to eliminate the backlog and improve customer services. The primary goals were to clear the backlog within six months and to achieve and maintain a 90-day case turnaround by year's end.

Key first steps included having the Philadelphia and Harrisburg Call Centers make phone calls to customers to assess the status of the complaint concerns (resolved or still ongoing) and contacting the utility companies to assure case documentation was in order.

Next, BCS launched the A-Team (Attack Team). This special team of Policy Division and administrative staff was dedicated to analysis and resolution of the oldest and most difficult cases. Finally, the BCS TOPs Team assured that new cases - especially those related to Terminations and/or complaints where utility services were Off, and Payment arrangement requests - were handled quickly and efficiently so as not to add to the existing backlog.

On Aug. 20, only five months into the initiative, BCS hit ZERO cases over six months old and re-defined its backlog measurement from 'cases over six months old' to 'cases over three months old.' However, BCS continues to face the following challenges: handling PPL's 200 percent increase in 2010 cases (primarily due to its rate cap expiring and consumer choice issues), preparing for the additional rate caps expiring at the end of the year, and assessing what additional resources would be necessary to process the potential spikes in new case activity for the upcoming year.

As of Nov. 1, the overall BCS caseload is 6,313 and the new backlog of cases over three months old is 312, (with 139 pending in a Telco Directory Assistance Investigation). The current caseload is on track to meet the 90-day case turnaround goal by the end of 2010.

The PUC's Bureau of Consumer Services responds to and investigates informal complaints by residential and small commercial consumers against public utilities and suppliers.

2009 Universal Service Report

The Commission released the Bureau of Consumer Services report on 2009 Universal Service Programs and Collection Performance of the Pennsylvania electric distribution companies (EDCs) and natural gas distribution companies (NGDCs) on July 30. This report is the PUC's 10th annual summary report on the universal service and collection performance of the seven largest EDCs and includes the eight largest NGDCs for the eighth time.

The report is based primarily on 52 Pa. Code Sections 54.75 and 62.5, Universal Service and Energy Conservation Reporting Requirements. The report includes reviews of the assistance programs that help low income customers maintain their utility service, including the Low Income Usage Reduction Program (LIURP), the Customer Assistance Programs (CAPs), CARES Programs and Utility Hardship Fund Programs. Residential collection data is reported for all residential customers and for just the confirmed low income customers.

Overall, 984,614 out of the 7,386,256 households were confirmed to be low income. Of those, 463,461 participated in CAP in 2009. In 2009, the utilities spent $37,300,880 on LIURP while treating 24,980 households. In addition, 21,176 customers received $7.6 million in Hardship Fund benefits in 2009.

Prepare Now for Winter

With the colder months upon us in Pennsylvania, the PUC wants to make sure that all Pennsylvanians are aware of the Low Income Home Energy Assistance Program (LIHEAP) and its eligibility. With eligibility changes, consumers may qualify for the program now who did not in previous years.

The Commission encourages consumers on limited or fixed incomes to call their utility about programs to help heat their homes or pay their energy bills such as Customer Assistance Programs (CAPs) and Low Income Usage Reduction Programs (LIURP).

The PUC's message is simple: ***Prepare Now*** for higher energy costs this winter. Learn about changes in the law related to utility shut-offs and know your rights. Save money by learning how to conserve energy. Heat your home safely. Visit www.puc.state.pa.us and click on Prepare Now or call the PUC at 1-800-692-7380. The PUC also is actively participating in Gov. Rendell's third annual Stay Warm PA campaign – ***Turn Down. Seal Off. Save Up.*** Visit www.turnsealsave.org for more information.

Customer Service Performance Report

The *2009 Customer Service Performance Report* was released by the Commission on Aug. 17. In addition to reporting company submitted data, the report provides information on how customers feel the major electric and natural gas companies are doing with customer service.

In 2009, the majority of electric and natural gas customers contacted said they were satisfied with the way company customer service representatives handled their calls. Based on customer surveys, an average of 89 percent of electric and 80 percent of natural gas customers said they were satisfied with the ease of reaching their company. A greater percentage of customers said they were satisfied with the way company representatives handled their calls– 91 percent of electric customers and 85 percent of natural gas customers.

