# Keystone Connection

Utility News in Pennsylvania

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

Autumn 2005

## PUC's Interpretation of Act 201


On Nov. 30, 2004, Gov. Edward G. Rendell signed into law Senate Bill 677 now known as Act 201. This act went into effect on Dec. 14, 2004. The Act amended Title 66 by adding Chapter 14 (66 Pa.C.S. §§ 1401-1418), Responsible Utility Customer Protection. The legislation is applicable to electric distribution companies, water distribution companies and larger gas distribution companies (those having an annual operating income in excess of $6 million). Steam and wastewater utilities are not covered by Chapter 14. On Jan. 28, the Commission issued a secretarial letter identifying general subject areas to which interested parties were encouraged to file written comments. In addition, on Feb. 3, the PUC held a Roundtable Forum to address the implementation and application of Chapter 14. Based upon the Commission's review of the comments filed by interested parties pursuant to the Jan. 31 secretarial letter, and the oral comments expressed at the Roundtable Forum, the PUC narrowed the issues of contention to the issues identified and addressed in the implementation order issued March 4, 2005.

This initial forum and implementation order was followed by a second roundtable forum on July 1, 2005, and a PGW-specific forum on July 21, at which interested parties were again encouraged to file written comments on a variety of issues. After a review of the comments, the Commission on Sept. 9, issued a second Chapter 14 implementation order. This second implementation order addressed a wider variety of issues than the first implementation order and included winter termination rules, termination notice content requirements, reconnection requirements, medical certificate procedures, liability and liens.

In addition, on Aug. 11, the Commission passed a motion announcing that the PUC was reconsidering, and inviting comments, on one of the issues addressed in the first implementation order, specifically the prohibition on the Commission from ordering a payment arrangement if the customer had a previous arrangement negotiated directly with the utility. After reviewing the comments, on Oct. 27, the Commission reversed its determination in the first implementation order and ruled that the existence of a previous company negotiated agreement did not bar the PUC from issuing a payment agreement.

On Oct. 19, Gov. Rendell announced his "Stay Warm PA" initiative, parts of which consist of calling for amendments to Act 201/Chapter 14 related to reconnection requirements, security deposits and payment arrangement negotiations.

For more information on the "Stay Warm PA" initiative, see the article on Page 22.

## Connecting in Pennsylvania

Welcome to the second 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: electric, natural gas, transportation, telecommunications, water and the major issues that affect each industry.

The publication allows coverage of all utilities, including news on consumer issues and general information on PUC happenings.

The Commission ensures safe, reliable and reasonably priced electric, natural gas, water, telephone and transportation service for Pennsylvania consumers, by regulating public utilities and by serving as responsible stewards of competition. Industry monitoring is a crucial part of this mission.

## ON THE INSIDE

# Net Metering and Interconnection under AEPS

The Alternative Energy Portfolio Standards (AEPS) Act was adopted to encourage the use of environmentally friendly fuel sources in the generation of electricity. One of the ways the Act does that is to permit electricity customers to install small generation devices at their homes or businesses that use alternative fuel sources. The most common device for residential customers is a solar inverter generator that uses solar panels on the house roof.

The Act requires that the Commission develop regulations which enable customers to hook up small generators to their utility's distribution wires and send electricity not used by the customer over the electric grid. This is interconnection.

The interconnection process must be carefully managed to ensure that all equipment is compatible with the utility's distribution system. Also, any energy produced and sent over the lines must not interfere with the physical limitations of the system. The PUC is now developing regulations that provide for a detailed inspection and review process to make certain interconnected equipment operates in a safe and reliable fashion without imposing undue burdens on the customer.

Once a customer is "interconnected" to the distribution system, the Act provides for metering of the energy produced by the customer. Once that kind of measurement occurs, the customer can receive a credit for any energy produced which will reduce the customer's electric bill. This is known as "net metering." The Commission's net metering regulations will address the type of metering equipment to be used together with how a customer can be credited for the electricity he produces. The Commission voted to issue proposed regulations for public comment at the Nov. 10, 2005, public meeting.

# Act 213 Implementation of the AEPS DSM/EE Guidelines

On Nov. 30, 2004, Gov. Edward G. Rendell signed Act 213 into law. Generally, Act 213 requires that electric distribution companies (EDCs) and electric generation suppliers (EGSs) include a specific percentage of electricity from alternative resources in the generation that they sell to Pennsylvania customers. The level of alternative energy required gradually increases according to a 15-year schedule found in Act 213. While Act 213 does not mandate exactly which resources must be utilized and in what quantities, certain minimum thresholds must be met for the use of Tier I and Tier II resources. Demand side management/energy efficiency (DSM/EE) was included within the definition of "Alternative Energy Sources."

Act 213 defines DSM/EE as including:

- Energy efficiency technologies, management practices or other strategies;
- Load management or demand response technologies, management practices or other strategies; and
- Industrial by-product technologies consisting of the use of a by-product from an industrial process.

The Commission previously announced that it would be issuing standards governing the tracking and verification of DSM/EE measures undertaken for purposes of compliance with Act 213. The Commission will use two means to the extent appropriate to establish qualifications for Alternative Energy Credits – a catalog approach for standard energy savings measures and general guidelines for metered and custom energy savings measures.

The first method is a "catalog approach" that will establish the number of credits available for standard energy savings measures. The intent of this approach is to address standard energy savings measures that are available to a large number of customers through retail consumer-products and whose effects cannot be directly metered. Retail consumer-products to be addressed by the catalog approach include items such as energy efficient appliances, light bulbs and HVAC equipment.

The energy savings from these standard measures are referred to as "deemed savings." Deemed savings are ranges of energy savings above standard usage ranges from a particular application or equipment over a given period of time.

Standard energy saving measures are detailed in a Technical Reference Manual (TRM). The TRM provides a consistent framework for calculating deemed savings for a menu of energy efficiency measures using supported assumptions and customer data as input values in industry-accepted algorithms.

The second group of measures not covered by the catalog approach involves custom or metered measures and requires general guidelines for qualification and availability of credits from these measures. Metered measures require actual metered usage or self-generation. An example of a metered measure would be distributed-generation where the value of the savings measure – i.e. generator output – can be directly measured.

***DSM/EE Guidelines*** *Continued on Page 3.*

## PUC Investigates Hastings and Erie Utility Incidents

The Public Utility Commission (PUC) is considering a $250,000 settlement agreement with Penelec, with the stipulation that the utility deposits the money into its Customer Assistance Program (CAP), which helps low-income customers pay their bills. The Commission is reviewing comments on the proposed order and will take those comments into consideration in issuing its final order.

The PUC's prosecutory staff reached the settlement in September with Penelec following informal investigations into the utility's termination practices that preceded a fatal fire in Hastings, Cambria County, and injuries in an Erie fire.

Recently, civil penalties paid to the PUC have been directed to the state's general fund; however, the Commission felt the money should help low-income customers. The $250,000 is in addition to the money Penelec already contributes to its CAP program. The agreement also stipulates the penalty will be paid by the utility and will not be recovered in rates paid by customers.

Penelec also has agreed to improve the following:

- Referrals to the CAP;
- Explanations of medical certification information provided on calls concerning termination notices;
- Procedures for payment agreements and budget billing placement;
- Recognition of disputes and relaying rights to consumers;
- Length of payment agreements for reconnection; and
- Practices for reconnection upon receipt of a valid medical certification.

## Pennsylvania Power Company Files Interim Rate Plan

Pennsylvania Power Company, a FirstEnergy company, filed a petition with the Commission on Oct. 11, 2005, seeking approval of an electricity procurement plan for its non-shopping customers. This filing is necessitated by the expiration of Penn Power's generation rate caps on Dec. 31, 2006. The plan would set rates for Penn Power's retail customers for a 17-month period, beginning on Jan. 1, 2007, and continuing through May 31, 2008.

Penn Power proposes to acquire supply through a competitive bidding process, and will offer fixed prices to all rate classes. The Commission has referred this petition to the Office of Administrative Law Judge for evidentiary hearings.

## DSM/EE Guidelines

*Continued from Page 2.*

Custom measures include measures that may be considered too complex or unique to be included in the catalog. It also would include measures that may involve metered data, but require additional assumptions to arrive at a "typical" level of savings as opposed to an exact measurement. An example includes a time-of-use pricing program that determines savings by comparing actual metered usage to typical load profiles of similar customers.

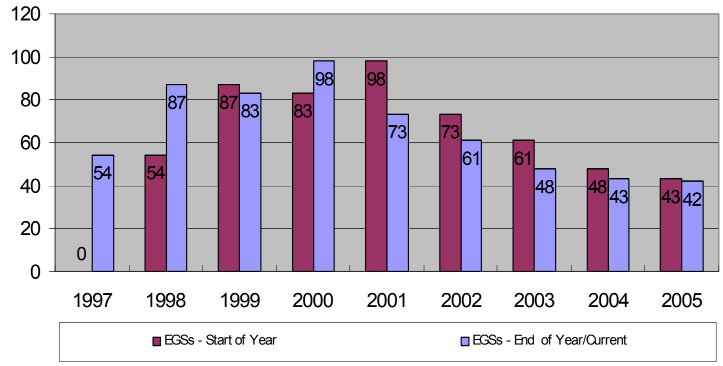
The Commission's Bureau of Conservation, Economics and Energy Planning (CEEP) will oversee the implementation, maintenance and periodic update of the TRM for the catalog measures and the general guidelines for the metered and custom measures. Updates to the TRM and general guidelines may be made on an annual basis or more or less frequently. The alternative energy credits program administrator will manage the credit certification process. The administrator will: a) award certificates based on its review and verification of applications; b) maintain a log of issues and opportunities for improvement; and c) communicate issues to the Bureau of CEEP. The DSM/EE Working Group will convene periodically as requested by the Bureau of CEEP to provide input and recommendations on issues that may arise, and to develop enhancements and revisions to the TRM and general guidelines.

