

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.

Winter/Spring 2009

Governor Rendell Renominates Commissioner Robert F. Powelson



Commissioner Robert F. Powelson

Commissioner Robert F. Powelson was renominated on Feb. 12, 2009, by Gov. Edward G. Rendell to a five-year term on the Pennsylvania Public Utility Commission. He awaits Senate confirmation.

Commissioner Powelson nears the completion of a one-year term in which he focused on fair and balanced regulation, alternative energy and energy conservation, the needs of low-income consumers, safety and reliability, and consumer education. The Senate unanimously confirmed Powelson on June 30, 2008, to complete the term of a former Commissioner, following Gov. Rendell's June 19, 2008, nomination.

State of the Commission Address

Public Utility Commission Chairman James H. Cawley discussed the "State of the Commission" Feb. 12, 2009, during a presentation to the Pennsylvania House of Representatives Consumer Affairs Committee. Chairman Cawley noted that the Commission has been very busy and, during Fiscal Year 2007-08, held 23 Public Meetings, processed more than 1,200 reports and orders, and processed 87,000 total documents filed with the Commission.

Act 129 of 2008, which was signed into law by Gov. Rendell on Oct. 15, 2008, has expanded the PUC's oversight responsibilities and imposes new requirements on electric distribution companies, with the overall goal of reducing energy consumption and demand.

Chairman Cawley also discussed the upcoming expiration of electricity rate caps for customers of PPL, Allegheny Power, Metropolitan Edison, Penelec and PECO. The PUC continues to emphasize educating customers that these rates caps are coming off and what they can do to help lower their electric bills.

During the hearing, the Chairman expressed gratitude to the General Assembly for authorizing funding to help launch InfoMAP, the PUC's new case management system. He also noted that the Commission's recently launched eFiling has already substantially reduced the paper flurry within the Commission.

"It's a wonderful system. We are working every day to make it even more useful," said Chairman Cawley.

Connecting in Pennsylvania

Welcome to the 12th issue of *Keystone Connection*, a publication of the Pennsylvania Public Utility Commission (PUC) that gives a "snapshot" view of the utility markets under the jurisdiction of the Commission, and news on consumer and PUC issues.

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

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

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Implementation of Act 129

The PUC has been actively implementing various provisions of Act 129 of 2008, which went into effect on Nov. 14, 2008. As reported in the last issue of Keystone Connection, Act 129's overall goals are to reduce energy consumption and demand, enhance default service procurement strategies and expand reliance on alternative energy resources. Specifically, the Act requires electric distribution companies (EDCs) with more than 100,000 customers to reduce electricity consumption by 1 percent by May 31, 2011, and by 3 percent by May 31, 2013. It also mandates a 4.5 percent reduction in peak demand by May 31, 2013.

On Jan. 15, 2009, the PUC adopted an implementation order, establishing an energy efficiency and conservation program and providing a framework for the filing of EDC plans by July 1, 2009, and disposition within 120 days. In this order, the PUC set forth the procedure for approving the plans, and evaluating and verifying the results and cost-effectiveness of each plan. The PUC also outlined the standards that must be followed in implementing such plans and the parameters of the cost-recovery mechanism. This order was adopted after a stakeholder process that included comments and a meeting on a strawman proposal circulated by PUC staff.

After seeking comments from interested parties, the PUC adopted an order on Feb. 5, 2009, establishing the standards and procedures by which conservation service providers may be registered to provide consultation, design, administration, management or advisory services to an electric distribution company regarding energy efficiency and conservation plans. To perform these services, entities must meet the PUC's minimum qualifications and be included on the registry.

On Feb. 20, the PUC issued a secretarial letter inviting comments on a proposed update to the Technical Reference Manual (TRM) governing energy efficiency and demand side management rules for Pennsylvania's alternative energy portfolio standard. The TRM will be used to determine compliance with both Act 129 and the Alternative Energy Portfolio Standards Act of 2004. Comments were due on March 12, with reply comments due on March 27.