The report also includes data provided by the utilities on the performance of the company's customer service operations. Three of the major electric companies reported an improvement in the percentage of calls answered within 30 seconds, while three reported a decline. The average percentage of calls answered within 30 seconds for the electric companies in 2009 is 76 percent, down from 77 percent in 2008 and 81 percent in 2007.

Only one major natural gas company reported a decline in the percentage of calls answered within 30 seconds. The average percentage of calls answered within 30 seconds for natural gas companies increased from 72 percent in 2008 to 78 percent in 2009.

The full report is at www.puc.state.pa.us under Publications and Reports.

Energy Conservation Policies

In the next few months, the Commission anticipates receiving a report regarding energy conservation policies for electric and gas utilities. The report is part of a Commission investigation to align energy conservation goals with rate making policies for Pennsylvania electric and gas utilities.

Numerous stakeholder are providing guidance to the Commission, including most large Pennsylvania electric and gas utilities, the Pennsylvania Energy Association, many large Pennsylvania commercial and industrial companies, and the Office of Consumer Advocate and the Office of Small Business Advocate. The Commission will utilize the report to consider possible rate making policies that will promote energy conservation. When completed, the report will be available as part of Commission Docket No. I-2009-2099881.

Tips from the Secretary: Sins to Avoid

1. When rushing to make a 4:30 p.m. filing deadline:
   a. Call ahead and let us know you are on your way;
   b. eFile prior to 4:30 p.m.; and
   c. Use the Mailbox Rule.
2. Note to newly licensed electric generation suppliers and natural gas suppliers - when a formal complaint is filed against your company, you MUST respond within 20 days of the date of service. The PUC is seeing an increase in the failure of these newly licensed suppliers to respond to the allegations made in formal complaints in a timely manner.
3. When transferring licenses from one supplier to another – file an *application* – NOT a petition.

Feedback

We welcome any feedback on the Pennsylvania PUC's quarterly newsletter, *Keystone Connection.*

Staff from the Bureau of Administative Services, Office of Administrative Law Judge, Bureau of Audits, Bureau of Conservation, Economics and Energy Planning, Bureau of Consumer Services, Office of Communications, Bureau of Transportation and Safety, Office of Special Assistants, Bureau of Fixed Utility Services, Office of Trial Staff, the Secretary's Bureau and the Law Bureau all contribute and write articles for this publication.

For media inquiries or to share ideas, feel free to contact Cyndi Page of the Office of Communications at (717) 787-5722.

Right to Know Law Amendments

In early October, the Pennsylvania General Assembly considered amendments to Pennsylvania's Right to Know Law in Senate Bill 1469, Printer's Number 2238, raising six issues that could affect the Commission's current practices, such as:

- Staff prepared draft documents used for pre-decisional deliberations for a public meeting could be disclosed even if the document was withdrawn without a vote.
- The "exception to the exception" for the agency's noncriminal investigation documents could be construed to allow disclosure.
- Inspections undertaken as part of noncriminal investigations could become public.
- Agency would now have 10 days to answer first class mail requests instead of five days.
- Non-profit organizations "conducting educational research" would be exempt from copying costs when requesting documents, shifting copying costs to the agency.
- Financial records directly related to a government contract that are physically in the possession of the contractor would be public records. Such financial records created before the bill's passage would also become public records in regard to contracts that are subject (as of the date of passage of the bill) to actions (such as a protest or contract dispute) before a Commonwealth of local agency, or an appeal to Commonwealth Court.

Meanwhile, in September, the Commonwealth Court reversed a decision by the Office of Open Records to grant disclosure of mandated government inspections conducted by the Pennsylvania Department of Aging on a nursing home. The Court upheld two sections of the Act:

1. The internal, pre-decisional deliberative records exemption set forth in Section 708(b)(10)(i)(A); and
2. The scope and applicability of the noncriminal investigation exception in Section 708(b)(17).

Revisiting Electronic Filing

The Commission plans to expand the list of qualified documents and allow eFilers more opportunities to file and be served documents electronically. This will save postage, paper, increase efficiencies, and reduce our carbon footprint.

