

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 2006

PUC-Unisys Team Forging Ahead



The Public Utility Commission's (PUC's) Information Management and Access Project (InfoMAP) is well under way. Unisys is working closely with the PUC staff to overhaul our case management system, which currently relies on COBOL technology that was developed in-house over 25 years ago.

Upon arriving at the PUC in March, Unisys began the Discovery Phase by holding joint application design sessions with all offices and bureaus. During those sessions, Unisys focused on ensuring that all work flows are documented accurately. To complete the Discovery Phase, Unisys developed documents to reflect their understanding of that work flow, which the bureaus have reviewed for accuracy. This part of the process is extremely important to the future success of the project, and PUC staff has been commended for contributing their time and expertise to this phase.

Around mid-October, Unisys embarked upon the Design Phase. During this part, Unisys has been designing the technical solution that satisfies the business and functional requirements identified and documented during the Discovery Phase. These technical solutions will serve as the foundation for the InfoMAP construction team to configure solutions during the Construction Phase, which will commence in December.

The case management system and automated workflow elements of InfoMAP are projected to go-live in 2007. Electronic access and filing capabilities, along with e-commerce, are expected to be implemented in spring 2008.

Currently, the PUC staff is drafting proposed regulations to address the electronic filing requirements. When a draft is completed, the stakeholder group convened in June will be given an opportunity to offer feedback to those proposals before they are submitted to the PUC for review. The topics of the rulemaking include:

- Whether paper copies will be required;
- How service on parties will be handled;
- The time of day when electronic filings will be due; and
- A method for addressing affidavits, verifications and electronic signatures.

More information about InfoMAP is available on the PUC's Web site at www.puc.state.pa.us/general/infomap.aspx. Any questions, concerns or suggestions may be directed to ra-infomap@state.pa.us.

Connecting in Pennsylvania

Welcome to the fifth 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 contains coverage of all utilities, including news on consumer issues and general information on PUC happenings.

The PUC balances the needs of consumers and utilities to ensure safe and reliable utility service at reasonable rates; protect the public interest; educate consumers to make independent and informed utility choices; further economic development; and foster new technologies and competitive markets in an environmentally sound manner.

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PPL Electric's Bridge Plan

On Aug. 2, 2006, PPL Electric filed a petition for approval of a competitive bridge plan (CBP). This plan would establish the terms and conditions under which PPL will begin to supply provider of last resort (POLR) services during 2010. Several elements of the CBP are:

- Competitive procurement of POLR supply for 2010;
- Upgraded demand side response (DSR) plan;
- Enhanced consumer education program starting in 2007; and
- Additional assistance for low-income customers beginning in 2010.

In regards to the competitive procurement process, PPL plans to implement a three-year program starting in 2007 to procure the necessary supply to meet its POLR obligations in 2010. PPL plans to obtain POLR supply for 2010 on the competitive market at prevailing market rates through six individual procurements over the period 2007 through 2009. The procurement will consist of 60 tranches for residential (six solicitations of 10 tranches each), 42 tranches for small commercial and industrial (six solicitations of seven tranches each) and 38 tranches for the large commercial and industrial class (two solicitations of 19 tranches each). Each tranche will include a fixed percentage of the customer class POLR load and is estimated to be 50 MW. The supply must also be load-following and include generation from renewable sources. The process will resemble the auction process currently in place in New Jersey.

PPL is planning to upgrade its DSR plan by extending the completion date from 2007 to 2010, doubling the number of eligible participations and removing the limit of the number of participants in 2010. It also plans the implementation of a year-round program to replace the current summer-time program.

An enhanced consumer education program will begin in 2007 and will concentrate on the following four areas: customer choice, demand response education, wise use of energy education and education on POLR rates.

Additional assistance will be required for low-income customers as a result of the cost difference between the upcoming POLR rates and the currently effective rates. Funding will be increased by approximately \$5.5 million to provide the additional assistance to affected customers.

PUC Investigates Energy Efficiency and Conservation

The Commission commenced an investigation of demand side response (DSR), energy efficiency and conservation through a motion adopted at the public meeting of Sept. 28, 2006. The Commission took this action as part of its continuing efforts to mitigate the impact of anticipated electric price increases on retail customers. Through this investigation, opened at Docket No. M-00061984, the Commission directed that the Demand Side Response Working Group be reconvened.

The objective of the investigation is to identify reasonable, cost-effective programs that electric distribution companies and other parties can implement to enable retail customers to use energy more efficiently. This investigation includes the study of the advanced metering infrastructure necessary for the implementation of dynamic pricing programs. The investigation also will consider ratemaking methodologies, such as revenue decoupling that eliminates disincentives to the deployment of energy conservation and efficiency measures by utilities.

The initial meeting of the DSR Working Group was held on Nov. 16. At that meeting, led by Commission staff, stakeholders representing a variety of issues identified the specific tasks of the Working Group and developed a process and timeline for completion of those tasks. The DSR Working Group is to complete the investigation and provide specific policy recommendations consistent with a schedule that would allow for Commission action by May 15, 2007.

Penn Power's Provider of Last Resort Supply Plan

On Oct. 19, 2006, the Commission certified that the process used to determine the default service prices for Pennsylvania Power Co. (Penn Power) customers was transparent and non-discriminatory and reflected market-based prices. The market-based rates, to be effective from Jan. 1, 2007, to May 21, 2008, replaced the capped rates that Penn Power customers had been paying pursuant to the company's restructuring settlement in 1999.

The electricity that will be supplied during this period was procured by Penn Power through three auctions held in May, July and August 2006.

These auctions were administered by NERA Economic Consulting, a contractor retained by Penn Power to manage this procurement, and monitored by Commission staff. Supply contracts were awarded to the lowest bidders for each of the three auctions. The average residential customers will see a 20 to 30 percent increase in their monthly electric bill.

Merger Update for Electric Companies

PSEG & Exelon Terminate Proposed Merger

On Sept. 14, 2006, Public Service Enterprise Group Incorporated (PSEG) and Exelon Corporation, the parent company of PECO Energy Company, formally terminated the merger agreement announced on Dec. 20, 2004. Additionally, the companies withdrew their merger application pending before the New Jersey Board of Public Utilities (NJBPUB).

Exelon explained that its decision to terminate the merger was based on significant differences of opinion between the companies and the NJBPUB staff during settlement negotiations. The issues separating them included rate concessions and market power mitigation.

At a public meeting held Jan. 27, 2006, the PUC had approved the proposed merger. As part of the terms and conditions of the merger, PECO, among other things, had pledged to extend its rate caps until 2010, spend an additional \$1.2 million on consumer outreach programs, provide funding for renewable energy initiatives and maintain the company's headquarters in Philadelphia.

PECO is one of Pennsylvania's largest public utilities. The company serves approximately 1.5 million electric customers in the City of Philadelphia as well as Bucks, Chester, Delaware, Montgomery and York counties, and 460,000 natural gas customers in Southeastern Pennsylvania.

Macquarie Consortium to Acquire Duquesne Light

On July 5, 2006, Duquesne Light Holdings (DLH) and a consortium led by Macquarie Infrastructure Partners and Diversified Utility and Energy Trusts (Macquarie Consortium) entered into a definitive agreement to merge. Under the terms of the agreement, the Macquarie Consortium will acquire all of the outstanding shares of DLH for \$20 per share in cash. Additionally, the Macquarie Consortium announced that DLH's headquarters will remain in Pittsburgh and that it plans to retain current CEO Morgan O'Brien.

DLH is the parent company of two utilities that fall under the Commission's jurisdiction: Duquesne Light Company and DQE Communications Network Services LLC. Duquesne Light, the principal subsidiary of DLH, is a jurisdictional utility that provides electric distribution and transmission services to approximately 580,000 customers in Allegheny and Beaver counties. DQE Communications Network Services LLC is certified throughout the Commonwealth to provide telecommunications services as a competitive access provider (CAP).

The Macquarie Consortium consists of a number of investment funds, the majority of which are managed by

the Macquarie Consortium, which is headquartered in Australia. It is recognized as a global leader in infrastructure assets and investments. Macquarie's infrastructure and property funds own a string of toll roads, airports and utilities across the United Kingdom, United States and Asia, and manage over \$66 billion of investments worldwide.

On Sept. 6, 2006, DLH and Macquarie filed an application docketed at A-110150F0035 and A-311233F0002 requesting the necessary Commission approvals authorizing the transfer of control.

Commission Reaches Settlements with Two Electric Companies: PPL and Allegheny Power

The PUC reached settlements with two electric utilities that resulted in \$250,000 being directed to low-income programs and ended informal investigations into violations of Commission rules governing terminations.

One settlement was reached with Allegheny Power following an investigation into a utility termination that preceded a fatality in State College. The settlement includes a \$175,000 contribution to the Dollar Energy Fund, a non-profit organization that provides financial assistance to customers with low or fixed incomes.

The other settlement was reached with PPL following an investigation into terminations that occurred without income information and without proper notifications and reconnections. The settlement includes a \$175,000 contribution to its Operation Help program, which provides emergency financial aid to pay heating bills for families with financial hardships.

In both cases, the PUC's prosecutory staff's position is that the companies violated provisions of the Public Utility Code in terminating service, specifically Chapter 14, which governs how utilities terminate service. Both PPL and Allegheny Power denied those assertions.

Under the settlements, the companies also agreed to make changes to their business practices, particularly those related to service terminations. The companies may not recover the contributions from ratepayers.

PUC Holds Winter Reliability Meeting

On Nov. 9, 2006, the PUC held its annual Winter Reliability Assessment Meeting. The Energy Association of Pennsylvania, Columbia Gas of Pennsylvania, Duke Energy Gas Transmission, the Independent Oil & Gas Association of Pennsylvania and the Department of Public Welfare advised the PUC that they are prepared to serve utility customers and assist them for the upcoming winter.

The presenters discussed the various conditions that may affect supply, price and service reliability of natural gas and propane this winter.

The Energy Association of Pennsylvania said the state's natural gas distribution companies (NGDCs) are seeing natural gas prices that are nearly 25 percent lower than last year. The NGDCs are working to identify supply resources necessary to preserve service reliability at anticipated levels of demand.

Columbia Gas reported that Columbia will have sufficient supplies to meet demand this winter and is seeing prices lower than last year's prices and similar so far to prices in the 2004-05 winter heating season.