PUC staff is also working with EDCs on a Request for Proposals that will be issued in early April seeking assistance in the verification of the EDCs' reductions in consumption and demand, and the evaluation of the cost-effectiveness of their programs under Act 129. A component of that phase of implementation is the development of a uniform evaluation plan by the EDCs, including evaluation criteria and protocols.

Work is likewise under way for the development of standards that should be followed in the deployment of smart meter technology and time of use rates. The PUC is planning to establish criteria to guide the EDCs in the preparation of these plans due later this year.

More information about the PUC's implementation efforts may be accessed on our Web site at the following page devoted to Act 129 at

http://www.puc.state.pa.us/electric/Act_129_info.aspx.

Climate Control Advisory Committee (CCAC)

The CCAC is required by the Pennsylvania Climate Change Act 70 of 2008 to advise the Department of Environmental Protection on Implementation of the Act. The Act 70 activities include designating a voluntary greenhouse gas registry, delivering a greenhouse gas inventory report, creating impact assessments and developing a climate change action plan.

The Committee is comprised of residents of the Commonwealth, who are selected based on their interest, knowledge and expertise regarding climate change issues. Appointees have been selected to reflect a diversity of viewpoints on climate change issues from the scientific, business and industry, transportation, environmental, social outdoor and sporting, labor, and other affected communities. Eighteen members have been appointed; six each by the Governor, the Senate Leadership and the House of Representative Leadership. Ex Officio voting members include the Chairman of the Public Utility Commission, the Secretary of the Department of Conservation and Natural Resources, and the Secretary of the Department of Community and Economic Development.

Chairman Cawley has designated Wayne Williams, the Director of Conservation, Economics and Energy Planning (CEEP), to be his designee on the Committee. Director Williams was subsequently elected as the Chairman of the Electricity Generation, Transmission and Distribution Subcommittee. The Committee and Subcommittee are currently evaluating greenhouse gas reduction draft work plans for consideration by the Department.



Default Service Plans

UGI Electric

On Feb. 12, 2008, UGI Utilities Inc. – Electric Division filed a petition with the PUC for expedited approval of a default service procurement, implementation and contingency plan, pursuant to 52 Pa. Code §§54.181 – 54.189, for default service commencing in January 2010. In this filing (Docket No. P-2008-2022931), UGI did not include a rate design proposal or Alternative Energy Portfolio Standards (AEPS) Act of 2004 compliance plan but sought Commission approval to bifurcate those proposals and file them for approval on or before Sept. 1, 2008, on a separate procedural track. On Nov. 17, 2008, the parties filed a joint petition for settlement. A recommended decision was issued approving the settlement on Dec. 29, 2008.

PPL Electric Utilities Corporation

In Aug. 2008, PPL Electric Utilities Corporation filed its petition for approval of a plan to purchase electric generation for the three years (Jan. 1, 2011 through May 31, 2014) following its 2010 competitive bridge plan, already approved and in place. Following passage of Act 129, which includes specific requirements for default service plans, the company amended the plan at Docket No. P-2008-2060309. Hearings were held on Feb. 11 and 12, 2009, and the parties are now in the briefing stage. The Commission is set to consider the matter in June.

Pike County Light & Power Company (PCL&P)

With its current default service program ending on May 31, 2009, PCL&P petitioned for approval of a new plan to cover supply and later amended the petition to address newly enacted Act 129 statutory changes. The parties reached a settlement in this matter and the case was certified directly to the Commission. At public meeting of Feb. 5, 2009, the Commission adopted the settlement which provided for:

1. A default service plan for June 1, 2009, through May 31, 2011;
2. A Second Renewal Term of the Aggregation Program for the same period; and
3. Further proceedings as necessary to address what becomes of customers who are receiving generation service from Direct Energy under the Aggregation Program when the Second Renewal Term expires.

The full order, when entered by the Commission, may be viewed on our Web site at Docket No. P-2008-2044561.

Flashcut Estimates

The Commission released its second comparison of current market prices for electricity with capped rates now paid by consumers on Jan. 29. While the new figures reflect significantly lower market prices than those released last August, they still validate the importance of current and future steps to mitigate potentially significant electricity rate increases.

