

**Minutes of the
Pennsylvania Public Utility Commission's
Consumer Advisory Council**

Meeting of September 27, 2011

P.O. Box 3265

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Harrisburg, PA 17105-3265

Call to Order and Introductions

Chairman Tim Hennessey called the meeting to order at 10 a.m. in the Executive Chambers of the Public Utility Commission.

The Council approved the July 26, 2011, minutes.

Attendance

The following members of the Council were present:

Tim Hennessey, Chairman

Harry Geller

Robert Christianson, Vice Chairman

Tom LeCrone

Pedro Anes (telephone)

Tina Serafini

Michael Bannon

George Silvestri

Cindy Datig

Lee Tolbert

John Detman

The following members of the Council were unable to be present:

Lillian Carpenter

Joe Toner

Rick Hicks

Public Utility Commission Staff present:

April Ballou, Chairman Powelson's Office

Commissioner Pamela A. Witmer

Lois Burns, Commissioner Witmer's Office

RaChelle Coleman, Commissioner Witmer's Office

Shelby Linton-Keddie, Commissioner Witmer's Office

Patrick McDonnell, Commissioner Witmer's Office

Teri Mathias, Commissioner Gardner's Office

Mary Beth Osborne, Commissioner Cawley's Office

Tom Charles, Office of Communications

Lori Shumberger, Office of Communications

Heidi Wushinske, Law Bureau

Guests Present:

Heather Yoder, Office of Consumer Advocate

Bill Patterer, PECO

Sandra Levine, with George Silvestri

Commissioner Pamela Witmer's Visit

Commissioner Pamela Witmer thanked the Council for the invitation to meet everyone. The role of the Council is very important to the Commission. The Council's role is a voice for consumers. Let the Commission know of concerns that you encounter while you're working or issues that you see throughout the Commonwealth.

Commissioner Witmer introduced her staff: RaChelle Coleman is the Administrative Officer and will be handling transportation issues. Lois Burns an attorney, and she will be handling telecommunications issues. Shelby Linton-Keddie is another attorney, and she will be handling energy issues. Pat McDonnell is policy manager, and will handle energy, water and wastewater issues.

Commissioner Witmer said she has an open door policy. Feel free to reach out to her staff or herself on issues.

Commissioner Witmer said most of her career was spent on energy and environmental issues. There are many of the same issues at the PUC. The main issue is how to protect the consumers while promoting a robust industry.

The Commission is looking at Marcellus Shale. What is our role other than pipeline safety. We want it to have a positive impact on Pennsylvania. Marcellus Shale should lower natural gas prices for consumers.

The PUC is handling the pipeline safety through the Department of Environmental Protection (DEP). We are hoping the legislators will give the PUC new statutory authority over pipeline safety. If we receive this, we will need to hire more pipeline inspectors.

Another main issue is the infrastructure on pipelines for wastewater and natural gas. At this time, the PUC has a distribution system improvement Charge (DSIC) for water pipes, but not natural gas and wastewater yet. The PUC doesn't want to see another Allentown incident.

The PUC will be holding a Special Electric Reliability Forum, to hear from the state's electric utilities whose distribution systems were affected by Hurricane Irene.

Tom LeCrone brought up Marcellus Shale and water supplies. There should be a baseline water study done prior to drilling for Marcellus Shale. He tried to talk with DEP about this issue and received a report from them. The water testing should be done now to avoid problems later. Is there anything the Commission can do on this issue? Commissioner Witmer said rightly noted, but water quality is under DEP. Commissioner Witmer suggested getting in contact with the Delaware River Basin Commission (DRBC) or the Susquehanna River Basin Commission (SRBC), because they are working on a base line water study.

Tom LeCrone asked Commissioner Witmer to let the Council know what they can do to help or be valuable to the Commission. Commissioner Witmer said retail marketing is a good example of where the Council can help. What needs to be done to help consumers and are there things that could be regulated.

Robert Christianson said the Council filed comments on retail marketing to not allow door-to-door sales, but our comments didn't seem to help. Commissioner Witmer said the Commission has allowed door-to-door sales but also instituted new regulations.

Michael Bannon asked if the PUC will have the authority to inspect the Marcellus Shale pipelines. Commissioner Witmer said there are plans in the works to allow the PUC to inspect the lines.

A question was asked about drilling companies that are trying to become a utility. Is this so the companies can have eminent domain? Commissioner Witmer said she could not discuss this topic due to two pending cases.