Duke Energy Gas Transmission, an interstate pipeline, informed the PUC that its storage inventories are above average this year and that will ensure reliable service for Pennsylvania customers.

The Independent Oil & Gas Association of Pennsylvania said there will be adequate levels of supply this year, because of record drilling levels over the past two years and the significant efforts of two western Pennsylvania utilities to increase local gas production.

According to AmeriGas, the United States overall inventory of winter propane supply is at the second highest level since 1993. Pennsylvania's propane inventories are at seasonal levels.

The Department of Public Welfare presented the Low Income Home Energy Assistance Program (LIHEAP) program's plans for assisting Pennsylvania consumers this winter. The opening day for consumers to apply for LIHEAP grants was on Nov. 6, and the program will close on March 22, 2007.

Electric Supplier Licensing

Activity from July 1 to Sept. 30, 2006.

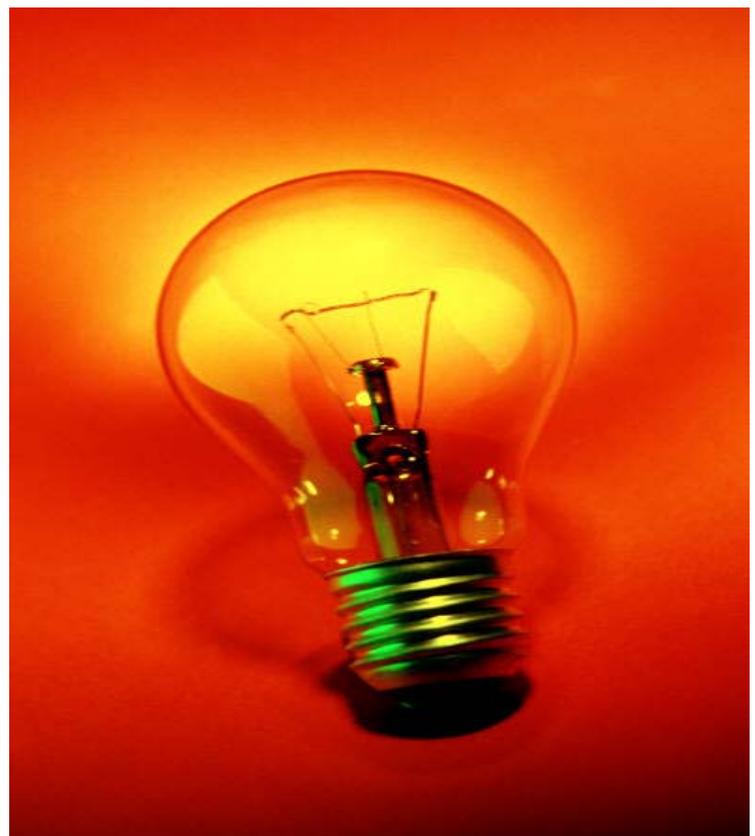
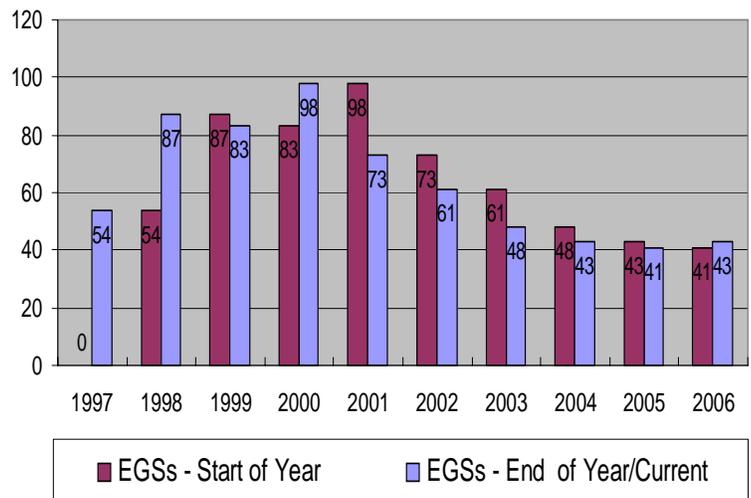
43 Active Licenses

0 licenses canceled

1 license approved

4 applications pending

Number of Licensed EGs



Water and Wastewater Company Applications Approved

Applications Approved July 1 to Oct. 31, 2006

Utility	Action	Territory	Approval Date
The York Water Company	Acquisition of assets from Abbottstown Municipal Authority	Borough of Abbottstown, Adams County, and in Jackson & Paradise Townships, York County and Berwick, Oxford and Hamilton Townships, Adams County	7/20/06
Pine Grove Estates Water Sewer Company	Abandonment of Service	Damascus Township, Wayne County	8/17/06
Pocono Waterworks Company Inc.	Acquisition of Assets of Pine Grove Estates	Damascus Township, Wayne County	8/17/06
Superior Water Company Inc.	Additional Territory	Douglass Township, Montgomery County	8/17/06
Little Washington Wastewater Company	Additional Territory	Cumberland Township, Adams County	8/17/06
Aqua Pennsylvania Inc.	Additional Territory	Cumberland Township, Adams County	8/17/06
Aqua Pennsylvania Inc.	Additional Territory	Kidder Township, Carbon County	8/17/06
Little Washington Wastewater Company	Additional Territory	Kidder Township, Carbon County	8/17/06
Aqua Pennsylvania Inc.	Additional Territory	Pennsbury Township, Chester County	8/17/06
Pennsylvania-American Water Company	Additional Territory	Sadsbury Township, Chester County	9/15/06
Floral Estates Associates L.P.	Abandonment of Service	Jefferson Township, Lackawanna County	9/15/06
Aqua Pennsylvania Inc.	Acquisition of Assets of Floral Estates	Jefferson Township, Lackawanna County	9/15/06
The Borough of Herndon-Water	Abandonment of Service to become an Authority	Jackson Township, Northumberland County	9/15/06
Borough of Williamsburg	Abandonment of Service to become an Authority	Woodbury & Catherine Townships, Blair County	9/15/06
Superior Water Company	Additional Territory	Colebrookdale Township, Berks County	10/19/06
Country Club Gardens Water Company Inc.	Abandonment of Service	Lower Macungie, Salisbury & South Whitehall Townships, Lehigh County	10/19/06
Aqua Pennsylvania Inc.	Acquisition of Assets of Country Club Gardens Water Company	Lower Macungie, Salisbury & South Whitehall Townships, Lehigh County	10/19/06
Stallman & Stahlman Inc.	New Water Company	East Manchester Township, York County	11/9/06
Little Washington Wastewater Company	Additional Territory	Londonderry Township, Chester County	11/9/06
Township of Falls - Water/Wastewater	Abandonment of Service to become an Authority	Bristol, Middletown, Lower Makefield Township, Bucks County	11/9/06
Pennsylvania-American Water Company	Additional Fire Customer - Clarion Boards Inc.	Paint Township, Clarion County	11/9/06

Pennsylvania WARN

The Pennsylvania Section-American Water Works Association, in conjunction with other water and wastewater associations, is in the process of establishing a WARN (Water/Wastewater Agency Response Networks) program in Pennsylvania. WARN is a mutual aid program among utilities in a state and between states.

The purpose of this network is to provide a method whereby water and wastewater utilities that have sustained damages from natural or human caused events could obtain emergency assistance in the form of personnel, equipment, materials and other associated services as necessary, from other water/wastewater utilities. The objective is to provide rapid, short-term deployment of emergency services to restore the critical operations of the affected utility.

As PA WARN is established, the PUC will keep both jurisdictional and non-jurisdictional water and wastewater companies informed about this program.

For more information on PA WARN, contact the PA-Section American Water Works Association at (717) 774-8870 or paawwa@paawwa.org.



Water Rate Increase Settlements

The York Water Company (Docket No. R-00061322)

On April 27, 2006, The York Water Company filed Supplement No. 72 to Tariff Water – Pa. P.U.C. No. 14, proposing an annual increase in rates of \$4,549,737 (16 percent) to become effective June 26, 2006. York stated the increase was needed in order to provide sufficient revenues to recover the cost of providing water, to properly maintain its facilities and to provide a fair and reasonable rate of return on its property. As with all increase requests in excess of \$1 million, the filing was suspended for investigation by the Commission on June 1. After the parties participated in several negotiation sessions, a proposed settlement was reached providing for an increase of \$2.6 million (9.2 percent). The Commission approved the proposed settlement on Sept. 15, and the new rates became effective on the same day. York provides water service to 54,786 metered customers and 945 unmetered fire protection customers in several boroughs and townships throughout York County.

United Water - Pennsylvania Inc. (Docket No. R-00051186)

On Jan. 30, 2006, United Water Pennsylvania Inc. filed Tariff Water – Pa. P.U.C. No. 7, proposing an annual increase in rates of \$7,541,005 (32.37 percent) to become effective March 30. The filing was suspended for investigation by the Commission on March 16. United indicated the rate of return for the company had been eroded due to the substantial capital cost associated with the construction of the Sixth Street and Hummelstown water treatment plants and was a significant factor for the increase. The parties reached a settlement in principle before the start of hearings, and a joint petition was negotiated that provided for an increase of \$5.9 million (24.9 percent). The Commission approved the proposed settlement on July 20, 2006, and the new rates became effective on Oct. 30. United provides water service to 52,959 metered customers and 766 fire protection customers in several boroughs and townships in the counties of Columbia, Cumberland, Dauphin, Luzerne, Perry, Schuylkill, Wyoming and York.

City of DuBois - Bureau of Water (Docket No. R-00050671)

On Oct. 28, 2005, the City of DuBois – Bureau of Water filed Supplement No. 14 to Tariff Water – Pa. P.U.C. No. 4, proposing an annual increase in rates of \$129,349 (36.4 percent) for the jurisdictional customers located outside of the city limits, to become effective Dec. 30, 2005. It was stated the increase was necessary in order for the city to realize a reasonable rate of return on its fixed capital investment and to recover increased operating expenses. Formal complaints were filed and the rate increase request was suspended for investigation by the Commission on Dec. 15, 2005. While the city also provides water service to customers within the city's limits, the rate increase request pertained only to the one unmetered customer and the 697 metered customers located in Sandy Township, Clearfield County. While an attempt at mediation failed, the parties were able to negotiate a joint settlement which provided for an increase of \$92,000 (25.88 percent). The Commission approved the proposed settlement on Aug. 17, 2006, and the new rates became effective on Sept. 1.