The PUC notes that lower market prices could translate into smaller percentage increases for customers if rate caps were to expire today. While this trend is a positive development, the PUC emphasizes that market prices are subject to constant change and that there are no guarantees that the market prices will continue to fall. The prices may stabilize or trend upward in the future. Therefore, the PUC will not be complacent about continuing its actions to mitigate potential rate increases. For customers, energy conservation and efficiency are still recommended long-term strategies that should provide benefits regardless of where market prices trend in the future.

Since its peak in July 2008, at \$97.64/MWH, the PJM 12-month future price has fallen 49.8 percent. This has led to a decrease in expected rate increases from 89.2 percent down to an expected increase of 18.2 percent. The Commission intends to post quarterly updates on the PUC Web site, with the next update planned for April 2009.

These prices are not a projection of market prices when the rate caps expire. The data only provides a rough idea of what prices would be like if rate caps were lifted today, and electric utility prices rose to current market prices for the next 12 months. Actual default service prices may be higher or lower, depending on the magnitude of market prices when default service supply is actually acquired. Default service prices also will be less volatile than the market prices, since the PUC's default service regulations and policy statement require default service supply to be acquired over a number of months and years, instead of on one day.

One example of a Commission-approved default service procurement plan is the PPL Electric Utilities Corp. Competitive Bridge Plan (approved May 10, 2007, at Docket No. P-00062227, designed to provide a transition from capped rates to prevailing market prices for default electric generation service), under which PPL obtains competitive bids for 2010, when its rate caps expire, through six energy auctions over a two-year period. The prices PPL customers will pay in 2010 will be a blend of the prices resulting from the successful competitive bids of the six auctions.

Penn Power POLR II

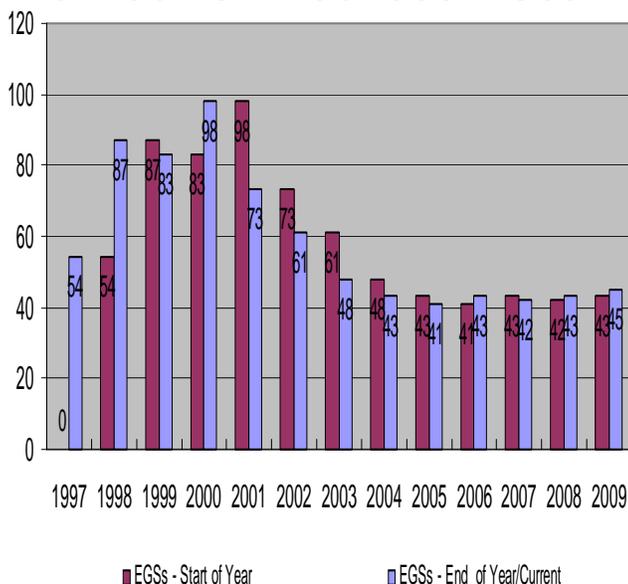
The competitive bidding process was conducted by an independent group on behalf of Penn Power for the procurement of the commercial customer load for June 1, 2009, through May 31, 2010, and the residential customer load for June 1, 2009, through May 31, 2011.

The bidding process for the residential customer group consisted of four phases, and resulted in four successful bidders. The bidding process for the commercial customer group consisted of two phases. There were two successful bidders.

The Commission verified that the new prices, which are set by the wholesale market, accurately reflect the results of the competitive bidding process. The prices below compare the current average total bill to an average total bill using the new tariff prices effective June 1, 2009:

- Residential customers using 750 kWh a month will see a decrease in their bill by \$12.52, or 10.96 percent.
- Residential heating customers using 2,000 kWh a month will experience an increase of \$13.04, or 7.77 percent.
- Commercial customer with a demand of 10 kW and 2,000 kWh a month will see a decrease of \$29.58, or 12.85 percent.
- Commercial customer with a demand of 300 kva and 60,000 kWh a month will decrease \$887.29, or 13.90 percent.

Number of Licensed EGSs



2008 Cold Weather Survey

On Dec. 16, 2008, the Commission released the results of the annual Cold Weather Survey showing that about 14,372 households entered the winter season without heat-related utility service. Another 3,373 residences used potentially unsafe heating sources, bringing the total homes not relying on a central heating system to 17,745. Potentially unsafe sources of heat include kerosene heaters, kitchen stoves or ovens, electric space heaters, fireplaces, and heat brought from neighbors' homes through extension cords.