# Electric Supplier Licensing

**Quarterly activity from April 1 to Sept. 30, 2005.**

**42 Active Licenses**
2 licenses canceled
1 license approved
2 applications pending

## Number of Licensed EGSs




# Summary of Customer Shopping in Electric Competition Programs

## Data Available as of October 2005

## Number of Customers

| Number of customers | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| State | Res-Shopping | Total Res | % Res-Shopping | C&I Shopping | Total C&I | %C&I Shopping | R/C/I Shopping | Total R/C/I | % R/C/I Shopping |
| Texas | 1,228,781 | 5,148,792 | 23.87% | 251,892 | 786,369 | 32.03% | 1,480,673 | 5,935,161 | 24.94% |
| Ohio | 925,501 | 4,100,491 | 22.50% | 128,595 | 551,120 | 23.33% | 1,054,096 | 4,651,611 | 22.66% |
| Massachusetts | 190,355 | 2,258,463 | 8.42% | 51,883 | 333,114 | 15.57% | 242,238 | 2,591,577 | 9.34% |
| New York | 319,361 | 5,611,518 | 5.70% | 149,273 | 867,351 | 17.21% | 468,634 | 6,478,869 | 7.20% |
| Washington, DC | 5,505 | 203,451 | 2.70% | 5,567 | 26,581 | 20.90% | 11,072 | 230,032 | 4.80% |
| Pennsylvania | **148,321** | **5,134,050** | **2.88%** | **53,440** | **559,444** | **9.55%** | **201,761** | **5,693,494** | **3.54%** |
| Maryland | 29,406 | 1,924,729 | 1.50% | 15,392 | 227,250 | 6.80% | 44,798 | 2,151,979 | 2.10% |
| New Jersey | 1,447 | 3,248,888 | 0.04% | 4,491 | 485,710 | 0.92% | 5,938 | 3,734,598 | 0.16% |

## Load

| LOAD | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| State | Res-Shopping | Total Res | % Res | C&I Shopping | Total C&I | %C&I | R/C/I Shopping | Total R/C/I | % R/C/I Shopping |
| Washington, DC | 17.57 MW | 469.99 MW | 3.70% | 1,386.81 MW | 1,813.08 MW | 76.50% | 1,404.38 MW | 2,283.07 MW | 61.50% |
| Texas | 1,751,342 MWh | 7,108,149 MWh | 24.64% | 4,643,382MWh | 7,485,422MWh | 62.03% | 6,394,724MWh | 14,593,571MWh | 43.81% |
| New York | 254,183 MWh | 2,935,346 MWh | 8.70% | 3,088,073 MWh | 5,683,490 MWh | 54.33% | 3,342,256 MWh | 8,618,836 MWh | 38.80% |
| Massachusetts | 143,563MWh | 1,799,860 MWh | 7.97% | 1,458,921 MWh | 2,919,198 MWh | 49.97% | 1,602,484 MWh | 4,719,058 MWh | 33.95% |
| Maryland | 118.1 MW | 6,051.6 MW | 2.00% | 3,635.0 MW | 6,658.3 MW | 54.60% | 3,753.2 MW | 12,710 MW | 29.50% |
| Ohio | 732,567MWh | 3,317,343 MWh | 22.08% | 1,663,191 MWh | 8,052,394MWh | 20.65% | 2,395,758 MWh | 11,369,737 MWh | 21.07% |
| New Jersey | N/A | N/A | N/A | N/A | N/A | N/A | 2,815 MW | 20,136 MW | 13.97% |
| Pennsylvania | **331 MW** | **12,215 MW** | **2.70%** | **2,414 MW** | **15,626 MW** | **15.45%** | **2,745 MW** | **27,783 MW** | **9.88%** |

### Customer Data Information

**Sources: PA Office of Consumer Advocate PA data-October 2005; Texas-June 05, Texas PUC staff; Ohio-June 05; MA-Aug 05; NY-June 05; and Washington, DC- Aug 05.**

"Total Res" & "Total C&I" (Column 2,5) data is derived by dividing "Customers Load (MW) Served by an Alt. Supplier" by "% of Customers Load (MW) Served by an Alt Supplier."

The percent of load served by Duquesne's competitors increased from about 36 percent on January 2005 to 48 percent on November 2005, after POLR III rates took effect.

In the restructuring agreement, several hundred thousand residential PECO customers were assigned to alternative suppliers in 2003. These customers received discounted electric generation service from EGSs for a period of one year ending in December 2004. Dominion Retail returned approximately 180,000 of these residential customers to PECO in December 2004 at the conclusion of the assignment period. However, these customers have been given a "Savings Watch" option with Dominion. If Dominion can offer electric service at a price lower than PECO's for a 12-month period, starting at any time through December 2006, these customers will automatically return to Dominion's service.

* Texas choice programs are not available to all customers. Many electric cooperatives, municipal utilities and some investor owned utilities do not offer choice programs. Texas has 8,594,000 residential, 1,501,000 commercial and 119,168 industrial customers. This would put total Texas RCI shopping at 5.75 percent.

## Rail Safety National Action Plan


During May 2005, the United States Department of Transportation Secretary Norman Mineta announced a new Federal Rail Administration (FRA) plan to improve safety in the railroad industry. Although the railroad industry's safety record has improved over the last decade, substantial improvement in the accident rate has not occurred. The new FRA plan focuses on measures to prevent accidents caused by human error and track conditions, and it also establishes a national inspection plan that utilizes inspectors where data analysis identifies the highest safety risks.

Railroad safety statistics reveal that more than 70 percent of train accidents are caused by human factors (38 percent) and defective track (34 percent). The most common human factors leading to accidents are such things as improperly aligned switches; improper monitoring of shoving movements; allowing cars to remain in positions that obstruct the track; failure to properly apply brakes; and fatigue. The most common track defects leading to accidents are wide gauge (distance between rails) and broken rails. In Pennsylvania, the majority of train accidents appear to occur at slow speeds in rail yards. From 2002, 75 percent of track caused accidents, and 83 percent of accidents attributed to human factors occurred on track with a speed limit of 10 mph.

The National Inspection Plan (NIP) uses accident and violation data to develop predictive indicators which are then used to deploy inspection resources. For example, the NIP will review a particular segment of track by analysis of the number of accidents and their respective causes, and the number of inspections and the violations that were discovered. More inspection time will be expended on segments of track with a history of accidents and frequent violations.

The PUC's Rail Safety Division continues to meet with its FRA regional partners to coordinate the use of inspector resources on railroad facilities that have been identified by the NIP as high priority. The Rail Safety Division employs six inspectors and one supervisor.

## Fuel Cost Recovery Surcharge

Sparked by unanticipated, rapid increases in gasoline prices, the Commission authorized call and demand carriers, paratransit carriers, and airport transfer carriers to implement a fuel surcharge. The fuel surcharge was first implemented at the June 10, 2004, public meeting, and it continues to remain in effect. During the first 15 months of the authorized fuel surcharge, the PUC's Bureau of Transportation and Safety (BTS) evaluated the surcharge amounts on a quarterly basis to ensure they were just and reasonable. Currently, since gasoline prices have been quite volatile, BTS evaluates the fuel surcharge monthly.

The Commission determines the amount of the fuel surcharge by examining the average trip length, the average amount of gasoline consumed on the trip, and the price of gasoline. For taxi carriers, the initial fuel surcharge approved by the Commission was 30 cents per trip. It rose to a high of 90 cents in September 2005, when gas prices were over $3 per gallon, and currently is 55 cents. The initial surcharge for paratransit and airport transfer carriers was 70 cents. In September, it increased to a high of $2, and is currently set at $1.25. The surcharge does not apply to taxicabs in Philadelphia, since they are not under the PUC's jurisdiction.

The Commission's website has a dedicated page (http://www.puc.state.pa.us/transport/motor/fuel_surcharge.aspx) that provides current information about the fuel surcharge that can be used by both the affected industries and consumers.

# Water and Wastewater Applications

The following chart is a list of water and wastewater applications that were recently approved by the Public Utility Commission.

## Applications Approved
### July 1 to Nov. 10, 2005

| Utility | Action | Territory | Approval Date |
|---|---|---|---|
| | | | |
| Superior Water Company | Acquisition of JRP Ltd | Upper Frederick Township Montgomery County | 8/25/05 |
| PA-American Water Company | Acquisition of Blue Mt. Lake Association -water | Stroud, Smithfield Townships Monroe County | 9/9/05 |
| PA-American Water Company | Acquisition of Blue Mt. Lake Association-sewer | Stroud, Smithfield Townships Monroe County | 9/9/05 |
| Aqua PA Inc. | Acquisition of Green Briar Estates - water | Lehman, Dallas Townships Luzerne County | 7/14/05 |
| PA-American Water Company | Additional Territory | Portion of Lehman Township Luzerne County | 8/11/05 |
| Aqua PA Inc. | Acquisition of Meadowcrest Water | Kingston Township Luzerne County | 7/14/05 |
| Aqua PA Inc. | Acquisition. of Garbush Water Company | Jackson Township Luzerne County | 8/11/05 |
| PA-American Water Company | Additional Territory | Portions of New Beaver, Big Beaver Boroughs Beaver County | 8/11/05 |
| Superior Water Company | Additional Territory | Portion of Washington Township - Berks County | 8/11/05 |
| Cecil Wastewater Treatment Company | Assets sold to L&S Wastewater Inc. | Cecil Township Washington County | 8/11/05 |
| Aqua PA Inc. | Additional Territory | Portion of East Brandywine Township - Chester County | 9/29/05 |
| Dorwart Enterprises-Water and Wastewater | Abandoned Certificates | Fairview Township York County | 8/25/05 |
| Superior Water Company | Acquisition of Ivy Ridge Development | Upper Frederick Township Montgomery County | 8/25/05 |
| PA-American Water Company | Additional Territory | Big Beaver Boroughs Beaver County | 9/9/05 |
| Valley Run Water Company | New Company Certificate | Washington Township Berks County | 11/10/05 |
| Aqua PA Inc. | Acquisition of CS Water & Sewer Association - water | Lackawaxen Township Pike County | 10/06/05 |
| Little Washington Wastewater Company | Acquisition of CS Water & Sewer Association - wastewater | Lackawaxen Township Pike County | 10/06/05 |
| Aqua PA Inc. | Additional Territory | Robeson Township Berks County | 10/27/05 |

# NARUC Rate School

The National Association of Regulatory Utility Commissions' (NARUC) Water Committee holds a "hands-on" class teaching rate base/rate of return rate making twice a year.

This is an a valuable learning experience combining lectures, question and answer sessions, and the actual processing of a mock rate case. Students are assigned into small groups: a mixture of company representatives, commission personnel, consultants, advocates, analysts, engineers and lawyers. Each group is expected to act as Commissioners for a week and determine a revenue increase and rate structure pertaining to the mock rate case.

The class is also an interesting training session in group dynamics. Commission staff would recommend this course to anyone who is interested in learning this rate-setting methodology. You will learn about adjustments to rate base, revenue, operation and maintenance expense, depreciation, taxes, rate of return and rate structure, and how each piece fits in the process.