PUC Issues Policy Statement on Acquisition Incentives

In August, the PUC adopted a policy statement on water and wastewater system acquisition incentives which enhances the Commission's goals to promote water system viability and regionalization.

The Commission voted unanimously to approve the policy statement that provides additional guidance for companies acquiring small, chronically compliance-challenged or otherwise troubled water systems, while ensuring fair treatment of customers.

The policy statement provides guidance on when and how utilities interested in making an acquisition should prepare and submit original cost documentation that determines the appropriate value of the assets of an acquired system. In addition, it provides the opportunity for acquiring utilities to earn an acquisition premium for the purchases of companies that may not be as severely troubled, but where the purchase will still improve the overall long-term viability of the water and wastewater industry.

Many small water systems have varying degrees of operational constraints that impact their viability. The Commission has a policy of encouraging well-operated water and wastewater utilities to regionalize or consolidate with smaller systems. The limited resources — managerial, financial or technical — of these smaller systems can result in less than reliable service for ratepayers.

The policy statement supports the Commission's regionalization efforts, which in recent years has allowed ratepayers of the smaller, troubled systems to experience improved service after being acquired by a larger more viable water system.

The policy statement became effective upon publication in the *Pennsylvania Bulletin* in September.

Water and Wastewater Rate Increases

Rate Increase Request Summary

July 1 to Oct. 31, 2006

Utility Name	Amount Requested	Amount Granted	% of Increase	Action	Action Date
Emporium Water County	\$316,144	0	0.0	Denied	7/21/06
DuBois-City Water Department	\$129,349	\$92,000	25.9	Settlement	8/17/06
Corner Water Supply and Service Corporation	\$41,829	-----	-----	Investigation	8/17/06
B. E. Rhodes Sewer Company	\$14,174	\$13,153	23.3	Alternative	9/15/06
Cooperstown Water Company	\$8,917	\$5,897	14.48	Alternative	9/15/06
The York Water Company	\$4,549,737	\$2,600,000	9.0	Settlement	9/15/06
West Hickory Water Company	\$10,677	\$10,422	24.31	Alternative	9/28/06
Venango Water Company	\$33,217	\$30,288	32.63	Alternative	9/28/06
Factoryville Bunker Hill Water Company	\$1,909	-----	-----	Investigation	9/28/06
Bunker Hill Sewer Company	\$13,474	-----	-----	Investigation	9/28/06
Allied Utility Services Inc.	\$183,902	-----	-----	Investigation	9/28/06
Plumer Water Company	\$3,066	\$1,590	5.4	Alternative	9/28/06
Reynolds Disposal Company	\$278,969	-----	-----	Investigation	9/28/06
Utilities Inc. - Westgate	\$161,255	\$95,917	38.9	Alternative	10/19/06
Fairview Sanitation Company	\$8,400	\$7,086	16.1	Alternative	10/19/06
Imperial Point Water Service Company	\$80,679	-----	-----	Investigation	10/19/06
Timberlee Valley Sanitation Company	\$14,400	-----	-----	Investigation	10/19/06

Collection System Improvement Charge Update

On Nov. 2, 2002, the Pennsylvania-American Water Company (PAWC) filed a petition with the PUC for approval to establish a collection system improvement charge (CSIC) modeled after the distribution system improvement charge (DSIC) which was previously approved for use by water companies. Like the DSIC, the CSIC would recover the fixed costs (i.e. non-revenue producing, non-expense reducing) of collection system projects completed and placed into service between base rate cases.

More than 20 responses were filed in opposition to this petition, including the Office of Consumer Advocate (OCA). Hearings were held, and on July 2, 2003, the presiding administrative law judge (ALJ) recommended that the petition be granted with modifications. The PUC approved the ALJ's decision by order entered Nov. 7, 2003.

The OCA filed an appeal to the Pennsylvania Commonwealth Court and, on March 14, 2005, the Court, in a 5-2 decision, reversed the PUC order which approved the establishment of a CSIC. Specifically, the Commonwealth Court concluded that the PUC did not have the authority under the Public Utility Code to establish this mechanism.

On April 13, 2005, the PUC and PAWC filed petitions for allowance of appeal with the Pennsylvania Supreme Court. On March 7, 2006, the Supreme Court denied these petitions and by order entered Sept. 19, 2006, the PUC established mechanisms whereby customers would be refunded by PAWC for CSIC revenues collected pending appeals.

PUC Revises Filing Requirements for New Companies

On Dec. 15, 2005, a final rulemaking was approved to revise the Commission's Rules of Practice and Procedure (52 Pa. Code Chapters 1, 3 and 5). Section 3.501, Application Requirements for a Certificate of Public Convenience for a Water Supplier or Wastewater Collection, Treatment or Disposal Provider was revised as part of that rulemaking. The rulemaking became effective April 29, 2006.

The final water/wastewater certification regulation restores the existing requirements and meshes the Public Utility Code and PUC regulations with those of the Department of Environmental Protection (DEP). Requirements include:

- A map of the service area including the County Comprehensive Plan, Municipal Comprehensive Plan, and zoning designations, if requested;
- An applicant certified letter to address compliance with the applicable requirements of these land use plans; and
- An expansion of the notice, publication and protest period.

The 60-day notice and protest period is restored. Another requirement is that notice of the application is to be published in a daily publication of local circulation for two consecutive weeks. Also required is service to the Office of Consumer Advocate, Office of Small Business Advocate, PUC Office of Trial Staff, central and applicable regional offices of the DEP, any utility or municipality and planning office within one mile or abutting an applicant's service territory, and customers of an initial or existing utility without a certificate.

These application filing requirements are available on the Commission's website or can be obtained from the PUC's Secretary's Bureau.

Water Company Merger Updates

Divestiture of American Water Company by its German Parent RWE

The German energy company RWE AG has announced that it is planning to divest American Water Works Company Inc., the parent of Pennsylvania-American Water Company, through a public offering of the common stock of American Water. RWE has decided to concentrate its focus on its European electricity and gas business, along with its continental European water assets. RWE has also announced that it is selling its Thames Water company in the United Kingdom to a Macquarie Bank-led consortium.

In an application, at Docket No. A-21228F0136, PA-American is requesting Commission approval of the public stock offering. The application is being reviewed by the PUC's Office of Administrative Law Judge and a recommended decision is expected by the first quarter of 2007.

American Water is the country's largest water supplier, serving about 18 million people. PA-American is the largest water utility in the state of Pennsylvania providing service to over 2 million people in 372 communities in 35 counties. The company operates 38 water treatment facilities and three wastewater facilities.

RWE is one of Germany's top-10 industrial companies and one of the world's largest utilities. American Water was purchased by RWE in January 2003.

Proposed Merger of United Water of Pennsylvania's Parent Company - Suez and Gaz de France

Representatives of United Water Pennsylvania Inc. (UWPA) met with the Commission on Sept. 28, to discuss the proposed merger between Suez (the ultimate parent of UWPA) and Gaz de France. The proposed merger, which was announced by French Prime Minister Dominique de Villepin on Feb. 25, 2006, has begun to move forward now that a law was passed by the French National Assembly permitting the French government to reduce its ownership stake in Gaz de France from 80 percent to 34 percent.

Additionally, Gaz de France and Suez have submitted proposals designed to remedy concerns expressed by the European Commission regarding the merger. UWPA representatives say that UWPA will soon make a filing seeking Commission approval of the merger.

Based in Paris, France, Suez is one of the oldest multinational corporations in the world. The company's primary operations include water, electricity and natural gas supply, and waste management. Gaz de France is also a French-based company which is primarily involved in the supply and distribution of natural gas. The combined companies would have revenues of approximately \$80 billion and create one of the world's largest utility companies.

UWPA provides water service to approximately 175,000 people through 39 municipalities in nine Pennsylvania counties. United Water Resources, the direct parent of UWPA, provides water and wastewater services to 7 million people in the United States.

Chapter 30 Updates

Broadband Service and Inventory

Act 183, which became effective in December 2004, requires the four largest telecommunications carriers in Pennsylvania to each start a Bona Fide Retail Request (BFRR) Program to help target and speed up broadband implementation. This provision applies to Verizon PA, Verizon North, Embarq (formerly Sprint), and Windstream (formerly Alltel). All four carriers have programs in place and are receiving BFRRs from their residential customers. Each company provides information about its program and BFRR request forms for residential customers to file. The companies track their requests by the Carrier Serving Area (CSA). The CSAs are designated by the carrier based on its network design. To date, approximately 5,433 BFRR requests have been received by the four carriers. Of these, 28 CSAs have met their deployment thresholds, and two CSAs have been deployed with broadband service. Customers can access information and request forms on the companies' Web sites as well as at www.newpa.com and www.puc.state.pa.us.

Act 183 also directed the Department of Community and Economic Development (DCED) to create an online database including information from all providers of advanced and broadband services. The DCED's online data base is expected to be available to the public this winter. The data base is accessible on the DCED's Web site at www.newpa.com.

LECs' Reporting Requirements

Pursuant to the mandates of the new Chapter 30, the Commission adopted a final rulemaking order on Aug. 17, 2006, amending Chapter 64 of the regulations to eliminate several reporting requirements previously imposed on local exchange carriers (LECs). The reporting requirements identified by the Commission for elimination include the financial earnings report, annual depreciation report, capital investment plan report, service life study report, quarterly cramming and slamming reports and accident reports. In addition, the Commission found that the regulations should be amended to require the filing of residential account information on an annual basis rather than on a quarterly basis.

The Commission also reiterated its earlier directives contained in an order entered on Dec. 30, 2005, for the retention of requirements for the LECs to file Lifeline tracking reports and service outage reports. Specifically, the Commission emphasized that those reports met the standard prescribed by Section 3015(f), regarding the nexus to just and reasonable rates and the reports' benefits substantially outweighing the expense, time and effort required to prepare them. Nonetheless, the

Commission noted that it had also directed the development of a streamlined version of the lifeline tracking report and the establishment of a process to file these reports electronically.

This final rulemaking order was adopted after a review of the comments filed in response to the Commission's proposed rulemaking order entered on Jan. 3, 2006. The Independent Regulatory Review Commission (IRRC) approved it on Oct. 25, and is currently awaiting final approval by the Office of Attorney General. Following this approval, the final regulations will become effective upon publication in the *Pennsylvania Bulletin*.