Tina Serafini said DEP should make standards prior to the drilling. Once the water is bad, it cannot be gotten back. All the agencies should work together and make plans. Spills can become a nightmare. Commissioner Witmer said that is a good suggestion.

George Silvestri said the nuclear regulatory commission is a great example of an agency that does preplanning. There is a host of knowledge out there and maybe DEP should tap into it.

Tim Hennessey thanked Commissioner Witmer for coming and said the Council looks forward to having her back.

Smart Meters/Phase-out of Residential Electric Heat (RH) and Off-Peak (OP) Service

Bill Patterer from PECO was invited to give an presentation on smart meters, and phasing out of residential electric heat (RH) and off-peak (OP) services. He passed out three handouts, a customer letter and two PowerPoint presentations: one on smart grid and smart meter program and the other on the phase-out of heating and off-peak rates.

Bill Patterer said utility companies are phasing out residential heating rate programs. There will be one rate for all customers instead of three. This will encourage customers to shop for a supplier.

The first PowerPoint to review is phase out of heating and off-peak rates. The phase-out plan will take up to three years to complete.

Page 2 gives the Rate RH background. PECO has approximately 168,000 customers enrolled in the RH program. The program was developed when the cost of generation was primarily driven by summer capacity needs.

Page 5 explains PECO's communications plans. PECO is sending the letter to customers in 2011 with a specific message targeting the RH, OP and RH/OP customers. In addition, PECO will have a bill insert with the rate change notice in January 2012 bills.

Page 4 shows PECO's three-year phase-out plan. All residential customers saw the same increase in 2011 of 5 percent.

Lee Tolbert said low-income customers will not be able to get off the low-income programs when PECO discontinues these programs. Low-income customers struggle now to pay their bills let alone an increase of 12 or 13 percent. Bill Patterer said the number should be small since most of the low-income customers heat with natural gas and not with electric.

Lillian Carpenter asked, if oil prices go up, will PECO's cost go up as well? Bill Patterer said oil and natural gas no longer follow each other in price. Natural gas prices have remained flat and are not projected to rise to high in the near future.

Tom LeCrone asked if China is still buying coal from the United States. Bill Patterer said yes they are. PECO is buying two-year contracts to help maintain our prices.

PECO is suggesting that customers sign up for budget billing to help reduce the impact of the change. Budget billing makes short-term fluctuations in monthly bills much easier to handle.

PECO is also telling their customers to shop for electricity from a competitive electric generation supplier. The letter gives the PA PowerSwitch website and the PUC's 1-800 phone number. At this time, PECO had about 21 percent of their customers switching suppliers.

Lee Tolbert asked about PECO's smart idea program for the new smart appliances. Bill Patterer said it covers refrigerators, air conditioners, dishwashers, and all other appliances. The customers would call PECO and get a rebate on the new appliance. Lee Tolbert said most low-income customers cannot afford to buy new appliances. Bill Patterer said there are other programs to help the low-income customers. They can call PECO and qualify for special energy programs. The Low Income Usage Reduction Program (LIURP) is a statewide, utility-sponsored, residential usage reduction program.

Harry Geller asked if PECO follows the electric usage of customers during the winter months. Due to the cost of oil, customers will use space heaters to keep their heating cost lower. Bill Patterer said PECO could monitor those customers by their usage. Tim Hennessey asked if PECO could follow this up at a later meeting. Bill Patterer said he would look into this issue.

Bill Patterer said the other presentation is about smart grids and smart meter programs.

Page 5 gives the background for PECO's smart meter program. PECO's current automated meter-reading meters were installed between the years 1999 to 2003. These meters could take daily meter readings and off-cycle meter readings, and detect simple outages.

Since Act 129 was passed in October 2008, PECO is obligated to furnish smart meter technology to new construction, upon customer requests and in accordance with a depreciation schedule not to exceed 15 years.

Once a meter has been installed, the company does not have to send someone out to read the meter. PECO has outsourced the meter reading to another company. This contract ends in 2014.

PECO has installed about 600,000 smart meters at this time.

Tom LeCrone asked if a customer must pay for the smart meter. Bill Patterer said yes.

Michael Bannon asked what if a customer disputes their meter read. Bill Patterer said customers do. PECO will test the meter and verify it is reading correctly.

When PECO replaces the old meter, they will test the old meter so customers will know if the old meter was reading correctly.

Cindy Datig asked what the cost for a new meter is. Bill Patterer said the smart meter is under \$200.