The school began over 30 years ago and has been growing in interest and attendance ever since. The PUC's Carol Kozloff, assistant to Chairman Wendell F. Holland, helps oversee the school's administration for the NARUC Committee on Water, and serves on the faculty. She helps organize the faculty, who are longtime experts in the water and energy industries. The Pennsylvania PUC also provides three other faculty members: Chairman Wendell Holland; Judy Koch Carlson, Manager of the Water/ Wastewater Industry group in the Bureau of Fixed Utility Services; and Carl Lesney, from the Pittsburgh Office of the Bureau of Audits.

For further information on Rate School go to the NARUC-Water Committee website at http://NARUC.org, and then select the Continuing Education link on the side menu.

# Water and Wastewater Rate Increases

## Rate Increase Request Summary

### July 1 to Nov. 10, 2005

| Utility Name | Amount ($) Requested | Granted Increase $ | Granted Percent % | Action | Action Date |
|---|---|---|---|---|---|
| Franklin Manor Utility Inc. - Wastewater | 24,179 | | | Withdrawn | 7/14/05 |
| Columbia Water Company | .02 / 1,000 gallons | Same | N/A | Approved as filed PENNVEST adjustment | 7/14/05 |
| Glendale Yearound Sewer Company | 90, 302 | | | Investigation | 8/25/05 |
| Pocono Water Works Company Inc. | 18,371 | | | Investigation | 8/25/05 |
| Bethlehem Water Department | 2,362,509 | | | Investigation | 8/25/05 |
| Mesco Inc.- Wastewater | 48,300 | | | Investigation | 8/25/05 |
| Wonderview Water Company | 13,745 | | | Investigation | 9/29/50 |
| Meadows Sewer Company | 55,472 | | | Investigation | 9/29/05 |
| Marietta Gravity Water Company | 114,000 | | | Investigation | 9/29/05 |
| C.M.V. Sewerage Company Inc. | 81,771 | | | Investigation | 11/10/05 |
| Wilcox Water Company Inc. | 19,662 | 10,974 | 24.21 | Alternative | 10/27/05 |
| City of Lancaster | 650,465 | 89,693 | 7.50 | Litigated | 8/31/05 |

# Change to Filing Requirements for Million-Dollar Rate Increases

Section 53.53 of Title 52 of the Pennsylvania Code requires that a water or wastewater utility requesting a general rate increase in excess of $1 million provide extensive information regarding the company's income, revenues, expenses, taxes, rate base, depreciation and rate of return. On Oct. 24, 1994, the Commission issued an Advance Notice of Proposed Rulemaking to solicit comments from utilities for the purpose of providing input as to how these filing requirements may be modified to streamline the information provided.

After a collaborative effort by government entities, including the PUC, Office of Small Business Advocate and the Office of Consumer Advocate, and utilities (Aqua PA Inc., The York Water Company and Pennsylvania-American Water Company), the Commission issued an order on Oct. 29, 2001, proposing to revise its existing tariff filing requirements relating to water and wastewater public utilities. On Sept. 26, 2004, the Commission entered a tentative final rulemaking order and, after comments from interested parties and approval by the Independent Regulatory Review Commission, entered a final rulemaking order on Feb. 9, 2005.

The new filing requirements developed as a result of this process have eliminated certain outdated requirements, consolidated the industry specific data requests into the basic filing requirements, and reorganized all of the data requirements by topic in order to provide a more structured and coherent presentation. These revised filing requirements will improve the presentation of relevant data for the benefit of all participants in rate cases.

# Update on Chapter 30 Proceedings

The Commission has completed implementing certain Chapter 30 provisions concerning the incumbent local exchange carriers' (ILECs) amended network modernization filings (NMPs). Thirty-three ILECs have filed amended NMPs pursuant to options provided in Chapter 30. Twenty-nine ILECs have elected Option 1 at Section 3014, which provides for 100 percent broadband deployment by 2008 with a productivity offset of zero percent. Sprint and ALLTEL have chosen Option 2, which requires a rural ILEC to commit to 80 percent broadband availability by 2010 and 100 percent by 2013 or 2015 plus a bona fide request program or business attraction or retention program. Verizon and Verizon North have elected Option 3, which provides a non-rural ILEC to commit to 100 percent broadband availability by 2013 or 2015 plus a bona fide request program or business attraction or retention program. In June 2005, the PUC completed its approval of all 33 amended NMPs.

Of Pennsylvania's 33 ILECs, 18 chose a form of price cap regulation and 15 crafted a "non-traditional simplified" rate-base rate-of-return plan.

Each price cap company's plan contains an inflation index formula, i.e., Price Stability Index, based on the Gross Domestic Product - Price Index (GDP-PI). Only the two non-rural ILECs (Verizon PA and Verizon North) have a mandatory offset of 0.05 percent. The remaining price cap companies chose a network modernization commitment with a zero offset.

The elimination of the productivity offset has already resulted in rate increases for ALLTEL, Buffalo Valley, Conestoga, Commonwealth and D&E Telephone Company customers. Several ILECs (Ironton, M&M, North Pittsburgh and Sugar Valley) chose to delay rate increases for their customers this year, opting to "bank" their allowed revenue increases for up to four years. The Commission is currently reviewing other price cap company filings and expects more ILECs to become price cap companies during the next year.

In implementing Section 3015(e) of Chapter 30, the Commission entered a tentative order in April 2005 directing the continuation, consolidation and/or elimination of the general filing and reporting requirements presently imposed on LECs operating in Pennsylvania. In that order, the Commission solicited comments to determine what reporting requirements remain for LECs in light of the statutory changes. The PUC entered a final implementation order on Oct. 5, which eliminated nine reporting requirements through a separate proposed rulemaking proceeding.

In addition, the Commission opened a new separate proceeding at Docket Number M-00051900 to conduct a Section 3015(f) review of the Lifeline tracking and accident and service outage reports to determine whether these reports can be required under Chapter 30. The PUC has requested comments to determine whether the reports are necessary and beneficial as prescribed by Section 3015(f).

In accordance with Section 3016, three ILECs have filed tariff revisions to declare certain services competitive since Chapter 30 provides a streamlined process for ILECs to obtain competitive status with total pricing freedom. Chapter 30 permits an ILEC to declare non-protected services as competitive upon filing its declaration with the Commission. At the present time, the Commission has received numerous tariff filings declaring more than 30 telecommunications services competitive on one day's notice. Upon completion of its review, the PUC issues secretarial letters to the affected ILECs indicating that the services are competitive by operation of law.

Chapter 30 establishes a Broadband Outreach and Aggregation Fund and an Education Technology Fund at Section 3015. The statute provides that the Commission is responsible for annually assessing the companies that are required to contribute to the funds. In June 2005, the Commission approved assessments for Verizon Pennsylvania and Verizon North for their individual contributions to the Education Technology Fund of $7 million in accordance with Section 3015(d). The assessment for the Broadband Outreach and Aggregation Fund is contingent upon rate change opportunity filings submitted by ILECs. Since no rate change opportunity filings were submitted as of June 30, 2005, the resulting assessment for the Broadband Outreach and Aggregation Fund was zero.

Because Chapter 30 declares all interexchange (IXC) services competitive and prohibits the Commission from setting IXC rates, the PUC initiated a proposed rulemaking in March 2005 at Docket Number L-00050170 to eliminate the requirement that IXCs file tariffs for intrastate competitive services. Presently, the Commission is seeking comment on its proposed regulatory changes.

According to the statute and an ILEC's amended plan, the Business Attraction or Retention Program and the Bona Fide Retail Request Program are to be implemented within 90 days of the effective date of the amended NMP. Section 3014(c) and (d) require that an ILEC file a written description of the programs with the Commission. Presently, three companies have filed their program descriptions with the Commission in compliance with their amended NMPs.

## Triennial Review Remand Order Update

On Sept. 29, the PUC ordered a suspension to Verizon Pennsylvania Inc.'s filing to revise Tariff No. 216 that would discontinue competitive local exchange carriers' (CLEC) access to the unbundled network element (UNE) for entrance facilities (see Docket No. R-00050800). The Federal Communications Commission (FCC) generally defines entrance facilities as dedicated transport that does not connect a pair of incumbent local exchange carriers (ILEC) wire centers. According to Verizon, the filing made its tariff consistent with the FCC's *Triennial Review Order* (TRO) and *Triennial Review Remand Order* (TRRO).

The PUC ordered that the proposed revision to Verizon's tariff be suspended pending the outcome of the recently concluded investigation dealing with Verizon's amendments to interconnection agreements with CLECs and compliance with Section 251 unbundling obligations due from the TRO and TRRO. In that investigation, docketed at P-00042092, the administrative law judge (ALJ) issued his recommended decision on Sept. 9, 2005. Commission action on the recommended decision is expected early next year.

The PUC determined that the proper definition for entrance facilities is in dispute before the Commission, and an accurate classification of the definition of "entrance facility" is critical to proper resolution of the tariff issue. Thus, the PUC found it premature to make a decision on entrance facilities while the ALJ's recommended decision is pending.

The PUC acknowledged that the TRO and TRRO found that an ILEC is not obligated to provide a requesting carrier with unbundled access to dedicated transport that does not connect a pair of ILEC wire centers. However, this finding of non-impairment, with respect to entrance facilities, does not alter the right of CLECs to obtain interconnection facilities pursuant to 47 U.S.C. §251(c)(2) for the transmission and routing of telephone exchange service and exchange access service. *TRRO* ¶140.

The FCC also requires ILECs to provide requesting competitive carriers to have access to these facilities at cost-based rates. Thus, CLECs will have access to these facilities at cost-based rates to the extent that they require them to interconnect with the ILEC's network. During the suspension period, Verizon was ordered to apply the existing rates, rules and regulations in Tariff No. 216.

On Oct. 26, 2005, Verizon appealed the matter in the United States District Court for the Eastern District of Pennsylvania (Civil Action No. 05-5666.)

## AT&T/SBC Merger Approved, Verizon/MCI Merger Pending

By opinion and order entered Oct. 6, 2005, at Docket Nos. A 311163F0006, A-310213F0008 and A-310258F0005, the PUC unanimously approved the merger of AT&T Corporation with SBC Communications Inc. without conditions. Under the merger, AT&T will become a wholly owned subsidiary of SBC. The PUC's action on this matter completes its review of the merging companies' joint application for approval of the merger, which was filed on Feb. 28, 2005.