Price Stability Index Update

The Commission has approved 21 out of 24 telecommunication price cap filings by incumbent local exchange companies (ILECs) that permit rates for noncompetitive services to be adjusted based on an inflation index known as the price stability index (PSI). Since January, the Commission has reviewed and approved the allowable revenue increases of \$5.3 million. These filings were made in accordance with the provisions for alternative forms of regulation specified in Act 183 of 2004.

The provisions of Act 183 are embedded in each ILEC's Chapter 30 Plan, as approved by the Commission. In accordance with the Chapter 30 Plan, each company may elect to apply the entire allowable increase to its current rates or "bank" all or part of the increase for future increases. Of the 21 companies that have filed so far this year, one has chosen to increase their rates by the full amount, three have chosen to apply partial increases while banking the remainder and the remaining companies have elected to bank the entire increase for future application. The total amount of accumulated banked increases is \$9.3 million.

Carrier Dispute Resolution

The PUC has instituted a nonadversarial, expedited dispute process to address migration disputes between telecom service providers pursuant to 52 Pa. Code § 63.222. The Commission designated Ted Farrar (Bureau of Fixed Utility Services) and Louise Fink Smith (Law Bureau) as contact persons through which local service providers (LSPs) and network service providers (NSPs) may request expedited resolution for problems between service providers or compliance with Commission regulations. Mr. Farrar will generally handle technical questions, and Ms. Fink Smith will generally handle legal or policy matters. They may be calling upon other staff for assistance in resolving the disputes. This function is closely related to their work with the PA Carrier Working Group and the OP-12 Forum.

Telecommunications Relay Service Happenings

Legislative Report

On Sept. 30, 2006, the Commission submitted its 11th annual report to the General Assembly on the Telecommunication Device Distribution Program (TDD Program) and the Print Media Access System Program (PMAS Program), also known as "Newsline." The report summarizes the activities, fund disbursements, expenses, and balances of the TDD Program and the PMAS Program. Both programs are funded by the Telecommunications Relay Service (TRS) surcharge that appears on each end-user monthly telephone bill as \$0.08 (residence) and \$0.09 (business). An electronic version of this year's report to the General Assembly is available on the Commission's Web site under the "Telecommunications" – "Telecommunications Relay Service" tabs.

Captioned Telephone Voice-Carry-Over Relay Service

Captioned Telephone Voice-Carry-Over Relay Service (CTVRS), an optional relay service, serves people who are hard-of-hearing but have speech capabilities. CTVRS provides the parties with real-time text of their phone conversation. The only known CTVRS provider refuses to contract with the PUC or to become certificated as a public utility. A request for proposal (RFP) was issued for an intermediary, and several proposals were received. Contract negotiation with the successful intermediary will begin after the evaluation process. The goal is to retain control over the quality and cost of CTVRS, which is ultimately paid for by the TRS surcharge on wireline telephone customers.

711 - PA Relay Day

As part of the Commission's ongoing efforts to educate Pennsylvanians about TRS, the Commission again partnered with Lt. Gov. Katherine Baker-Knoll to recognize Tuesday, July 11, as 7-1-1/PA Relay Day in Pennsylvania. July 11 (7/11) was chosen for PA Relay Day because 7-1-1 is the phone number used to call the PA Relay service.

In addition to Lt. Gov. Knoll's recognition, the campaign also utilized statewide radio advertisements featuring the hit song *Don't Hang Up*, recorded by The Orlons of Philadelphia. The phrase "Don't Hang Up" also appeared on billboards, bus posters and transit shelter advertising.

For more information visit the campaign Web site at www.parelay.net.

TRS Advisory Board

The Commission has announced the assignment of Holly Frymoyer, Telecommunications Policy & Evaluation Unit Supervisor in the Bureau of Consumer Services, as the newest member of the Pennsylvania TRS Advisory Board for the two-year term ending Dec. 31, 2008. Frymoyer replaces Lenora Best as one of the two PUC representatives on the board.

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

The 12-member Advisory Board, established by a Commission order entered May 29, 1990, at Docket No. M-00900239, functions as a user group and is assigned the task of identifying and suggesting improvements to the service to ensure the continued success of TRS. The Advisory Board, which meets once each quarter in Harrisburg, has been very active in making recommendations to the Commission regarding outreach and improvements to TRS since the earliest days of its operation. The Commission requires that the Advisory Board be comprised of the following: one representative from the Pennsylvania Telephone Association, the Office for the Deaf and Hard of Hearing (ODHH), and the TRS provider (currently AT&T of Pennsylvania); two representatives from the Commission; and seven representatives from the deaf, hard of hearing and speech disabled communities.



The 2006 TRS Advisory Board members and their representative organizations are as follows: Seated (left to right) Kim Barrow (Legal Advisor); Diana Bender, Chairman (Hearing Loss Association of PA); Patricia Brockley (Hearing Loss Association of PA); Lenora Best (PUC); and Lois Steele (PA State Grange). Standing (left to right) James Steele (Member at Large); Gary Bootay (PA Society for Advancement of the Deaf); Lawrence Brick, Secretary (Member at Large); Leslie Kelly (Center for Independent Living of South Central PA); Chuck Hafferman (AT&T); and Steve Samara (Pennsylvania Telephone Association). Absent from photo: Donald R. Lurwick, Vice Chairman (Member at Large); Eric Jeschke (PUC); and Kenneth Puckett (ODHH).

Intercarrier Compensation: New Rules Possible for Calls

The Federal Communications Commission (FCC) is looking at a new plan by telephone companies to change rates. The plan, called the Missoula Plan, was filed in the FCC's Intercarrier Compensation Docket No. CC 01-92. This plan could change the way that companies charge each other to carry long-distance calls and dial-up calls to the Internet.

The Missoula Plan would cost \$9 billion. The Missoula Plan reforms company costs by making sure that rural companies do not lose any revenues. The cost for this reform comes mostly from a surcharge on phone bills. There may also be a small fee on telephone companies.

For Pennsylvania, Verizon's surcharge would increase from \$5.90 (the rate today) to \$10 (the rate in four years). Companies other than Verizon companies would increase their rate to \$10 over four years. Pennsylvania's smallest companies would increase their rate only to \$9.20 over the same time.

After four years, the rate would go up every year with inflation. The rate may also be different based on location and the number of services purchased.

Concerns have been raised about: increases in rates; the federal government setting rates; how to pay for it; new rules to complete phone calls (interconnection rules); and what to do about phantom traffic (calls that cannot be identified on the network).

The Commission sponsored a workshop on the Missoula Plan on Sept. 11, 2006, in Harrisburg. A ceremony before the workshop remembered the fifth anniversary of the tragedy of Sept. 11.

The Office of Consumer Advocate, small competitor phone companies, and Verizon oppose the plan. Smaller Pennsylvania companies, AT&T, and Level 3 support the plan.

The supporters explain that the plan keeps service in rural areas and makes sure that the telephone network adapts to new technology. The opponents do not believe that Pennsylvania and other states that already reformed their rates to promote new technology should pay for reforms in states that have not implemented as much reform.

The papers on the workshop can be read on the Commission's Web site under "Missoula Plan." The papers are also on file at Docket No. M-00016972. The Commission has filed comments with the FCC.

Commission Holds Post-Merger Briefings

As part of a new Commission initiative to monitor post-merger activity, Verizon, AT&T and Embarq provided post-merger updates on their recently approved mergers and/or spin-offs.

During these briefings, the companies provided new contact information, status of other regulatory approvals, compliance with Commission merger conditions if any, and other post-merger plans of their respective companies.

In an order dated Dec. 15, 2005, the Commission unconditionally approved the merger of Verizon and MCI.

The PUC unconditionally approved the merger of AT&T Corporation and SBC Communications on Oct. 6, 2005. On June 1, 2006, the PUC unanimously approved the merger of AT&T Inc. and BellSouth Corporation. The AT&T/BellSouth merger is still pending approval from the Federal Communications Commission.

On April 7, 2006, the Commission approved the spin-off of United Telephone Company of Pennsylvania and LTD Long Distance from Sprint/Nextel into a new, independent, stand-alone parent company now known as Embarq.

Citizens Communications to Purchase Commonwealth Telephone

Rural telecommunications providers Citizens Communications Company and Commonwealth Telephone Enterprises Inc. have agreed to merge in a deal valued at \$1.16 billion. In a merger agreement signed on Sept. 17, 2006, Citizens agreed to purchase Commonwealth for \$35.60 per share and .768 shares of Citizens' common stock.

The companies subsequently filed a joint application with the Commission on Sept. 29, 2006, seeking approval of the transaction. Notice was published in the Saturday, Oct. 14, edition of the *Pennsylvania Bulletin*.

In Pennsylvania, Citizens owns and operates the five Frontier local exchange carriers. Commonwealth is the parent company of Commonwealth Telephone Company, CTSI LLC and CTE Telecom LLC.

Natural Gas Base Rate Cases

T.W. Phillips

A settlement was approved by the Commission which allows the company to raise its base gas rates by around \$6.2 million or 3.6 percent in comparison to the company's original proposal which called for a rate increase of about \$21.7 million or around 12.4 percent. The new rates became effective Sept. 1.

The company's original proposal would have increased the total natural gas service costs to \$1,887 a year for the average residential customer. Under the settlement, the natural gas service cost for the average residential customer using 100 Mcf a year increased from \$1,596 to \$1,678 a year.

The settlement also calls for the company to increase its annual funding ceiling for its low-income customer assistance program, known as the Energy Help Fund, to \$850,000, up from the proposed ceiling of \$650,000, as well as not filing for another rate increase before Nov. 14, 2008.

Dunmire Gas Company

The Commission approved an increase in Dunmire Gas Company's base rates of about \$16,685 or 38.2 percent in comparison to its initial proposal of \$17,995 or approximately 41.2 percent. The increase had an effective date of Aug. 18, 2006, and is the first rate increase for the company in 12 years.

The total billing rate (base rate plus purchase gas cost rate) for the average customer using 85 Mcf a year increased from about \$539 to about \$788 a year.

Dunmire's reason for the rate increase was to restore the company's rate of return to a more reasonable level, which reflects the current market conditions, and enable the company to generate revenue sufficient to pay ongoing operating expenses.