Tom LeCrone said, due to all the flooding, will those meters be replaced or what happens to them? Bill Patterer said the meters should be pulled prior to the flooding. Tom LeCrone said if a meter is damaged, does the customer have to pay to get it replaced? Bill Patterer said no, we will replace the meter.

Page 8 and Page 9 gives the explanation of the tiers and a diagram. PECO uses four different tiers to communicate with the smart grid.

Lee Tolbert asked if PECO is compiling information from the Smart Grid Program, and he suggested that PECO share this information with the CAC.

Council's Powers and Responsibilities

Heidi Wushinske from the PUC Law Bureau was asked to provide an overview on the Consumer Advisory Council.

The Council's regulations are found in Chapter 91.1 – 5 from the PA Code in the packets that outline the jurisdiction of the Council. These regulations explain how the Council was created, the purpose, powers and duties of the Council as well as the composition, salaries and expenses. Chapter 91.3 lists the powers and duties.

The Council's purpose is to represent the public in advising the Commissioners on matters relating to the protection of consumer interests under the jurisdiction of the Commission.

All candidates are screened by the PUC's Law Bureau to verify their qualifications. A person may not serve on the Council if a person does one of the following: occupies an official relation to a public service or public utility; or holds or is a candidate for a paid appointive or elective office of the Commonwealth.

The Council must have a quorum for each meeting. A quorum is half the Council plus one.

Marketing Guidelines and Door-to-Door Subcommittee Report

Tim Hennessey said since Rick Hicks is not here, this agenda item will be tabled.

Retail Markets Investigation

Tom Charles said the PUC had an en banc hearing in June. Michael Bannon attended the hearing. In the packet is a printout of the PUC's website page for the Retail Markets Investigation.

There has been a series of technical conference calls. All comments that have been submitted are posted on the webpage.

Under "Discussion Documents" is a link to a separate page with all the topics the committee has discussed. These are listed by categories, and the newest documents are posted at the top of each category.

Some of the focus is on why hasn't more consumers shopped, decreasing the timeframe to switch suppliers, consumer education and default service.

Tom Charles said the website is updated constantly and will keep the Council updated on this issue.

Harry Geller noted the Commission will be holding a second en banc hearing. Tom Charles said the next en banc hearing will be on November 10 at 1 pm. A Secretarial Letter will be sent out in October with the tentative agenda.

Michael Bannon asked if the PUC has heard about problems in the PECO area. Consumers are having someone knocking on their doors and thinking it's a PECO representative and it isn't.

Harry Geller said when the marketing regulations are published, the Council will submit comments again.

Discussion of Priorities for Future Meetings

Tim Hennessey said he is reaching out to each Council member and still has a few more to talk with.

Tim Hennessey said he is getting everyone's ideas for future meetings. Once he has everyone's ideas, he will work with Tom Charles.

Council's Attendance

Tim Hennessey said the Council only meets once a month. It would be nice to have everyone attending the meetings in person. The telephone system is not the best solution. Please try to attend in person.

Future Agenda Items

Harry Geller and Michael Bannon brought up an issue that they both have seen problems with. The issue of resale of regulated utility service for master-metered apartment buildings and mobile home parks.

Harry Geller passed out a paper on this issue. Under the PA Utility Code, Section 1313 and Section 3313, the price of resale should not exceed the actual bill. If this is violated, there are penalties.

It is unclear on how they are enforced. Does the PUC prosecutor arm enforce them or the Attorney General's consumer protection section handles this.

Tim Hennessey asked how the landlord breaks up one utility bill between all the tenants. One tenant could be a heavy utility user and another could conserve energy. Michael Bannon said the bill is broken into the number of tenants or mobile homes.

Michael Bannon said he receives complaints from tenants in mobile home parks and apartment buildings.

Tom LeCrone asked if the landlord gets to add money for administration costs. Also, if there are common areas, who pays for those areas? Harry Geller said he is not sure if a landlord can charge an administration charge.

Harry Geller asked if someone from the PUC could attend an upcoming meeting to discuss this issue.

George Silvestri asked if the Council could get a presentation on Marcellus Shale. Tom Charles said he is working with the Chairman's Office on this issue.

Future Meeting Topics Include:

- Commissioner Visits
- Director of the Bureau of Consumer Services Visit
- Legislative Update
- LIHEAP Update
- Marcellus Shale Update – Chairman Powellson's Visit
- Marketing Guidelines Update

The next meeting for the CAC will be held at 10 a.m. on Oct. 25, 2011, in the Executive Chambers of the Commonwealth Keystone Building.

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