SBC Communications is a Delaware-based company with headquarters in San Antonio, Texas. The company and its subsidiaries offer services in a 13-state region, concentrated in the Western, Midwestern and Southwestern United States. AT&T is a New York holding corporation with headquarters in Bedminster, New Jersey. AT&T, through its subsidiaries, is authorized to provide domestic and international telecommunications services throughout the United States and operates the world's largest telecommunications network offering a global presence in more than 50 countries.

In Pennsylvania, SBC wholly owns three subsidiaries that are certificated to provide competitive interexchange and local exchange telecommunications services – SBC Long Distance Inc., f/k/a Southwest Bell Communications Services Inc.; SBC Telecom Inc.; and SNET America Inc. d/b/a SBC Long Distance East. AT&T owns three subsidiaries in Pennsylvania that are certificated to provide interexchange and local exchange telecommunications services – AT&T Communications of Pennsylvania LLC, TCG Pittsburgh Inc. and TCG-Delaware Valley Inc. f/k/a Eastern Telelogic Corporation. The merger will not change customer rates or conditions of services provided to the state's existing SBC or AT&T customers.

The PUC approved the deal after finding that the merger will enhance competition, service reliability and customer service and convenience. The record in the proceeding indicated that the merged company will be committed to the aggressive deployment of Voice over Internet Protocol (VoIP) to Pennsylvania's mass market telephone service customers.

In October, the Department of Justice and the Federal Communications Commission approved both mergers with conditions as in the public interest.

Another merger proceeding currently pending before the PUC involves the joint petition filed March 7, 2005, concerning Verizon Communications Inc.'s acquisition of MCI Inc. at Docket No. A-310580F0009, et. al., wherein MCI will become a subsidiary of Verizon and the MCI Pennsylvania subsidiaries will remain subsidiaries of MCI. The Commission anticipates completing its action on this merger prior to the end of the year.

# Regulations for Changing Local Service Providers

*Changing Local Service Providers* (52 Pa. Code Chapter 63.191-222) became effective on Aug. 13, when it was published in the *Pennsylvania Bulletin*. The regulation recognizes the right of a telephone customer to migrate from one local service provider (LSP) to another and addresses the responsibilities of old LSPs, new LSPs and network service providers (NSPs) to ensure that residential and business customers can migrate from one LSP to another without confusion, delay or interruption of their telephone service. The regulation applies to all LSPs and network service providers operating in Pennsylvania.

Provisions of the regulation include several important roles for the Commission. Section 63.222 provides for a non-adversarial, expedited dispute process to address migration disputes between service providers. The PUC will designate staff as contact persons for LSPs and NSPs to request expedited resolution for alleged problems between service providers or lack of compliance with the subchapter. Designated staff will review the dispute and within two working days attempt to contact the involved entities, suggesting a nonbinding resolution of the dispute.

Section 63.201(f) requires each LSP and NSP to maintain a company contact and escalation list for use in resolving migration problems. Each company is to post the contact list on its website and supply the website information to the Commission. The PUC will post the website addresses on its own website.

In addition, the Commission will encourage the formation of an industry working group to develop industry guidelines to identify and address the minute details associated with customer migrations.

The *Changing Local Service Providers* regulation evolved from problems that consumers encountered when they attempted to change LSPs. Prior to the rulemaking, the PUC adopted interim guidelines to address the issues and held a series of collaborative sessions with telecommunications carriers and other interested parties.

# Numbering Update

In June 2005, the PUC acted to rescind the area code relief plan for the 610/484/445 numbering plan areas (NPAs). In its order, the PUC stated that the projected exhaust date for the 610/484 NPAs was extended several times and is now projected to exhaust in the first quarter of 2011. In assessing the numbering resources available in these area codes, the PUC determined that there are sufficient telephone numbers available to telecommunications service providers to warrant its action. The Commission also returned the proposed area code (445) to the North American Numbering Plan Administrator.

# LSP Abandonment Process

On March 10, 2005, the Independent Regulatory Review Commission (IRRC) approved the Local Service Provider Abandonment Process regulations (52 Pa. Code Chapter 63.301-310) which became effective on April 16, 2005. The primary purpose of these regulations is to ensure that residential and small business customers do not lose local telephone service when their local service provider (LSP) exits the market. Jurisdictional public utilities are required to file an abandonment application with the Commission when exiting the market. However, the PUC was prompted to establish a more orderly abandonment process after several competitive local exchange carrier (CLEC) resellers exited the market without notice to the Commission or their customers.

The LSP abandonment regulations apply to all LSPs and network service providers (NSPs) operating in Pennsylvania and establish general rules and standards for the pretermination, termination and abandonment of local telephone service. The regulations provide procedures for when a NSP intends to terminate service to a LSP, when the Commission revokes a LSP's certificate of public convenience and when a LSP voluntarily applies to abandon its certificate of public convenience. Notice provisions ensure that customers do not lose service when their LSP exits the market because they will have enough notice and an opportunity to select a new LSP of their choice. Moreover, the regulations require that an abandoning LSP provide adequate network information to facilitate the migration of customers' local telephone service.

The regulations require that abandoning LSPs file an abandonment plan 35 days in advance of abandoning service. In addition, the abandoning LSP must appoint a program manager to coordinate the abandonment process. In the event of abandonment, the PUC's Bureau of Consumer Services has designated Joan Smith as the project manager to work with abandoning LSPs. Finally, the PUC will post information about an impending abandonment on its website.

# Area Code Exhaust Dates

On Oct. 31, 2005, the North American Numbering Plan Administrator (NANPA) released the most recent area code exhaust dates. All of Pennsylvania's area codes projected exhaust dates were extended to at least 2010. The 570, 717 and 814 numbering plan areas (NPAs) are projected to exhaust in 2010. The 610/484 NPAs are not expected to exhaust until 2011 and the 215/267 NPAs are projected to exhaust in 2012. In Western Pennsylvania, the 412/724/878 area codes continue to be projected to exhaust in 2023.

# Rural Telecom Investigation

In an order entered Aug. 30, at Docket No. I-00040105, the PUC addressed a Petition for Interlocutory Review, filed jointly by the Rural Telephone Company Coalition, the Commission's Office of Trial Staff and the Office of Consumer Advocate. Specifically, the joint petitioners requested, *inter alia*, interlocutory review of whether the presiding administrative law judge (ALJ) erroneously denied their request to stay the rural carriers' access charge investigation until pending action by the Federal Communications Commission (FCC) in its Unified Intercarrier Compensation Proceeding at Docket No. 01-92.

The rural carriers' access charge investigation was originally instituted by the PUC in an order entered Dec. 20, 2004, to determine whether there should be further intrastate access charge reductions and intraLATA toll rate reductions in the service territories of rural incumbent local exchange carriers (ILECs).

The ALJ's rationale for denying the joint petitioners' request was that it was the Commission's directive that appropriate proceedings be conducted to fully develop an analysis and recommendation on the questions presented and that the PUC, itself, may choose to delay its final action on the ALJ's recommended decision if it decided to wait until after the conclusion of the FCC's proceeding.

In the Aug. 30 order, the PUC ruled that deferring the investigation based on the pending FCC proceeding provides a reasonable basis to grant the joint petitioners' request because: 1) it would avoid a waste of administrative resources; 2) certain outcomes of the FCC's Unified Intercarrier Compensation Proceeding can directly affect the intrastate carrier access charges of the rural ILECs; and 3) rural ILECs in Pennsylvania may not benefit from potential increases in federal Universal Service funding if the PUC required rural ILECs to reduce their intrastate access charges prior to the FCC's proceeding. As such, the PUC acted to stay the investigation for a period not to exceed 12 months, or until the FCC issues its ruling in its Unified Intercarrier Compensation Proceeding.

# Sprint Files to Separate Local Telephone Operations in Pennsylvania

As a result of the Sprint Nextel merger, which was completed in August 2005, Sprint is now in the process of separating the operations of its local telecommunications business from its other operations. Sprint's new local company will continue as part of the merged Sprint Nextel until the necessary approvals are obtained from state regulators. The common stock of the combined company began trading on the New York Stock Exchange on Aug. 15, 2005, under the symbol S.

The United Telephone Company of Pennsylvania d/b/a Sprint and Sprint Long Distance Inc. officially filed with the Pennsylvania PUC for approval to separate its associated local telephone operations into its own company on Aug. 28, 2005, at Docket Nos. A-323200F0007 and A-311379F0002. The PUC published notice of the filing in the Sept. 9, *Pennsylvania Bulletin* directing that any formal protests and petitions to intervene must be filed on or before Sept. 26, 2005. The PUC also assigned the matter to the Office of Administrative Law Judge for any necessary hearings.

Once the local division is separated, it will be the fifth-largest local telecommunications provider in the country with 7.7 million access lines in 18 states. The new company, which has yet to be named, will be headed by Daniel Hesse, a former AT&T Wireless executive.

The United Telephone Company of Pennsylvania d/b/a Sprint is Sprint's local wireline telephone company operating in the state. Sprint's local Pennsylvania operations provide service in all or parts of 25 counties located in Central and Western Pennsylvania. As of June 30, 2005, these operations served approximately 386,000 access lines. On Aug. 26, 2005, the company filed an application with the Pennsylvania PUC for approval in regards to this corporate reorganization.

According to Sprint, the separation of its local telephone operations will eliminate tension between Sprint Nextel's strategies to displace local access lines through wireless substitution and through partnerships with content providers, which conflict with the local business's primary mission to provide services over the local wireline network. Sprint also believes that creating two companies with distinct strategies will allow both companies to pursue those strategies without conflict.

## Lifeline Update

The Commission directed all jurisdictional eligible telecommunications carriers (ETCs) to implement the Lifeline provisions at 66 Pa. C.S. §3019(f)(1-4) in its final Lifeline order at Docket No. M-00051871, entered May 23, 2005. The rules at §3019(f) apply to all Pennsylvania incumbent local exchange carriers and three competitive local exchange carriers. Under provisions at §3019(f)(1-4), these local exchange carriers (LECs) are to inform new and existing customers about the availability of Lifeline and Link-Up services. In addition, they must permit eligible Lifeline service customers to purchase vertical services such as call waiting.

PUC staff is working with the Pennsylvania Telephone Association (PTA) sponsored work group to implement §3019(f)(5), the Lifeline service automatic notification provision. This provision requires that all jurisdictional ETCs provide the Department of Welfare (DPW) with service descriptions, subscription forms, contact telephone numbers and service area information so it may begin notifying its clients about the availability of Lifeline service. The work group, consisting of PTA, DPW, Office of Consumer Advocate, the Public Utility Law Project and PUC staff, is working to get the automatic notification program implemented by early November.