1307 (f) Filings of PECO and Columbia Gas

Both Columbia Gas and PECO and were involved in 1307 (f) proceedings in which settlements were negotiated. Columbia Gas filed for a change in rates on April 3, 2006, to become effective Oct. 1. PECO filed for a change in rates on June 1, 2006, with rates to become effective on Dec. 1. The chart below identifies the previous rate, the approved rate, the difference amount and the percentage change.

	PECO	Columbia Gas
Rate on date of filing	\$12.8267	\$11.6892
Approved rate	\$8.9205	\$11.4230
Difference	\$(3.9062)	\$(.2662)
Percentage	(30.5%)	(2.3%)

Natural Gas Pipeline Reportable Incidents

In addition to its periodic pipeline safety inspection responsibilities, the Bureau of Transportation and Safety's Gas Safety Division investigates all reportable incidents. Over the previous three years, natural gas utilities have reported 40 incidents, including 12 in 2003, 19 in 2004 and nine in 2005.

So what qualifies as an "incident" and what are the most common causes of incidents? A reportable incident may involve an explosion, a release of gas, and unfortunately sometimes personal injury or loss of life. The Commission's regulations require a utility to submit a report of an accident involving facilities or operations that meet one or more of the following circumstances:

- A release of gas involving death or injury;
- A release of gas and \$50,000 in property damages, including lost gas; and
- A release of gas that results in an event considered significant by the operator.

A public utility must also immediately notify the federal government through the National Response Center (NRC) of all reportable incidents. The NRC is staffed by the United States Coast Guard 24 hours per day, and is responsible for the subsequent notification to the United States Department of Transportation, Pipeline and Hazardous Material and Safety Administration.

The cause of the incidents has varied over the last several years, but the most frequent causes have been due to excavation damage, natural causes such as flooding, automobile accidents, pipeline leaks caused by corrosion, and human error. Injuries and fatalities resulted from incidents caused by excavation damage, auto accidents, leaks related to corrosion and material failure, human error, and even criminal offenses such as murder and arson.

The most frequent cause is due to excavation damage, often involving violations of Pennsylvania's One Call Act and the public utility's damage prevention program. The second most frequent preventable cause of incidents is pipeline leaks caused by corrosion. As a result, the Gas Safety Division is using its inspection and investigation efforts to reduce line hit damage and corrosion problems.

PUC Conducted a Management Audit on Columbia Gas

In August 2006, the PUC released a Focused Management and Operations Audit of Columbia Gas of Pennsylvania Inc. performed by the PUC's Bureau of Audits. The management audit report identified potential annual and one-time savings of approximately \$9 million and \$900,000, respectively, by implementing recommendations contained in the audit.

The company's implementation plan indicated acceptance of 25 recommendations, partial acceptance of four recommendations, and the rejection of one recommendation. Some of the most significant recommendations accepted or accepted-in-part by Columbia Gas include:

- Expedite the replacement of bare steel facilities in the transmission and distribution system infrastructure;
- Initiate efforts to reduce the amount of accounts receivable write-offs by consistently enforcing appropriate company procedures both before and after accounts are written off;
- Enhance current measures to reduce long-term arrearages;
- Initiate actions to increase collection agency recovery rates;
- Adjust the budget billing process to effectively conform to PUC regulations by assuring that customers initial budget billing amounts properly reflect a monthly average of their expected annual usage; and
- Refinance long-term debt to attain the benefits of the lower market rates now available.

Gas Supplier Licensing

Activity from July 1 to Sept. 30, 2006.

85 Active Licenses

0 licenses canceled

1 license approved

2 applications withdrawn

2 applications pending

SEARCH Working Group Plans to Submit Report to Commission in Early 2007

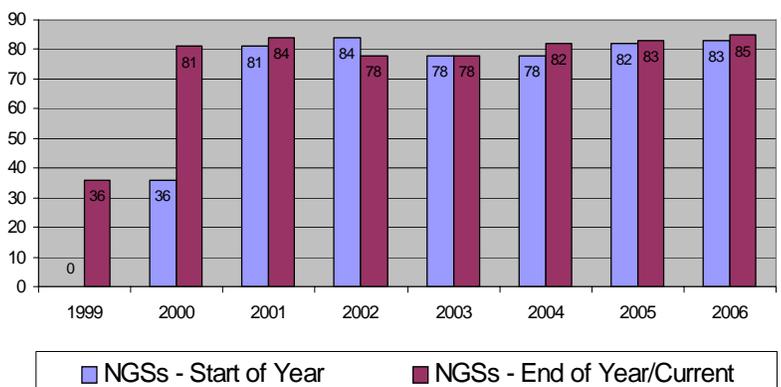
By March 2007, the working group known as SEARCH (Stakeholders Exploring Avenues for Removing Competition Hurdles) plans to submit a report to the PUC identifying steps that may be taken to facilitate the development of a competitive market for natural gas supply in Pennsylvania. This task force is led by PUC staff and includes participants representing natural gas distribution companies, natural gas markets, and residential, commercial and industrial consumers.

The SEARCH working group convened on Oct. 26 in Harrisburg. During that meeting, the participants received updates from the subgroups focusing on customer issues, inter-company activities, cost of service and competition monitoring. In addition, the attendees discussed broader issues concerning future evaluation of competition, assessment surcharges, and cost recovery of competition-related activities. The participants also shared views on what set of circumstances might eventually act as an incentive for natural gas distribution companies to voluntarily exit the merchant function, including the development of an effective supplier of last resort model.

The PUC staff intends to circulate a draft report to the working group participants around mid-January, and members of the working group will have until early February to comment on the report. Following those comments, the staff expects to finalize the report for submission to the PUC.

The SEARCH initiative is in response to a provision in the Natural Gas Choice and Competition Act, which went into effect in July 1999, and called upon the PUC to conduct an investigation after five years to determine whether effective competition for natural gas supply exists in the Commonwealth. The PUC's report, which was submitted to the General Assembly in October 2005, concluded that effective competition did not exist on a statewide basis. That result triggered a PUC obligation under the law to reconvene the stakeholders to explore avenues, including legislative, for increasing competition.

Number of Licensed NGSs



Energy Price Forecast for November 2006

The Energy Information Agency's November 2006 *Short Term Energy Forecast* projects that heating oil prices will be slightly higher than last winter and natural gas prices will be lower than last winter.

West Texas Intermediate (WTI) crude oil is the benchmark crude oil in the United States. In 2005, WTI crude averaged \$56.49 a barrel. WTI crude oil is expected to average around \$66 per barrel in 2006 and \$65 in 2007.

EIA estimates that average United States households heating with natural gas will end up spending eight percent less for fuel this coming winter than last winter. Households heating with heating oil can expect to pay

about six percent more than last winter. Households heating primarily with propane can expect to pay about the same as last winter.

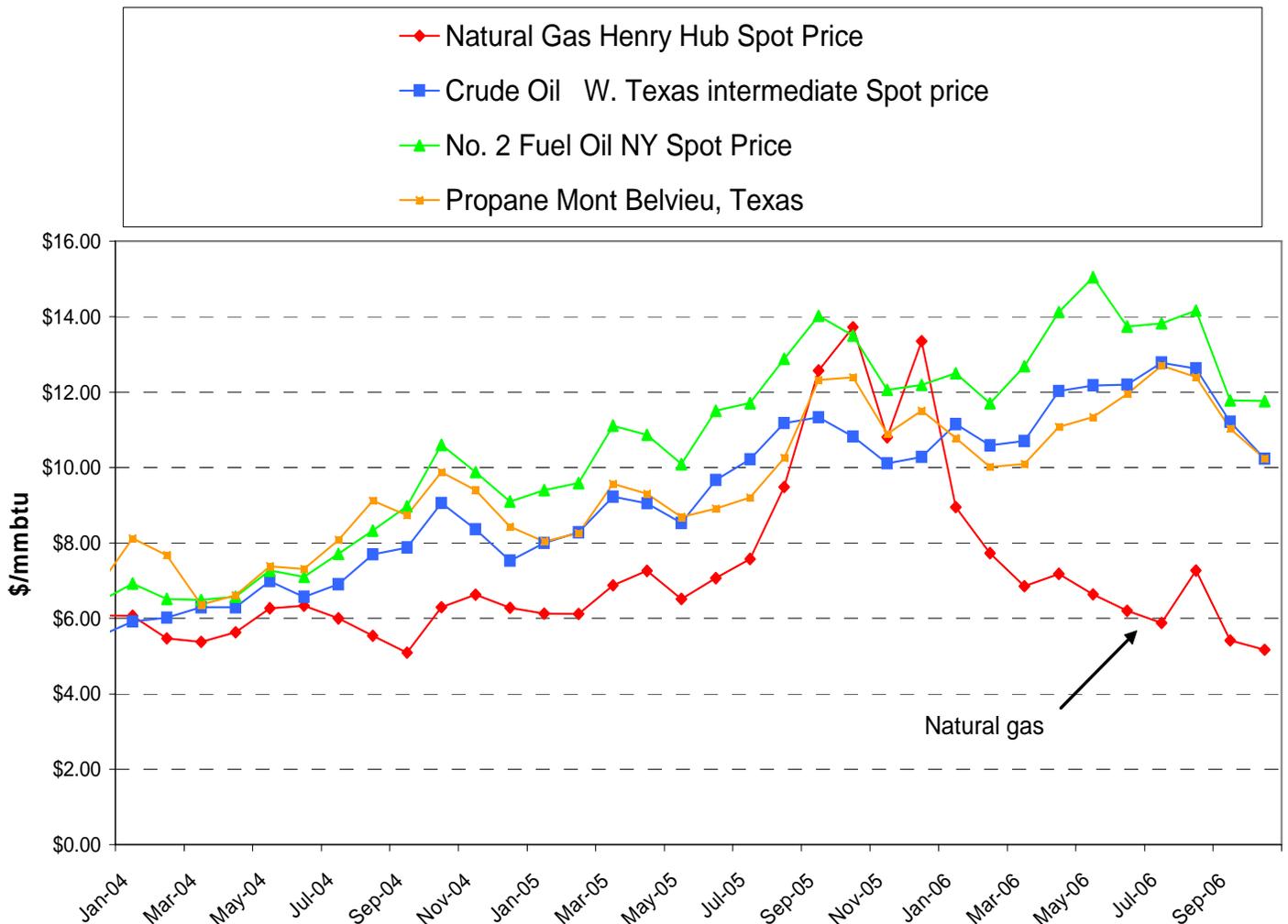
EIA shows that Henry Hub (Louisiana) wholesale natural gas prices averaged \$9 per Mcf in 2005 and are projected to average \$7.06 per Mcf in 2006. For 2007, the Henry Hub average price is projected to move up to an average of \$7.79 per Mcf.