The winter survey assesses the number of households where the utility has shut off heat-related service. The PUC requires natural gas and electric utilities to attempt to check up on those residential properties through telephone calls and in-person visits to the homes.

The 2008 survey results showed that 4,106 electric households and 13,639 gas households remained without electric service, for a total of 17,745. Fifty percent or 8,803 of the total "off" accounts are in the Philadelphia area. In addition, 20,037 households appear to be vacant and without utility service.

On Feb. 4, 2009, the Commission released the results of the Cold Weather Re-Survey of the company's "still off" accounts. As of Feb. 2, the total number of homes still not using a central heating system or using a potentially unsafe heating system was 11,347, down 36 percent from the 17,745 Dec. 16, 2008 total.

The 2008 Re-Survey results show that 11,347 households remain without service (1,638 without electric and 9,709 without gas). Forty-eight percent, or 5,939 households, are in the Philadelphia area. In addition, 21,305 households appear to be vacant and without utility service.

There is more survey data in the PUC's December 2008 and February 2009 press releases on the PUC Web site.

Electric Supplier Licensing

Activity from Nov. 1, 2008, to March 13, 2009.

45 Active Licenses

0 licenses canceled

2 licenses approved

2 applications pending

Management Audit of Philadelphia Gas Works

On Feb. 5, 2009, the PUC released a report on the Stratified Management and Operations Audit conducted by the consulting firm Shumaker and Co. Inc. The report contained 93 recommendations and identified potential annual savings of \$3 million to \$7.35 million and one-time savings of \$2 million from their effective implementation.

In its implementation plan, PGW indicated that it accepted 88 recommendations, partially accepted three recommendations and rejected two recommendations. PGW reports that it has already implemented five recommendations and plans to complete implementation of the majority of recommendations by December 2010. PGW rejected recommendations related to stream-lining the company's corporate governance process and working to develop a plan for addressing the high cost of universal service programs on ratepayers. PGW claimed that implementation of these recommendations are beyond its control.

The report can be found on the PUC's Web site at <http://www.puc.state.pa.us/pcdocs/1032666.pdf>. The implementation plan can be at <http://www.puc.state.pa.us/pcdocs/1032665.doc>

PGW Working Group's First Meeting

The Philadelphia Gas Works (PGW) Working Group held its initial meeting on Feb. 25, 2009, to examine lasting solutions to the financial problems faced by PGW. The Commission's decision to direct the establishment of this group by motion adopted on Dec. 18, 2008, was made in the context of approving extraordinary rate relief in the amount of \$60 million, which was determined essential to maintain the company's financial viability. Recognizing that PGW's current management team has taken a number of steps to move the company in a positive direction, the Commission indicated that other significant initiatives may be necessary to ensure that PGW is able to provide safe, reliable and reasonably priced service to its customers.

At its first meeting, the Working Group – comprised of representatives of the Commission, PGW and the City of Philadelphia Mayor's Office – focused on PGW's overall cash flow position and the status of the rollover of two tranches of commercial paper (together totaling \$148 million) during the first quarter of 2009. The group also discussed PGW's remarketing efforts in connection with the 2006 bonds.

Following the meeting, the Working Group filed a report with the Commission to describe their progress and recommendations for long-term solutions. The next meeting is tentatively scheduled for March 31, 2009.

PGW Convenes Collaborative with Competitive Suppliers

Following a directive contained in the Commission's opinion and order entered on Dec. 19, 2008, Philadelphia Gas Works (PGW) initiated a collaborative process in February to explore options for transitioning some or all of its customers to an alternative default supplier. This proposal was raised by natural gas suppliers who participated in the extraordinary rate relief proceeding and was based on evidence that PGW purchases natural gas for its customers in the amount of \$600 million to \$700 million annually from borrowed funds. PGW did not oppose convening the collaborative. In mid-April, PGW is required to submit a report to the PUC, detailing the progress made and identifying any areas of agreement among stakeholders, who are permitted to submit alternative reports recommending a course of action. This process is to continue until the participants agree to submit a final action report, unless the Commission orders otherwise.