## PUC Staff Report on Verizon's Density Cells

By order entered Sept. 12, 2005, at Docket No. M-00041790, the PUC released a staff report that evaluates the proposals submitted by the participants to the Technical Conference to address the merits of revising Verizon Pennsylvania Inc.'s existing density cell structure and its impact on wholesale unbundled network element (UNE) rates. The Technical Conference was initiated by the PUC in its final order entered Dec. 11, 2003, at Docket No. R-00016683 (*Generic Investigation Re: Verizon Pennsylvania Inc.'s Unbundled Network Elements*) in an effort to design rates to increase competition in those telephone exchanges assigned to Density Cell 4 under Verizon PA's existing rate structure for wholesale pricing.

The Sept. 12 order adopted PUC staff's recommendation to close the proceeding to consider proposed revisions to Verizon PA's existing density cell rate zone structure, without prejudice to any participant's ability to litigate this issue in a separate proceeding. In its recommendation, staff concluded that, while it is able to articulate the likely effects of certain proposed revisions, it does not have sufficient information resulting from the Technical Conference to advise whether a revision to the existing wholesale density cell rate structure should be affirmatively recommended in light of unforeseen consequences attendant to any proposed revision which have not been the subject of record development.

## NMP Audit Program

The PUC entered an order on Oct. 28, 2005, upholding its authority under Act 183, the new Chapter 30 of the Public Utility Code, to develop appropriate monitoring and enforcement procedures for verifying each incumbent local exchange carrier's network deployment as reported in its network modernization plan (NMP) updates. The PUC held that it has the authority to perform investigative-type audits for the purpose of independently verifying the reported progress of a company's NMP and to require the audited company to pay for the audit.

The PUC also agreed to allow Verizon to pay for its future audits from the money remaining in the Escrow Fund established to facilitate the PUC's analysis of performance metric reports subject to the requirement that Verizon will make up any funding shortfall. Finally, the PUC agreed to defer conducting any such audits until after Verizon files its 2007 biennial report.

# Natural Gas Supply Market Report Issued

On Oct. 6, 2005, the Pennsylvania Public Utility Commission (PUC) concluded its investigation into competition in Pennsylvania's retail natural gas supply services market by issuing its report to the General Assembly. After extensive review of the record, the Commission determined that effective competition does not exist in the statewide market. (*Investigation into the Natural Gas Supply Market*, Docket No. I-00040103.)

The Commission's determination was based on the lack of supplier and customer participation in the competitive retail market and the presence of barriers that discouraged participation by these groups. Barriers to supplier participation included stringent security requirements and excessive penalties that varied among natural gas distribution companies (NGDCs), mandatory capacity assignment, and the NGDC-established Price to Compare (PTC) that does not include all costs of gas supply procurement. Customers are discouraged from market participation because they are not provided with accurate or timely information about the true price of natural gas supply due to the adjustment of the PTC on a quarterly instead of a monthly basis.

Because the Commission determined that there is no effective competition in the natural gas retail market statewide, the PUC is required by law to convene the stakeholders in the natural gas industry to examine ways to increase competition. *See* 66 Pa. C.S. §2204(g). The stakeholders include the natural gas distribution companies, natural gas suppliers, residential customers, commercial and industrial customers, the Office of Consumer Advocate, the Office of Small Business Advocate and other interested parties. The Commission's Office of Trial Staff may also participate in the group.

In its order releasing the report, the PUC indicated that it would call an initial meeting of the stakeholders before the end of 2005.

# Natural Gas Supplier Licensing

**Quarterly Activity from April 1 to Sept. 30, 2005.**

**82 Active Licenses**

2 licenses canceled
3 licenses approved
4 applications pending

# Excess Flow Valves

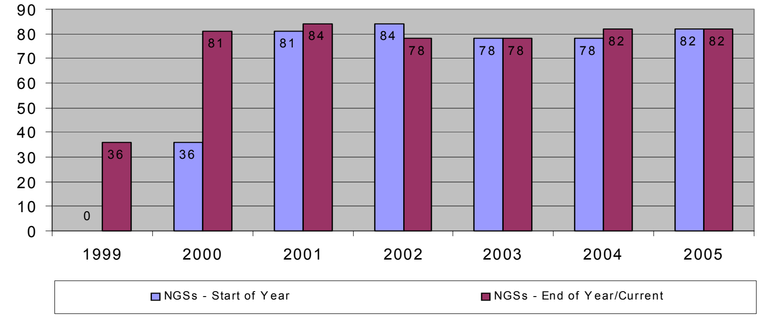
A relatively inexpensive apparatus has become somewhat of a controversial issue for the natural gas distribution industry. An excess flow valve is a device that can limit natural gas flow from the main distribution line in emergencies, when the flow of gas exceeds the safety level. In other words, if natural gas begins to flow at a rate higher than the pre-established rate of the excess flow valve, the valve will automatically close and reduce the flow of gas from the distribution main. Properly installed excess flow valves may protect against the migration of natural gas to nearby homes and other structures if the service line is damaged at a point subsequent to the valve location.

There is concern regarding the mandatory installation of excess flow valves, which revolves around several issues. First, excess flow valves do not appear to function properly in systems operating at less than 10 pounds of pressure. Second, excess flow valves may create problems for homeowners who have excess flow valves installed, but then add large natural gas consuming appliances to their household, such as home generators or spas, which would demand more gas flow from the main into the service line. Third, some contaminants may become lodged in the valve preventing it from functioning as designed. The preceding two conditions may require costly excavation and replacement of the valve. Finally, there are cost concerns for installation of excess flow valves for high volume users.

In Pennsylvania, the natural gas utilities voluntarily install excess flow valves for all new and renewed residential service lines. In fact, Pennsylvania leads the nation in the installation of excess flow valves. At this time, there is no regulation requiring the use of excess flow valves. However, on Feb. 7, 2005, a municipal water contractor was installing water facilities in New Hope, and struck and ruptured a three-fourths-inch steel gas service line connected to a residential structure. As a result of the line hit, natural gas migrated into the residential structure and subsequently exploded. Several people were injured.

The nearby volunteer fire department investigated the fire, along with PUC gas safety inspectors, the state police fire marshal, and the Department of Labor and Industry. Fire department representatives concluded that if an excess flow valve had been installed in the residence's service line, the explosion may have been prevented. The incident got the attention of the local United States Congressman, and now is a part of the current nationwide discussion and review of excess flow valves to determine if their use should be mandated by law or regulation.

# Number of Licensed NGSs



# Energy Price Forecast for November 2005

The Energy Information Agency's (EIA's) November 2005 *Short Term Energy Forecast* indicates a small downward trend in heating oil and natural gas prices compared to October prices. Still, prices are expected to be considerably higher than last winter.

EIA predicts that households heating with natural gas likely will spend $306 (41 percent) more for fuel this winter than last winter. Households using with heating oil can expect to pay $325 (27 percent) more this winter than last. Households heating primarily with propane can expect to pay, on average, $230 (21 percent) more.

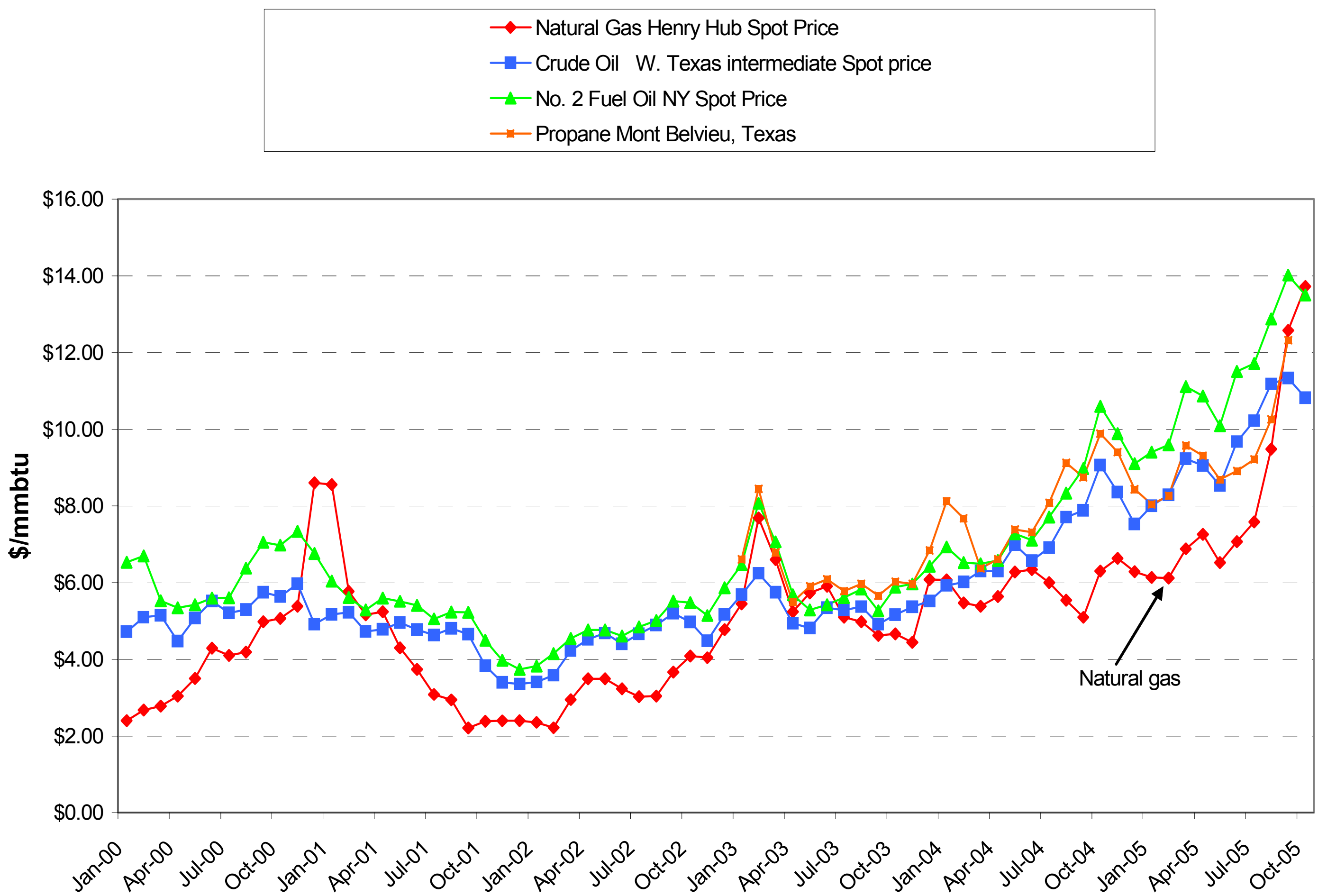
West Texas Intermediate crude oil (WTI) is the benchmark crude oil in the United States. WTI crude oil is expected to average $57 per barrel in 2005 and $64-$65 per barrel in 2006. The average Henry Hub (Louisiana) natural gas wholesale spot price was $6.65 per thousand cubic feet (mcf) in May 2005. EIA now projects that Henry Hub wholesale natural gas prices are expected to average $9.15 per thousand cubic feet (mcf) in 2005 and $9.00 per mcf in 2006.