With the recent drop in prices, 2006 regular gasoline pump prices are now expected to average \$2.62 per gallon. 2007 prices are forecast to average \$2.53 per gallon.

Additional forecast details can be found at <http://www.eia.doe.gov/oiaf/forecasting.html>.

Wholesale Fuel Prices by Heat Content

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



Changes to Motor Carrier Regulations

On Aug. 5, 2006, the PUC's rulemaking that revised its regulations for motor carriers of passengers and property became final when it was published in the *Pennsylvania Bulletin*. The finalization of these provisions concluded a long process that began with the PUC's approval of an Order for Advanced Notice of Proposed Rulemaking in September 2002. The impetus for revising the regulations was primarily the changing dynamics in the transportation industry. Many of the previous regulations had been in effect for more than 20 years.

The Commission's regulations for motor carriers of passengers, found at 52 Pa. Code, Chapter 29, were considerably revised for carriers operating vehicles with seating capacities of 15 passengers or fewer. Some of the more significant changes included:

- All taxi vehicles must be equipped with a meter to compute trip charges, rather than by odometer mileage or zone rates;
- Taxis and limos may not be more than eight model years old;
- Limousine rates shall be based **solely** on time, with the initial time period and each subsequent increment no less than 30 minutes;
- A vehicle's exterior may not have significant dents or damage;
- Vehicles must have matching wheel covers and operative air conditioning;
- Carriers must obtain driving histories for new and current drivers;
- Carriers must obtain and review a criminal history for new and current drivers-it may not use drivers who have been convicted of a felony or misdemeanor, if the conviction relates adversely to the driver's suitability to provide safe and legal service; and
- Carriers must provide consumer information to passengers.

The Commission's regulations for motor carriers that transport household goods in use are found at 52 Pa. Code, Chapter 31, and some of the more significant changes affecting household goods carriers included:

- The Information for Shippers document was revised to provide for a thorough explanation of each consumer information subject, including information for consumers to provide complaints to the Commission;
- Carriers must provide cargo damage protection of 60 cents per pound, an increase from 30 cents;
- Carriers must prepare a written estimate for each move;
- Carriers shall issue a bill of lading for each shipment that provides a detailed accounting of the charges;
- Carriers must prepare a written itemized inventory for each shipment, unless the customer waives their right to the inventory; and
- Carriers must obtain and review the criminal history of each person that will provide moving services in a shipper's dwelling, and may not use a person for moving services when the person was convicted of a felony or misdemeanor, if the conviction relates adversely to that person's suitability to provide service safely and legally.

The Commission's regulations were the product of work by staff, with the assistance of comments received from both the passenger and household goods industries.

Safety Workshops are Raising Awareness

Pennsylvania's rail network is a vital link for interstate and intrastate commerce. Railroads serve industries and communities with reliable and efficient connections to the world marketplace. In the state, freight moved by railroads is at an all time high. Coal, steel, general merchandise and chemicals are some of the major commodities traveling throughout the Commonwealth. As important as railroads are to the state's economic health, safe rail transportation is paramount. The Bureau of Transportation and Safety's Rail Safety Division, the Federal Railroad Administration, and the many large, regional and short line railroads all have the common goal of safe and efficient rail service.

Normally, railroads transport freight in a safe manner; however, on occasion an accident or incident occurs that requires a response by emergency personnel located in nearby communities. Recently Norfolk Southern (NS), a class one railroad operating in the Commonwealth, along with Transportation Community Awareness and Emergency Response (TRANSCAER) sponsored safety workshops in Harrisburg and Pittsburgh during the week of Sept. 18, 2006, in an effort to increase community awareness and provide training for local emergency responders. The workshops were titled the TRANSCAER Whistle Stop Tour and were offered to communities and emergency responders at no cost. The tour was designed to increase understanding of the importance of emergency planning, and to provide local emergency responders with an opportunity to receive hands-on training concerning hazardous material incidents in the railroad industry.

The tour included safety training classes and exhibits from DuPont, NS, PPG, Sheetz, Department of Energy, Department of Transportation, Department of Environmental Protection, and several other chemical companies and emergency response agencies. Training was offered on subjects such as:

- Derailment safety for first responders;
- Tank car recognition;
- Polymerization;
- Managing a derailment;
- Radioactive material emergency response; and
- Anhydrous ammonia transportation.

Safety Workshops Continued on Page 22.

FCC Highlights



The Federal Communications Commission (FCC) continues to examine issues addressed previously

in this newsletter including intercarrier compensation, telecommunications relay services (TRS), video relay services (VRS), broadband over power lines (BPL), and mergers in the industry. The PUC has filed comments before the FCC on the issues of special access, customer proprietary network information, a waiver for Title II and Computer Inquiry requirements, a waiver for rules regarding access to numbering resources for IP-enabled and Voice over Internet Protocol (VoIP) services, as well as intercarrier compensation.

Video Relay Service

In the order on reconsideration, at CG Docket No. 03-123, regarding VRS, the FCC resolved several issues raised in petitions of prior orders. The issues addressed by the FCC include:

- The final compensation rate;
- Whether the final rate should be fully retroactive;
- The compensability of research and development expenses incurred for TRS enhancements that go beyond the applicable TRS mandatory minimum standards from the Interstate TRS Fund; and
- The applicability of “rate-of-return” regulation to traditional TRS and speed-of-answer requirements to VRS.

The FCC’s ruling:

- Adopted a final 2003-04 rate based on reasoned analysis VRS compensation rate;
- Held that the VRS rate should be fully retroactive;
- Reaffirmed that engineering and other expenses for research and development to meet waived mandatory minimum standards, or provide enhancements beyond applicable non-waived mandatory minimum standards, are not compensable from the Interstate TRS Fund; and
- Treated the petition for reconsideration on this issue as a petition for rulemaking and requested comment on the Multi-state Average Rate Structure (MARS Plan) as an alternative cost recovery methodology to “rate-of-return regulation” TRS and found the issue of speed-of-answer moot since the FCC adopted a speed-of-answer rule for VRS in an earlier order released July 19, 2005.

Telephone Relay Service (TRS)

On July 13, 2006, the FCC issued a Further Notice of Proposed Rulemaking seeking comment on a wide range of issues regarding compensation of providers of TRS from the Interstate TRS Fund for costs associated with providing TRS. Specifically, the FCC asked interested parties to comment on the following issues:

- Alternative cost recovery methodologies for interstate traditional TRS, speech-to-speech (STS), and Internet protocol (IP) relay, including the MARS Plan proposed by a provider, and related issues including whether traditional TRS, STS and IP relay should be compensated at the same rate;
- The appropriate cost recovery methodology for VRS and the length of time the VRS rate should be in effect;
- Issues relating to the “reasonable” costs compensable under the present cost recovery methodology, including whether, and to what extent, marketing and outreach expenses, overhead costs and executive compensation are compensable from the Interstate TRS Fund; and
- Ways to improve the management and administration of the Interstate TRS Fund, including adopting measures for assessing the performance and efficiency of that fund and to deter waste, fraud and abuse.

Broadband Over Power Lines

On Aug. 3, 2006, the FCC adopted a memorandum opinion and order in which it generally affirmed its rules for Access Broadband over Power Line (Access BPL) systems. In the order, the FCC, among other things:

- Affirmed the July 7, 2006, deadline for requiring certification for any equipment manufactured, imported or installed on BPL systems, with the provision that uncertified equipment already in inventory can be used for replacing defective units or to supplement equipment on existing systems for one year within areas already in operation;
- Affirmed the requirement that information regarding BPL deployment must be provided in a public data base at least 30 days prior to the deployment of that equipment; and
- Adopted changes regarding protection of radio astronomy stations by requiring a new exclusion zone and amending consultation requirements for these stations.

AT&T/BellSouth Merger

On Oct. 11, 2006, the Department of Justice approved the merger without any conditions, and FCC Commissioner Robert M. McDowell recused himself from the vote on the merger. The FCC subsequently removed the item from its Oct. 12 meeting agenda and rescheduled a vote on the item for a meeting on Oct. 13. On that day, the FCC cancelled the meeting and instead issued a public notice in which it noted that it was seeking comment on the proposals submitted by AT&T Inc. and BellSouth Corporation, at WC Docket No. 06-74. Specifically, the proposals list potential merger conditions regarding various areas that included promoting accessibility of broadband

FCC Highlights Continued on Page 22.

PUC Seeks to Clarify Consumer's Role in Rate Cases

On Sept. 15, the PUC issued a proposed policy statement, seeking to clarify the rights and obligations of consumers who file complaints against rate increases requested by public utilities. Earlier this year, the PUC made comprehensive changes to the rules of practice and procedure. Recently, concerns were raised about interpretations of those changes which had the effect of limiting the ability of consumers to participate in rate case proceedings.

In unanimously adopting the proposed policy statement, the PUC declared that its rules are intended and are to be interpreted to maximize the opportunity for members of the public to file formal complaints and to participate in the adjudicatory proceedings if they so choose. Specifically, the PUC indicated that some form of limited participation should be permitted by consumers who file formal complaints in complex multi-party proceedings. This pronouncement is consistent with the PUC's long-standing tradition of ensuring that consumers have the opportunity to be heard effectively and to participate meaningfully in cases at whatever level they desire.

Comments to the proposed policy statement are due 30 days after publication in the *Pennsylvania Bulletin*. The docket number is M-00061975. Following the receipt of comments, the PUC will issue a final policy statement.

Fixed Utility Waivers

Recently, the Commission granted one utility a waiver of 52 PA Code § 56.21, which requires fixed utilities to mail or physically deliver monthly bills to their residential customers. Other utilities are requesting similar waivers. The utilities typically want to post bills on their Web sites and send customers emails advising that the bills have been posted. A problem arises when the emails are rejected.

The Commission said that the duty imposed by the regulators is not to give notice of the bill but to mail or physically deliver the actual bill. Under the waiver, it is the email that substitutes for the requisite mailing or physical delivery, and if the email advising that the bill has been posted is rejected, a paper bill must be mailed. Posting the bill is not a substitute for mailing or physically delivering the bill. The Commission also reiterated that waivers are temporary, that all persons to be affected by a waiver should receive notice of the proposed waiver, and that in some cases notice to the statutory advocates was adequate. (*Petition of the Peoples Natural Gas Co., d/b/a Dominion Peoples, for . . . Waiver of . . . 52 Pa. Code § 56.21, Docket No. P-00052159, June 23, 2006*).