Director Karen Moury held a meeting of Revisit Electronic Filing Improvement Team (REFIT) stakeholders who regularly use the PUC's eFiling system on Nov. 3, and produced a number of important practical suggestions, such as:

1. Increase the size of documents qualified to be eFiled from five to 10 megabytes;
2. Adding further document types to our drop down list for eFilers to select;
3. Pilot program to eliminate the one paper copy received three business days after an eFiling;
4. Possible use of CDs and DVDs instead of additional paper copies when filing;
5. Waiver by the Secretary of regulations that require multiple paper copies;
6. Requesting re-writes of final orders to be searched and found by public meeting date; and
7. Re-examination of 66 Section 702 requiring the use of certified mail.

In the event CDs and DVDs would be further utilized, the Secretary's Bureau would require the CDs and DVDs to:

- Be searchable PDFs;
- Use specific file naming conventions;
- Specify megabyte amounts and limits; and
- Verify and proofread the CD or DVD against the actual filing prior to submission.

PUC Employees Give Generously

These are tough economic times. But PUC employees have opened their hearts and wallets to those in need through contributions to the annual State Employees Combined Appeal (SECA)program. SECA supports over 2,000 national and international charities sponsored by the United Way. This year PUC employees were able to contribute over $17,000 in support of this very worthwhile cause and help those who need it most.

PUC Appoints Rainey as New Chief Administrative Law Judge

The PUC announced the appointment of Charles E. Rainey, Jr. of Philadelphia, as the new chief administrative law judge (ALJ) at the public meeting of Sept. 16.

Rainey replaces Veronica A. Smith, who retired earlier this year.

"As an administrative law judge, Charles Rainey is an exemplary employee with a tremendous work ethic," Chairman James H. Cawley said. "I am sure he will continue these traits as he takes on his new position. He will be an excellent addition to our roster of skilled bureau directors."

Rainey has served as an ALJ with the Commission since 1996. Prior to that, he was an executive deputy chief counsel member of the Commission's Law Bureau.

"I am thrilled and delighted to have been appointed Chief Administrative Law Judge," said Rainey. "I know of the significant impact that utility rates and service have on the quality of life of Pennsylvanians. I am honored to have been called upon to serve the public interest in a new and significant way."

"My expectations are that Office of Administrative Law Judge will continue to be a model office. Having served as an administrative law judge and Philadelphia region office manager for 14 years, I know of the high praise and respect that our judges, mediators, lawyers and support staff have garnered. We have worked together on the bench and masterfully adjudicated some of the most difficult and challenging cases."

Rainey received his Bachelor of Arts degree from the College of the Holy Cross, Worcester, MA, and his juris doctor from Antioch University School of Law, Washington, D.C.

PUC Budget Request

The Commission's 2011-12 budget request was submitted to the Office of the Budget on Oct. 13. This budget request is for $61,190,000 in state funding and $4,124,000 in anticipated federal funds for a total request of $66,034,000. The federal funds include our Gas Pipeline Safety Program, Motor Carrier Safety Assistance Program and the American Recovery and Reinvestment Act's (federal stimulus) Electric Regulation Assistance Program.

This budget submission is an increase of approximately 10 percent over the current year. The increase results from contractually mandated benefit costs, additional staffing associated with the anticipated safety oversight of the Marcellus Shale exploration lines and other non-jurisdictional utilities, and increases in vendor goods and services. The Commission has maintained a zero increase in operating and fixed asset costs over the past three fiscal years and, as such, need to increase these line items to meet the demand for rising expenditures the commission will incur.

The personnel costs have risen to sustain a complement of 532. The additional staffing is associated with the personnel needed for the new Marcellus Shale work. Total personnel costs are $50,933,850 which is comprised of $48,513,850 from state funds and $2,420,000 in federal funds. The state funding requirement is $3,563,850 more than the amount approved in fiscal year 2010-11 and will fund the mandatory general pay increases and corresponding required fringe benefit increases.

Secretary's Bureau Service Statistics

November 1, 2009, thru December 1, 2010

- 22,204 Electronic and paper filings reported by the Compliance and Assignment Section.
- 9,543 total items served by the Order/Entry Section, with the breakdown as –
    - 1,770 final orders
    - 463 initial decisions
    - 126 recommended decisions
    - 7,184 Secretarial Letters
- 79 Right to Know Requests