Retail regular gasoline prices are expected to average $2.29 per gallon in 2005 and $2.43 in 2006.

The report notes: "Hurricanes Katrina and Rita damaged, set adrift, or sunk 192 oil and natural gas drilling rigs and producing platforms, the most significant blow to the United States petroleum and natural gas industries in recent memory." In this EIA Outlook, most Gulf of Mexico production is projected to come back on line by March 2006, when Gulf crude oil and gas production will reach about 80 percent of its pre-hurricane production level. Refinery capacity is improving more rapidly; by the end of February, refinery capacity is expected to be fully restored to pre-Katrina levels. On-shore oil and natural gas production in Louisiana was less than 50 percent of capacity at the end of October, but is expected to be fully restored by the end of March.

## Wholesale Fuel Prices by Heat Content

**Data from EIA's *Weekly Gas Report* and *Weekly Petroleum Status Report***



# FCC Highlights

The Federal Communications Commission (FCC) recently issued several important orders that impact Pennsylvania.

## Mergers

**SBC/AT&T and Verizon/MCI Mergers,** WC Docket No. 05-75, 05-65

On Oct. 31, 2005, the FCC approved both the SBC/AT&T and Verizon/MCI mergers with conditions as in the public interest. The FCC focused on conditions in areas such as special access, digital subscriber line (DSL) service, Internet neutrality, peering and wholesale pricing. Specifically, the merging companies have agreed, for the next 30 months, not to increase rates for in-region special access services, including contract tariffs. For the same period, the carriers have agreed not to provide to themselves, their interexchange affiliates, each other or their affiliates any special access services that are not made to other providers. The FCC also adopted conditions that require the companies not to seek an increase in state-approved rates for unbundled network elements (UNEs) for two years, except for rates currently being appealed in specific states. In addition, there is a 30-month ban on increasing rates paid to existing in-region customers of AT&T in SBC's region or of MCI in Verizon's region for wholesale DS-1 and DS-3 local private line services.

The FCC also directed a one-time recalculation to exclude fiber-based collocation arrangements established by AT&T in SBC's region and MCI in Verizon's region in identifying wire centers subject to the UNE triggers in the "triennial review" remand order for dedicated transport and/or high-capacity loops. Regarding "naked" DSL service, the FCC's order is conditioned on the merging carriers' promise to provide DSL service, within a year after their merger closing dates, without a requirement that customers also purchase circuit-switched voice telephone service. The companies will make the offering of "naked" DSL for two years from the time it is made available in a particular state. Further, the carriers also agreed to maintain settlement-free peering arrangements with at least as many providers of Internet backbone services as they do in combination, on their merger closing dates, for the next three years.

On Oct. 27, the Department of Justice approved the mergers by consent decrees.

## Voice over Internet Protocol (VoIP)

**E911 Requirements for IP-Enabled Service Providers,** First Report and Order and Notice of Proposed Rulemaking, WC Docket Nos. 04-36 and 05-196

The FCC's Voice over Internet Protocol (VoIP) 911 order was published in the *Federal Register* in June 2005 setting July 29, 2005, as the date by which VoIP providers must give customers notice of the emergency calling capabilities their service supplies. In addition, the FCC originally set Nov. 28, 2005, as the date by which fully interconnected VoIP services must deliver 911 calls to the appropriate public safety answering points (PSAPs) along with information on the location of the caller or disconnect customers.

In November, however, the FCC determined that it would not require providers that have not achieved full 911 compliance by Nov. 28, 2005, to discontinue VoIP service to existing customers. Rather, the FCC expects that VoIP providers will discontinue marketing VoIP service, and accepting new customers for their service, in all areas where they are not transmitting 911 calls to the appropriate PSAP in full compliance with the FCC's rules.

In the Notice of Proposed Rulemaking, the FCC seeks comment on what additional steps it should take to ensure that VoIP providers that interconnect with the nation's public switched telephone network provide ubiquitous and reliable E911 service. The FCC seeks comment on what it can do to further develop the VoIP technology including whether the Commission should expand the scope and requirements of this order.

In a related ruling at the same docket, the FCC's Enforcement Bureau issued a public notice on Oct. 31, 2005, providing further information regarding its intended enforcement of the subscriber acknowledgement requirement imposed on interconnected VoIP service providers. On Sept. 27, the FCC's Enforcement Bureau extended the deadline until Oct. 31 for VoIP providers to obtain subscriber affirmative acknowledgement of the limitations of VoIP 911 service. The extension was for VoIP providers that had not obtained acknowledgement from at least 90 percent of their subscribers. The affected VoIP providers reported to the FCC by Oct. 25, as required for the Oct. 31 extension.

In reviewing the reports, the FCC noted evidence of providers' continued efforts to comply with the FCC's rules as well as significant progress in obtaining acknowledgements from all of their customers regarding the limitations of their 911 service. Based on the providers' substantial efforts, the FCC ruled that they will continue to refrain from exercising their enforcement authority against those providers who have yet to obtain acknowledgements from 90 percent or more of their subscribers, provided that these providers file an additional status report with the Commission on Nov. 28, 2005.

**Verizon Granted Waiver to Exercise Pricing Flexibility for Certain Advanced Services**, WC Docket No. 04-246

On Oct. 14, 2005, the FCC granted a waiver permitting Verizon Communications Inc. to exercise pricing flexibility for advanced services that rely on packet

***FCC Highlights*** *Continued on Page 16.*

# FCC Highlights

*Continued from Page 15.*

technology similar to the current pricing flexibility for special access services. In June 2004, Verizon petitioned the FCC to waive its pricing flexibility rules concerning the company's packet-based advanced services, or in the alternative, to forbear from enforcing its rules. The FCC's waiver permits Verizon to exercise Phase I pricing flexibility for packet-based advanced services in the same areas where it already has qualified for Phase I or II pricing flexibility for other special access services. The waiver also provides an opportunity for Verizon to apply for Phase II pricing flexibility for the packet-based advanced services in the same areas by satisfying the competitive showing set forth in the price flexibility rules. Fast-packet services involve packet-switching equipment and facilities that reach enterprise customers through dedicated special access lines to form high-capacity data networks.

**Elimination of Mandated Sharing Requirement on ILEC Wireline Broadband Internet Access Services**, CC Docket Nos. 02-33, 01-337, 95-20, 98-10, WC Docket Nos. 04-242 and 05-271, Order and Notice of Proposed Rulemaking, Comments and reply comments due Jan. and March 2006

On Sept. 23, 2005, the FCC released its Order and Notice of Proposed Rulemaking concerning broadband access to the Internet over wireline facilities. The FCC stated that the wireline broadband Internet access service, commonly delivered by digital subscriber line (DSL) technology, will receive the same regulatory treatment as cable modem service. The FCC's regulatory approach is consistent with the recent United States Supreme Court ruling in the Brand X case upholding the FCC's light regulatory treatment of cable modem service. Specifically, the FCC determined that wireline broadband Internet access services are defined as information services functionally integrated with a telecommunications component.

To ensure a smooth transition, the FCC's order requires that facilities-based wireline broadband Internet access service providers continue to provide existing wireline broadband Internet access transmission offerings, on a grandfathered basis, to unaffiliated ISPs for one year. The order also requires facilities-based providers to contribute to existing universal service mechanisms based on their current levels of reported revenues for the DSL transmission for 270-days after the effective date of the order or until the FCC adopts new contribution rules, whichever occurs earlier. In addition, the order allows wireline providers the flexibility to offer the transmission component of the wireline broadband Internet access service to affiliated or unaffiliated ISPs on a common-carrier basis, a non-common carrier basis, or some combination of both.

Further, in the Notice of Proposed Rulemaking, the FCC seeks comment on the need for any non-economic regulatory requirements necessary to ensure that consumer protection needs are met by all providers of broadband Internet access service, regardless of the underlying technology.

**Communications Assistance for Law Enforcement Act and Broadband Access and Services**, ET Docket No. 04-295 and RM-10865, Order and Further Notice of Proposed Rulemaking, Comments and reply comments due in Nov. and Dec. 2005

On Sept. 23, 2005, the FCC released its order and further notice of proposed rulemaking in which it found that providers of certain broadband and interconnected VoIP services must be prepared to accommodate law enforcement wiretaps. The FCC concluded that the Communications Assistance for Law Enforcement Act (CALEA) applies to facilities-based broadband Internet access providers and providers of interconnected voice over Internet Protocol (VoIP) service. The FCC stated that this order is the first critical step to apply CALEA obligations to new technologies and services that are increasingly relied upon by the American public to meet their communications needs. The FCC also established a deadline of 18 months from the effective date of this order for newly covered entities and providers of newly covered services to be in compliance. In addition, the FCC adopted a Further Notice of Proposed Rulemaking to seek comments on whether the FCC should extend CALEA obligations to providers of other types of VoIP services.

Further, the FCC seeks comment on what procedures, if any, the Commission should adopt to implement CALEA's exemption provision. In addition, the FCC seeks comment on the appropriateness of requiring something less than full CALEA compliance for certain classes or categories of providers, as well as the best way to impose different compliance standards.

## Other Proceedings

**Application Granted for Transfer of Control of Susquehanna Adelphia Business Solutions from Susquehanna Fiber Systems Inc. to Telcove Holdings of Pennsylvania Inc.,** WC Docket No. 05-43

On Sept. 21, 2005, the FCC granted authorization for the transfer of control of the above-mentioned entities in accordance with certain conditions agreed to by the applicants and other federal agencies. On Feb. 23, 2005, the Applicants, the Department of Justice, the Federal Bureau of Investigation, and the United States Department of Homeland Security filed a joint petition to defer granting this application while the agencies and applicants address potential national security, law enforcement and public safety issues. Upon resolution of the issues, the applicants and federal agencies submitted a joint petition

***FCC Highlights*** *Continued on Page 17.*

## FCC Highlights

*Continued from Page 16*

on Sept. 7, 2005, to adopt certain conditions regarding control of access to information and facilities because of foreign ownership. The FCC grants this application subject to the conditions agreed to by the parties.