Biennial Report Established Guidelines

On March 22, 2006, the Commission entered the tentative order for the Biennial Report to the General Assembly and Governor Pursuant to Section 1415. The order included the framework for the Commission's biennial report including the degree to which the requirements of Chapter 14 have been successfully implemented, residential collections information in 54 data categories, level of access to utility service, and the effect on the level of consumer complaints and payment arrangement requests filed and adjudicated with the Commission. The collections data reporting requirements were published in the *Pennsylvania Bulletin* on April 8, 2006. There was a 30-day comment period ending May 8, and an additional 15-day reply comment period ending May 23. The Commission entered a final order on July 24, setting forth the contents of the Biennial Report and establishing Interim Guidelines for Residential Collections Data Reporting for 27 data categories.

Collaborative Process Working Group

The first meeting of the Collaborative Process Working Group (CPWG) took place on Aug. 31. The agenda included a review of the draft collections data dictionary, draft standard Protection from Abuse (PFA) annual customer notification, and consideration of adding questions to the Customer Service Transaction Survey (CSTS). The final meeting was held Sept. 19. After the final meeting, the collections data dictionary and the standard PFA notice were distributed for a final review and approval by the CPWG members. The PFA notice included a review and comments from the Coalition Against Domestic Violence. The final reviews have been completed and the collections data dictionary and standard PFA customer notice are filed at Docket No. M-00041802F0003.

In the final order, the PUC was directed to "consider" adding questions to the CSTS. The CSTS may be revised voluntarily by the industries by adding/deleting questions only if the CPWG members reach an agreement on specific additional questions. Several additional questions regarding customer demographics are under consideration by the electric and gas industries. In addition, the PUC's Bureau of Consumer Services (BCS) has completed the data validation with the companies for the historical data from 2002-05. The Commission's initial biennial report is due to the Governor and General Assembly on Dec. 14.



One of the PUC families to be honored at the ceremony was the Briddelle family, three of whom served in the Armed Forces. (From left) PUC Chairman Wendell F. Holland, Michelle M. Briddelle, Howard R. Briddelle IV, Vernell Briddelle and Howard R. Briddelle III. Howard R. Briddelle IV is a current member of the National Guard and his parents, Vernell and Howard, both served in the Marine Corps. Vernell works in the PUC's Bureau of Consumer Services and Michelle works in the Secretary's Bureau.

Commission Honors Veterans after Public Meeting

The Commission commemorated Veterans Day with a special ceremony following its public meeting on Nov. 9.

"It's a great honor for the Commission to be able to pay tribute to members of our PUC family who have served our country," said Commission Chairman Wendell F. Holland. "The ceremony continues the Commission's dedication to remembering those who have given so much for our freedoms."

The PUC paid special tribute to the more than 70 Commission employees and their families who have served or are currently serving in the U.S. Armed Forces. The honorees span all branches of the military and have served in U.S. military actions since World War II including service in Korea, Vietnam, the Persian Gulf and elsewhere.

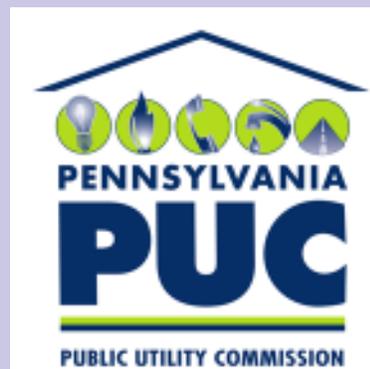


Chairman Holland (left) thanked Warren "Wick" Wickwire and his wife Rhoda of Cumberland County, for Wick's service during World War II and the Korean and Vietnam Wars. Wick is the father of Gail Wickwire, who works in the Bureau of Fixed Utility Services.

PUC Submits 2007-08 Executive Budget Request

On Oct. 12, the PUC submitted its Executive Budget Request for Fiscal Year 2007-08 to the Governor's Office of the Budget. By that request, the PUC sought approval for a total of \$53.2 million, including almost \$3 million in federal funds. The state funds requested, in the amount of about \$50.3 million, is our second consecutive requested decrease from the previously authorized budget levels. The budget hearing materials will be submitted to the House and Senate appropriations committees in January 2007. Legislative budget hearings are expected to be held in the February-March timeframe.

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.

PUC Adopts New Mission Statement

Recently, the PUC adopted the following new mission statement: The Pennsylvania Public Utility Commission balances the needs of consumers and utilities to ensure safe and reliable utility service at reasonable rates; protect the public interest; educate consumers to make independent and informed utility choices; further economic development; and foster new technologies and competitive markets in an environmentally sound manner.

In revising the mission statement, which had been in place for about five years, the PUC considered recent statutory amendments, as well as the significant themes that are present in its many decision, activities and initiatives. The PUC recognized that its focus and priorities change over time and that it is important to ensure that those shifts are incorporated into the mission statement.

Audio of Public Meeting Now Available

As of Oct. 19, consumers and other interested parties now have the ability to download recorded audio transcripts of public meetings, en banc hearings and other select Commission proceedings from the Commission's Web site.

A link to the clip is accessible at the Public Meeting Calendar page of the Commission's Web site and is posted shortly after the conclusion of the event. To access the clips you must have an Internet connection and have Windows Media Player or similar audio program installed on your computer. Clips will be available for six months after posting.

Prepare Now

This winter, the Commission will continue to remind Pennsylvanians to "Prepare Now" for winter heating costs. The "Prepare Now" message is designed to help residents, especially seniors and low-income consumers, deal with winter heating costs.

The campaign urges consumers to know their rights and learn about the laws related to utility terminations. It also encourages consumers to prepare for winter heating costs by weatherizing their homes, conserving energy, and learning about private and public programs to help them cope with colder weather and pay their bills. For more information, go to the PUC's Web site at www.puc.state.pa.us.

Focus on the Office of Special Assistants

The Office of Special Assistants (OSA) was established by the Commission in January 1977, to help implement certain provisions of the Public Utility Code. These provisions recognized certain prosecutory and advisory functions within the PUC, and prohibited staff attorneys and other Commission employees from performing in both a prosecutory and advisory capacity in the same case or in factually related cases. OSA was created to function as an advisory office and is statutorily prohibited from participating in the prosecution of cases before this Commission.

OSA is overseen by Cheryl Walker Davis, who has held the position of Director for many years. OSA is comprised of a Legal Division and the Technical Division. These two divisions and a complement of expertly trained support staff, work together to execute the duties of the Office.

OSA's case load involves providing legal and technical advisory recommendations, presented as public meeting reports in the form of draft orders. OSA usually performs this function by reviewing challenges (called exceptions) to decisions by administrative law judges (ALJs) and petitions for reconsideration, modification, or clarification of final PUC orders. OSA reviews these challenges in the context of the entire evidentiary record, as well as sound legal and technical precepts and established precedent, to craft a recommendation to the PUC on how these challenges should be resolved.

In cases where no exceptions are filed, but where two or more Commissioners have requested full review of an ALJ's decision, the PUC may decide the case in a manner that differs from the ALJ's recommendation. OSA then receives an assignment to draft an order consistent with the action of the Commission. The objective is always to create an order that contains sufficient legal and technical justification so as to withstand scrutiny on appeal.

OSA's other duties include:

- Advisory recommendations on interlocutory orders issued by ALJs and petitions for interlocutory review;
- Advisory recommendations on petitions for rehearing, reconsideration, modification or clarification of final Commission orders;
- Advisory recommendations on negotiated agreements by telephone companies to permit new competitive local exchange companies to interconnect to the systems of incumbent local exchange carriers;
- Reviewing proposed changes to fixed utility tariffs for legal sufficiency, as requested;
- Assisting in the development of new regulations; and
- Reviewing and administering requests for extensions of time to file exceptions and/or reply exceptions to initial or recommended decisions.

Finally, OSA works closely with the Law Bureau and Bureau of Fixed Utility Services and supports various PUC policy initiatives by participating on task forces, collaboratives, technical workshops and working groups.

PUC Team Ready for Emergencies

During the time of an emergency, the PUC's Security and Emergency Management Response Team makes sure a clear line of communications is available from the utilities to the PUC, the Pennsylvania Emergency Management Agency (PEMA) and the Governor. The team is also involved in several other areas.

Regional Counter Terrorism Task Forces

In response to the growing threat of the use of weapons of mass destruction (WMD), a major effort was launched 1998 by Pennsylvania to properly organize the most effective scheme for the nine Pennsylvania Regional Counter Terrorism Task Forces (RCTTF).

As the first step, counties developed task forces to consist of elected leadership, appointed officials and chief representatives for first responders. The county task force consists of representatives of the member county organizations, including emergency management agencies, law enforcement, fire/rescue, emergency medical service and state certified hazardous material response teams. Other county officials such as sheriffs, district attorneys, and coroners also participate.

The nine RCTTF's are the aggregated county groups augmented by the various state and federal officials having regional or state wide responsibilities in the RCTTF area. These partners consist of such agencies as PEMA, the Federal Emergency Management Agency (FEMA), Office of Homeland Security (OHS), Federal Bureau of Investigation (FBI), Pennsylvania State Police, National Guard, Pennsylvania Department of Environmental Protection (DEP), United States Coast Guard, health and medical organizations and other agencies.

Shortly after the attacks on Sept. 11, 2001, the PUC in cooperation with the OHS, PEMA, PA DEP and FBI and others, began establishing a regional structure uniting all utilities within the nine RCTTFs. This structure provides the RCTTFs, governmental agencies and all utilities with an informational conduit and structure to rely upon in the event of an emergency, using an all hazardous approach.

The PUC's Security and Emergency Management Team has completed eight of the nine RCTTF meetings uniting all Pennsylvania utilities and the RCTTFs with this structure. The last RCTTF meeting is scheduled for Jan. 10, 2007.

Utility Security and Readiness Self Certification

The PUC's primary security and emergency management team has worked closely with all of its jurisdictional utilities since July 1998 to ensure the safe and reliable delivery of utility service to the citizens in the Commonwealth, and to refine security/emergency management and response processes.