**Comments Sought on Proposals to Modify High-Cost Universal Service Support Rules**, CC Docket No. 96-45, comments and reply comments due Sept. and Oct. 2005

On Aug. 17, 2005, the FCC released a public notice seeking comments on four specific Joint Board proposals to modify the FCC's rules relating to high-cost universal service support. Several members and staff of the Federal-State Joint Board on Universal Service have submitted the proposals to address universal service for rural carriers and the basis of support for competitive eligible telecommunications carriers. In August 2004, the Federal-State Joint Board on Universal Service requested comments on the underlying issues from interested parties.

## Feedback

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

Staff from the Office of Administrative Law Judge, 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 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 Communications Office at (717) 787-5722.

## Energy Policy Act of 2005

The Energy Policy Act of 2005 (EPACT) took effect on Aug. 8, 2005. Title XII of EPACT, pertaining to electricity, established a number of new federal mandates and repealed or amended several existing energy laws. The Federal Energy Regulatory Commission (FERC) and state regulators have been charged with implementing these mandates over the next few years. Key points of EPACT are as follows:

- EPACT requires national reliability standards for the bulk power transmission system. An electric reliability organization (ERO), to be designated by FERC, will be charged with enforcing reliability standards approved by FERC. These reliability standards do not encompass the obligation to build new generation or distribution facilities. The ERO may delegate its powers to regional advisory bodies representing state governments.
- EPACT authorizes the federal government to designate "national interest electric transmission corridors" in areas of transmission constraints and high congestion. If certain conditions are met, the Department of Energy will be given the authority to approve the construction of transmission facilities within these corridors. States may retain their traditional jurisdiction over siting determinations by forming interstate compacts of three or more contiguous states. These compacts must be approved by Congress.
- EPACT amends the Public Utility Regulatory Policies Act of 1978 (PURPA) by establishing several new standards. These include requirements to offer net metering, interconnection, and time-of-use rates and metering to all customers. State utility commissions are to commence investigations of these standards and render determinations on their adoption within the next two to three years.
- States are also given the opportunity to influence future federal policy decisions by participation in federal studies. This includes the Joint Boards on Economic Dispatch, which will be convened by FERC to study security constrained economic dispatch. Chairman Wendell F. Holland will be representing Pennsylvania in this proceeding. The Commission will also have the opportunity to participate in federal studies on wholesale and retail electric competition, and transmission congestion.
- EPACT also includes many new tax incentives that may affect retail prices for natural gas and electricity. This includes credits for renewable energy, clean coal, advanced nuclear technologies, energy efficiency measures, and

***Energy Policy Act** Continued on Page 18.*

# Energy Policy Act

*Continued from Page 17.*

accelerated depreciation and amortization of the costs of transmission and pollution control technologies. These tax incentives are intended to foster investment in the energy sector and positively impact retail rates.

- Finally, EPACT repealed the Public Utility Holding Company Act of 1935 (PUHCA). PUHCA limited investment in non-utility ventures and cross subsidization of those investments from ratepayers. It is hoped that PUHCA repeal will reduce regulatory costs and encourage investment in the energy sector through mergers and acquisitions. Consumer groups expressed concerns that the consolidation resulting from PUHCA repeal would reduce competition and lead to higher rates.
- EPACT replaced PUHCA with new provisions to strengthen FERC's and state commissions' ability to regulate multi-state utilities, including access to the books and records of utilities and their affiliates; authority over affiliate transactions, cross-subsidization, cost recovery and market transparency; prohibitions against market manipulation; and merger review reform.

FERC and state commissions will need to review and supplement their regulations as needed to implement these new provisions.

# Federal Legislation

**Broadband Investment and Consumer Choice Act,** S. 1504, Introduced on July 27, 2005, Referred to Commerce, Science and Transportation Committee

This legislation is a rewrite of the Telecommunications Act of 1996 (TA-96) by Senators Ensign and McCain. The bill provides for further deregulation of the telecommunications marketplace, the elimination of government managed competition of existing communication service and the provision of parity between functionally equivalent services. The proposed bill is 72 pages in length and is available in its entirety at http://ensign.senate.gov/static_media/072705_telecom_bill.pdf.

# Regional Counter-Terrorism Task Force Meetings

The Pennsylvania Emergency Management Agency (PEMA) established nine Regional Counter-Terrorism Task Force (RCTTF) groups in 1998 as a means to integrate federal, state and county responses to terrorist threats and incidents. The RCTTF's focus was largely on law enforcement and first-responders, but after the events of Sept. 11, 2001, PEMA and the Public Utility Commission (PUC) realized the important role utility companies play in both response and defense against terrorist threats and the PUC has since encouraged participation by utilities in the RCTTFs.

The PUC's Bureau of Fixed Utility Services, in cooperation with the nine regional RCTTFs, PEMA, the Office of Homeland Security, Department of Environmental Protection, and the Pennsylvania Chapters of InfraGard of the FBI are sponsoring meetings entitled "Pennsylvania Utility Structure with a Regional Counter-Terrorism Task Force." The purpose of these meetings is to encourage utility companies and their member associations to join together and partner, on a regional basis, to create informational conduits that will provide both the utility industry and the RCTTFs with access to information and expertise in the event of an emergency situation. Another benefit from the partnering of the utilities and the RCTTFs is that it allows for more comprehensive emergency planning, preparation, prevention, and response.

Each of the RCTTFs are scheduled to hold one of the "Pennsylvania Utility Structure with a Regional Counter-Terrorism Task Force" meetings. The South Central PA RCTTF held its meeting on March 30, 2005, at the Harrisburg Area Community College Campus in Harrisburg. The East Central PA RCTTF had its meeting on Nov. 2, at PPL's East Mountain Business Center in Wilkes Barre. Commissioner Kim Pizzingrilli attended both regional meetings to give the Commission's perspective on the RCTTF and to thank the participants for their involvement.

# Security Forums

In September 2004, the United States Secretary of Homeland Security sent a letter to the nation's governors outlining actions to become compliant with the National Incident Management System (NIMS), a system which will improve response operations through the use of the Incident Command System. As part of the state's compliance with the NIMS, primary members of the PUC's Emergency Response Team (ERT) have been completing the course "NIMS, an Introduction – IS 700." Supporting ERT Staff will also be encouraged to complete the course.

Members of the PUC's ERT also participated as key players in a winter storm drill on Oct. 31 and Nov. 1, and in a nuclear facility safety drill on Nov. 15, both at PEMA's facility in Harrisburg.

# Consumer Services Reports

Recently, the PUC's Bureau of Consumer Services (BCS) issued two reports. The reports can be found on the PUC's website under "Publications and Reports." Here are summaries of the reports.

### 2004 Universal Service Report

On Sept. 22, 2005, the PUC released the fifth-annual summary report on the universal service programs and collections performance of the major EDCs and NGDCs. Overall, 868,696 out of the 7,193,180 households were confirmed to be low income. Of those, 305,303 participated in Customer Assistance Programs (CAP) in 2004. Overall, the utilities spent $25,931,458 in 2004 on the Low Income Usage Reduction Program (LIURP) while assisting 22,077 households. Overall, 19,700 customers received $5.6 million in Hardship Fund benefits in 2004.

### 2004 Utilities Consumer Activities Report and Evaluation (UCARE)

On Nov. 21, 2005, the PUC is released the 2004 Utility Consumer Activities Report and Evaluation. The report presents an overview of the number and types of consumer contacts that the PUC's Bureau of Consumer Services (BCS) handled. In 2004, BCS received 120,694 contacts from utility customers that required review, an increase of less than one percent from 2003. Of these contacts from utility customers, 26,173 were consumer complaints and 94,521 were payment arrangement requests. In addition, 92,541 consumer contacts were classified as inquiries in 2004. The report is organized into separate chapters for the electric, gas, water and telephone industries. The report also includes brief synopses of the projects and activities of the Commission's Office of Communications, the PUC Consumer Advisory Council and the Pennsylvania Relay Service Advisory Board.

# Terminations and Reconnections

Overall, terminations for the major electric distribution companies (EDCs) and natural gas distribution companies (NGDCs) are 43 percent higher this year through October than last year over the same period. The number of terminations increased from 159,560 in 2004 to 227,689 in 2005. Meanwhile, reconnections increased from 80,838 in 2004 to 138,841 in 2005. The difference between terminations and reconnections increased from 78,722 in 2004 to 88,848 in 2005.

The Commission is awaiting the results of the annual Winter Survey, which is conducted by the electric and gas utilities and will provide an accurate number of households entering the winter without utility service.

In addition, terminations for the two largest water companies are up 191 percent over last year.

# PUC Resumes All Handling of Consumer Calls

On Oct. 3, the Commission expanded its internal call center to again handle all types of consumer calls. Rather than continuing to outsource these core functions after the expiration of a contract with a third party, the PUC decided to have these duties performed by its own employees.

Outsourcing first began in the late 1990s when electric choice was being introduced and call volumes peaked at unprecedented levels. Those calls have significantly declined since that time.

In 2005, exercising direct control and supervision over the handling of these calls is critically important as the Commission continues to implement Chapter 14 governing utility shut-offs that often have life and death consequences.

## Sustainable Energy Board

On Sept. 15, the Pennsylvania Sustainable Energy Board (PASEB) held an annual meeting in Harrisburg. The Commission created PASEB in 1999 to provide guidance and assistance to the regional sustainable energy boards that were established to administer funds made available during the restructuring settlements for several major electric companies in Pennsylvania. The regional boards share a mission of supporting renewable and clean energy technologies, energy conservation and efficiency.

The PASEB's annual meeting offered a forum at which interested parties could learn more about the way funds have been spent by each of the regional boards. For instance, representatives of the boards referred to grants and loans that have been provided for solar photovoltaic projects, renewable energy education, green-smart buildings, energy system upgrades, smart thermostats, fuel cell technology and agricultural biodigester projects. A highlight of the meeting was a discussion involving approval for $4.5 million in syndicated financing by the four regional funds for the 26 MW Bear Creek wind project under development by Community Energy Inc.

As shown in the PASEB's Annual Report filed with the Commission in August, the regional boards combined during 2004 to provide loans in the amount of $16.8 million and grants exceeding $1 million. This report is available on the Commission's website at http://www.puc.state.pa.us/electric/electric_renew_sus_energy.aspx.

# PA Relay Service Awareness Increases


Earlier this fall, the Commission released the results of a statewide survey measuring awareness for PA Relay, the service that allows people who are deaf, hard of hearing and speech disabled to communicate by phone by dialing 711.