The PUC also works closely with the PEMA and the state OHS to ensure coordination of critical infrastructure emergency and security procedures.

The PUC believes that the development, maintenance, exercising and implementation of written physical and cyber security, emergency response and business continuity plans are essential to ensuring jurisdictional utilities are equipped to furnish and maintain adequate, efficient, safe and reasonable service.

By regulation, the PUC requires each of its jurisdictional utilities subject to the reporting requirements of 52 Pa. Code §§ 27.10, 62.28, 63.36, 65.19, 59.48 and 57.47 file the Public Utility Security and Readiness Self Certification Form as an appendix to their Annual Financial Reports due each April. In addition, for those utilities subject to the reporting requirements of 52 Pa. Code §§ 29.43, 31.10, and 33.103 should submit the Public Utility Security and Readiness Self Certification Form as an appendix to the Annual Assessment Report due each Fiscal Year.

State EOC Activations

The PUC's primary security and emergency management team was called upon to assist in several activations at PEMA's Emergency Operations Center (EOC) over the summer months. The first began on June 23, 2006, with the heavy and continuous rainfall causing severe and widespread flash flooding in numerous central and eastern counties of the Commonwealth. In addition, Tropical System Ernesto brought heavy rains and high winds that saturated the soil in numerous communities in western Pennsylvania causing severe flooding and damaging homes, roads, bridges, and a state critical care center.

National Infrastructure Protection Plan

Earlier this year the Federal Department of Homeland Security issued the National Infrastructure Protection Plan to provide a framework for the prioritization of protection initiatives and investments in critical infrastructure and key resources. Utility property and resources comprise parts of four of the 17 sectors scheduled for additional plan development at both the national and state level.

The PUC has been participating as a support agency for the sector specific plans in energy, water, telecommunications and transportation being developed by the government coordinating councils. These plans will be merged with plans being developed by industry based councils. Federal based plans are due by November 2006 and state based plans by May 2007. The overall program is to provide safer, more secure and more resilient infrastructure networks through improved coordination, communication and flexibility in operations and investment.

Telephone Numbering Update

Because telephone numbers are a scarce resource in the telecommunications industry - there are only so many to go around - carriers are required to report on telephone number activity twice a year to the North American Numbering Plan Administrator (NANPA). The report monitors area code exhaust dates, as well as the exhaust of the entire North American Numbering Plan. Each report lists the blocks of numbers held by the carrier, the amount of numbers assigned to end users and the amount still available for assignment. Carriers forecast the amount of new codes they will need, which helps NANPA determine whether existing area codes are adequate.

The September 2006 report indicates Pennsylvania's area codes are not in any immediate danger. Exhaust dates for our areas codes are 2011 (area codes 570, 610/484 and 814), 2012 (area code 717), 2013 (area codes 215/267), and 2024 (area codes 412/724/878). The report shows that incumbent local exchange carriers (ILECs) assigned 12,142,335 numbers, competitive wireline carriers (CLECs) assigned 3,925,110, and wireless carriers assigned 9,024,767. That represents about a 0.8 percent decrease for ILECs since 2005, a 6.4 percent increase for CLECs and a 5.2 percent increase for wireless.

NMP Audit Program

By order entered Oct. 28, 2005, the Commission affirmed its authority under Act 183, the new Chapter 30 of the Public Utility Code, to perform investigative-type audits for the purpose of independently verifying the reported progress of an incumbent local exchange carrier's broadband deployment obligations contained in its network modernization plan and to require the audited company to pay for the audit. However, in response to a funding proposal made by Verizon Pennsylvania Inc., the Commission agreed to allow Verizon to pay for its future audits from the monies remaining in the Escrow Fund established by the Commission in 2001 to facilitate the Commission's analysis of performance metric reports subject to the requirement that Verizon will make up any funding shortfall. Finally, the Commission also agreed in this order to defer conducting any such audits until after Verizon files its 2007 biennial report.

The PUC's Bureau of Audits issued its request for proposals package on Nov. 21. This will allow the PUC to hire an outside consultant to perform Verizon's NMP audit. It is anticipated that the winning consultant's contract will be in place in time to start working on the project by June 2007.

Gas Company Mergers

Equitable Resources to Purchase Dominion Peoples and Dominion Hope

Equitable Resources Inc. announced that it plans to acquire The Peoples Natural Gas Company (Dominion Peoples) and Hope Gas Inc. from Dominion Resources Inc. for approximately \$970 million pursuant to a stock purchase agreement dated March 1, 2006.

Equitable and Dominion Peoples filed a joint application on March 31, 2006, seeking Commission approval of the sale of Dominion Peoples' natural gas distribution utility in Pennsylvania to Equitable. The Office of Consumer Advocate filed a protest and Office of Small Business Advocate filed a notice of intervention. Numerous other parties petitioned to intervene or submitted protests. The PUC's Office of Administrative Law Judge's recommended decision is scheduled to be completed by Feb. 16, 2007.

Equitable is an integrated energy company headquartered in Pittsburgh. Equitable Gas Company, the operating utility division of Equitable, provides natural gas distribution service to approximately 257,000 customers located in the city of Pittsburgh and 10 Pennsylvania counties in the western part of the state.

Dominion Peoples is a public utility that serves approximately 357,000 homes in central and southwestern Pennsylvania. Hope Gas is a natural gas public utility operating in West Virginia.

UGI Acquisition of PG Energy from Southern Union Company

On Jan. 27, 2006, UGI Corporation and Southern Union Company announced that they had signed a definitive agreement whereby UGI Corporation would acquire the natural gas utility assets of PG Energy from Southern Union for approximately \$580 million. Southern Union also announced that it would be moving its corporate operations from Scranton, Pennsylvania to Houston, Texas.

In their application docketed at A-120011F2000, A-125146F5000 and A-125146, UGI Utilities Inc. (UGIU), UGI Utilities Newco Inc. and Southern Union sought Commission approval to permit UGI Penn (formerly UGI Utilities Newco Inc.) to become a wholly-owned affiliate of UGIU and for UGI Penn to commence natural gas distribution service to the approximately 160,000 customers currently served by PG Energy in 13 counties in northeastern Pennsylvania. Southern Union would abandon its service as a natural gas distribution utility within the Commonwealth.

In an order dated Aug. 17, 2006, the Commission conditionally approved the transfer of all property of Southern Union Company's PG Energy division used to provide natural gas distribution in Pennsylvania to UGI Penn. On Aug. 24, 2006, UGI Corporation announced that it had completed the acquisition of PG Energy's natural gas utility assets from the Southern Union Company.

Rural Telephone Access Charge Investigation Stayed Another Year

At the public meeting of Nov. 9, 2006, the Commission acted on the rural telephone company access charge investigation, at Docket No. I-00040105. The PUC made the decision to say the investigation for another year or until the Federal Communications Commission (FCC) issues a decision in its *Unified Intercarrier Compensation* proceeding at CC-Docket No. 01-92, whichever occurs earlier.

Last year the PUC adopted a similar stay with the hopes that the FCC proceeding would be completed by now. Since that time, the FCC's focus shifted toward concentrating on the merits of a new proposal called the Missoula Plan. In light of the looming decision of the FCC regarding the Missoula Plan and pending federal legislation pertaining to the federal universal service fund, the PUC concluded that a further one-year stay of the investigation is warranted. For more on the Missoula Plan, see the article on Page 11.

PUC Reconsiders Prior Order Allowing Access Charge Increases

On Nov. 9, the PUC also acted to reconsider, pursuant to 66 Pa. C.S. § 703(g), its prior determination that allowed three rural telephone companies to increase their intrastate access charges as part of their annual Price Stability Index filings. The three rural companies involved are Denver and Ephrata Telephone and Telegraph Company, Buffalo Valley Telephone Company and Conestoga Telephone and Telegraph Company.

The PUC's recent rulings in June allowed the three rural carriers to increase rates as part of their 2006 Annual Price Stability Index/Service Price Index filings on the express condition that the rates would be subject to further investigation in the rural company access charge investigation. The PUC criticized the three companies' move to raise access rates because it appeared to contradict long-standing access charge reform in Pennsylvania. The PUC also directed that the rural access charge investigation would be expanded to include an examination of whether the three companies' access rate increases are consistent with the:

- Regulations and policies governing the Pennsylvania Universal Service Fund (PaUSF);
- Previous request for a stay of the access charge investigation;
- Previously approved Amended Chapter 30 Plans of the three companies; and
- Continuing statutory obligations set forth in various sections of the Public Utility Code.

The PaUSF was established to reimburse the rural incumbent local exchange carriers (ILECs) for revenue losses

attributable to reductions in intrastate access charges and toll rates in transitioning to a competitive industry. The PaUSF also ensures basic local service residential rates would be placed under a reasonable cap.

In light of the PaUSF's establishment, the PUC expressed its concern as to how increases in intrastate access charges proposed by the three companies, which also participate in the PaUSF, will ultimately affect the fund. The PUC was also concerned about potential administrative problems in calculating recipient support as well as mid-year reductions in the overall size of the fund. The Commission directed the Office of Administrative Law Judge to conduct the necessary hearings for reconsideration to determine whether any rescission or amendment of its previous orders that allowed access charge increases for the three companies is warranted. A recommended decision is due no later than Feb. 28, 2007.

Safety Workshops

Continued from Page 15.

Five members of the PUC Rail Safety Division attended and participated in this educational outreach. Rail safety inspectors investigate hazardous material derailments and incidents throughout the Commonwealth, similar to the derailment involving hazardous materials that occurred in Derry Township, Pennsylvania on July 5, 2006. Several of the emergency responders, exhibitors, and agencies who responded to this incident were in attendance at the TRANSCAER Whistle Stop Tour. The training, cooperation and expertise taught at the tour were demonstrated in Derry Township with a very successful and professional response with no release of product and no reportable injuries.

It is hoped that community outreach efforts such as the Whistle Stop Tour will not only provide education and training opportunities for local emergency responders, but also demonstrate the importance of an effective partnership between rail carriers, regulators, and emergency responders in Pennsylvania.

FCC Highlights

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service, public safety and disaster recovery, UNEs, special access, wireless, transit service, ADLS service, ADSL transmission service, net neutrality, annual certification and not seek a ruling through a forbearance petition altering the status of any facility being currently offered as a loop or transport UNE under section 251(c)(3). The comments were due no later than Oct. 24, 2006.