Awareness of 711 among the hearing public increased to 14 percent, from 12 percent in 2004 and from nine percent in 2003, as a result of the statewide campaign. Also, 85 percent of AT&T's PA Relay Communications Assistants said there was a dramatic reduction in PA Relay hang-ups, up from 82 percent the previous year.

# Consumer Advisory Council

The Consumer Advisory Council (CAC) is a group advising the Commission on matters relating to the protection of consumer interests under the jurisdiction of the PUC. Interactions between CAC and the PUC occur through periodic meetings and in writing, via minutes of meetings, formal motions and letters. Council meetings are generally held on the fourth Tuesday of the month in the Commonwealth Keystone Building in Harrisburg at 10 a.m. and are open to the public. The December meeting has been canceled.

CAC members for the 2005-07 term are: (from bottom left) Howard Shakespeare; Harry Geller; John Detman; and Rick Hicks, Council Vice Chairman. In the back row (from left) are: Dan Paul; Linda Roth; Bob Christianson, who returns to PUC issues after retiring as Chief Administrative Law Judge; Cindy Datig; CAC Chairman Joe Capozzolo; and Diana Bender, who also serves on the PA Relay Service Advisory Board.

# Sneak Peek into CEEP

Since its inception in 1976, the PUC's Bureau of Conservation, Economics and Energy Planning (CEEP) has continually evolved to meet the needs of the Commission in an ever changing energy landscape. The most recent evolutionary change has been the appointment of Wayne Williams as Bureau Director.

"Wayne Williams has 20 years of experience designing, developing and implementing PUC policy, regulations and programs, and is one of our foremost researchers and evaluators," Chairman Holland said. "His statistical expertise was instrumental in the revision of the Commission's standards for electric distribution reliability performance. Wayne has been one of the Commission's chief policy developers as we move from traditional utility regulation to stewards of competition. That experience will be an asset to CEEP and the PUC as we continue to monitor and transition our energy markets."

CEEP conducts research studies and performs policy and planning functions. CEEP develops energy policy; disseminates information and analysis on utility operational aspects; and researches a broad range of utility policy issues including potential impacts of utility restructuring activities, market power, energy strategies, resource planning and rate design. CEEP provides economic analysis of major issues affecting the energy on both the supply and demand side. CEEP reviews proposals and assesses the potential impact on rates; prepares periodic reports on the economic status of the state; and prepares utility operational and efficiency reports. CEEP will also be playing an increasing role in monitoring electric distribution system reliability and in enforcing the PUC's standards for reliability.

Currently, CEEP is composed of six analysts and a secretary. CEEP has been managed by dividing the bureau's work into supply-side activities and demand side activities.

Presently, the Bureau is working on implementing the Alternative Energy Portfolio Standards Act. This work includes provisions for the interconnection of small, customer owned generation such as small solar or wind projects. Demand side management standards for tracking and verifying demand management, energy efficiency and load management programs and technologies were also developed by CEEP. The bureau has also worked with the PUC's Office of Special Assistants and the Law Bureau to develop net metering standards governing net metering for customer-generators intending to operate renewable onsite generators in parallel with the electric utility grid.

On the supply side, the bureau collects data on integrated resource planning activities of the major electric and natural gas distribution companies. CEEP also has responsibilities related to monitoring the wholesale electric and natural gas markets for changes that would impact the implementation of competition. These efforts will be particularly important this winter as the energy market prices increase in response to the recent hurricanes.

# Call of the Docket Program

The Call of the Docket (CTD) program was established and implemented by the Office of Administrative Law Judge (OALJ) in late 2004 as a means to address and eliminate a backlog of cases in the bureau. The program is used to schedule payment arrangement and billing dispute cases. The pleadings are reviewed to determine if a case is eligible for inclusion in the CTD program and hearings may be held in-person or by telephone depending on the geographical location of the parties.

The in-person CTD program operates much like the CTD procedure used by the courts. Hearings are scheduled for either a morning or afternoon session with a maximum of four hearings scheduled for each session. The parties must arrive at the hearing location prior to the start time and wait until their case is called by the presiding officer. If a complainant is not in the hearing room when their case is called, it is moved to the bottom of the cases listed for that session and called again after the other hearings have been held. If the complainant fails to appear after the second call, the complaint is dismissed.

A maximum of six telephonic CTD hearings may be scheduled for one hearing day with three hearings scheduled in the morning and three in the afternoon. To accommodate the telephonic process, each hearing is assigned a specific start time. If a complainant is not available at the scheduled time, the complaint is dismissed.

Presiding officers are assigned to CTD cases on a rotating basis and preside over all CTD cases scheduled for a particular day or session. Similarly, a single utility company is scheduled for each CTD hearing day or session, depending on the number of complaints filed against that company.

Through the implementation of the CTD program, OALJ eliminated its entire backlog of unscheduled cases and hearings are currently scheduled within four to six weeks of receipt of the answer to a complaint. The CTD program continues to be a major process for handling cases assigned to the bureau.

# PUC Issues InfoMAP RFP

On July 7, Gov. Edward G. Rendell signed into law Act 6A of 2005, which approved the PUC's entire Budget Request for Fiscal Year 2005-06, including initial funding of $3.85 million for InfoMAP. On Sept. 16, the PUC issued a request for proposal (RFP) and is currently awaiting submission of proposals, which are due on Nov. 30. A second installment of funding was included in the PUC's Budget Request for Fiscal Year 2006-07, as submitted to the Office of Budget on Oct. 13.

InfoMAP will overhaul the PUC's existing case management system to improve electronic workflow capability and enhance our internal efficiency. It will also provide easier access to information by the public and more effective interactions between the PUC and consumers, utilities and practitioners through the implementation of electronic filing and e-commerce initiatives.

Following issuance of the RFP, the PUC held a pre-proposal conference on Oct. 3, at which attendance was mandatory for potential bidders. Thirty-four vendors attended that conference. Potential bidders submitted over 140 questions, to which answers have been provided. The RFP, a list of vendors attending the conference and answers to those questions may be accessed at http://www.puc.state.pa.us/general/infomap.aspx.

Also on the website are answers to frequently asked questions, which were posed by both staff and external stakeholders, as well as a basic fact sheet about InfoMAP. Anyone interested in monitoring the progress of this project is encouraged to check the website periodically for updates. Suggestions or questions related to InfoMAP may be submitted to ra-infomap@state.pa.us.

After proposals are submitted, the PUC's Selection Committee, which has been assembled, will begin the evaluation process with the objective of selecting the successful vendor in December. The project is on schedule to be underway by January 2006 and expects it to be completed over a two-year period.

# Update on CapTel Service

The PUC has been conducting a trial captioned telephone service for people who are hard of hearing. This pilot provides a handheld phone that provides concurrent text to a phone conversation, much like closed captioned television. The PUC has extended the trial as interim service until ongoing service can be implemented.

The existing 200 trialists will not experience any change in service and can upgrade to two-line service. The interim service is open to new users. The PUC continues to work expeditiously toward having regular captioned telephone service in place.

# In Pennsylvania, 'Prepare Now' and 'Stay Warm'

On Sept. 9, the Public Utility Commission (PUC) directed electric, natural gas and water utilities to coordinate with the Commission's Office of Communications, consumer advocates and community organizations to educate Pennsylvanians about Chapter 14.

This will be a "Prepare Now" campaign similar to the Commission's activities over the past two winter heating seasons.

The message is: "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. Budget billing and special programs can help you manage your bill. Heat your home safely. Prepare Now, before cold weather arrives."

On Oct. 19, Gov. Edward G. Rendell announced a comprehensive "Stay Warm PA" program. The Governor said, with increased state funding and increased support from energy companies and utilities, an additional $30 million will be available this winter for low-income energy assistance.

Gov. Rendell met with the state's major utilities and challenged them to meet their required participation rates under the Customer Assistance Program (CAP) by doubling their enrollment. The Governor noted that utilities are required to provide assistance to help low-income consumers, and he will seek PUC action against any firms that fail to improve their participation.

The Governor also asked the PUC to set up regulatory actions, where possible, to improve the efficiency of the state's utilities and their fairness and reasonableness in terminating consumers and in reconnecting service.

"We need to set reasonable standards for customers who are terminated," Gov. Rendell said. "If utilities don't agree to voluntarily establish such reasonable levels for this winter, I will look to the PUC to use its powers to make this happen."

The PUC's website has a section devoted to "Prepare Now" at www.puc.state.pa.us/utilitychoice/preparenow/preparenow_index.aspx, and the "Stay Warm PA" website can be found at www.staywarmpa.com.

# 2005 LIHEAP Program

The Low Income Home Energy Assistance Program (LIHEAP) is the federal program that provides financial assistance to low-income households for home energy bills. In Pennsylvania, the Department of Public Welfare (DPW) administers the LIHEAP program. The LIHEAP program includes two components: cash and crisis. Cash benefits help low income customers pay for their home energy needs while crisis benefits help meet emergency home energy situations. A customer may choose whether to apply the benefits to their primary or secondary heating source. Electricity is a secondary heating source for a natural gas customer.

The Commonwealth's LIHEAP appropriation for the 2005-06 heating season is $120 million. The DPW will operate the LIHEAP cash and crisis components through March 23, 2006.

To be eligible for LIHEAP benefits, a household income must meet the eligibility criteria listed below. To be eligible for crisis benefits, a customer must also be without utility service or in danger of losing utility service.

- Income must be at or below 135 percent of the Federal Poverty Guidelines. (To be eligible, a three-person household's monthly income can be no more than $1,810.)
- Responsible for home heating costs, either directly or indirectly in rent.
- Be a Pennsylvania resident.

## Winter Reliability

The PUC held its Winter Reliability Assessment meeting on Nov. 10, as an *en banc* hearing. The theme was "Preparing Now for Winter: Supply, Price and Service."

The major jurisdictional natural gas distribution companies (NGDCs) were directed to present comments applicable specifically to its individual service territory.

Under the informal *en banc* hearing process, the Commissioners posed questions to the speakers after their testimony. An administrative law judge managed the course of the hearing and swore in witnesses.

Representatives from the following agencies and companies also presented testimony that can be found on the PUC's website:

- Department of Environmental Protection;
- Department of Public Welfare;
- Office of Consumer Advocate;
- Office of Small Business Advocate;
- Energy Information Administration;
- American Petroleum Institute;
- Duke Energy Gas Transmission;
- Energy Association of Pennsylvania; and
- Licensed Natural Gas Suppliers.