Gas Supplier Licensing

Activity from Nov. 1, 2008, to March 13, 2009.

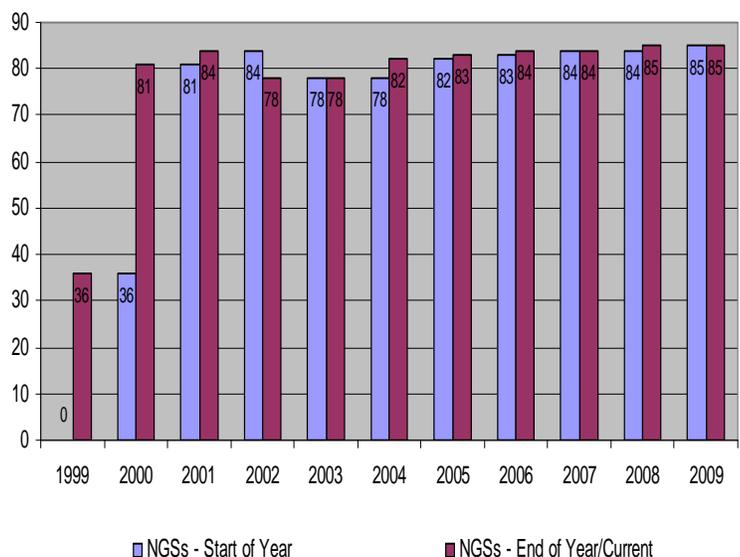
84 Active Licenses

0 licenses canceled

0 licenses approved

2 application pending

Number of Licensed NGs



Equitable Gas Rate Case

On June 30, 2008, the Equitable Gas Company filed a base rate case seeking an increase of \$51,949,391 to its annual revenue. Although the request represented an increase of 10.06 percent over total revenue, the distribution rate increase was 22 percent. The Commission suspended the proposed increase for investigation and assigned the matter to the Office of Administrative Law Judge for hearings to culminate in a recommended decision. The base rate case was subsequently consolidated with a complaint that had been filed by the Independent Oil and Gas Association (IOGA).

Public input hearings were held in the company's service territory and testimony was submitted by the active parties. Through extensive discovery and numerous formal and informal settlement conferences, the parties were able to agree on a resolution of all contested matters in both proceedings. The base rate case portion of the consolidated proceedings resulted in a "black box" settlement allowing an increase of \$38,350,000 in annual base rate revenue. The settlement agreement was submitted to the administrative law judge (ALJ) on Dec. 19, 2008. On Jan. 13, 2009, the presiding ALJ issued a recommended decision urging adoption of the settlement agreement without modification. At the Public Meeting of Feb. 26, the Commission issued an order adopting the recommendation of the ALJ and approved the settlement without modification.

1307(f) Filings Summary

PPL Gas Utilities Corporation

On June 2, 2008, PPL Gas Utilities Corporation filed its 2008 purchased gas cost (PGC) rate filing pursuant to Section 1307(f) to become effective Dec. 1, 2008, at Docket No. R-2008-2039634. The parties to the case filed a joint petition for partial settlement. A recommended decision was issued on Oct. 8, 2008, recommending that it be approved.

UGI Penn Natural & UGI Utilities

On June 2, 2008 UGI Penn Natural Gas Inc. (PNG) and UGI Utilities Inc. – Gas Division submitted their 2008 purchased gas cost filings to the Commission, with proposed modifications to PNG's gas tariff to become effective Dec. 1, 2008. A number of complaints and a petition to intervene were filed. On Sept. 3, settlements were filed. A recommended decision to approve the stipulations in settlement of Section 1307(f) rate investigation was entered into by parties to the case on Oct. 17, 2008, at Docket No. R-2008-2039284.

UGI Gas Rate Filings

On Jan. 28, 2009, UGI Central Penn Gas filed to increase its rate for service by \$19.6 million or 12.05 percent, effective March 29, 2009. If the request is approved as filed, the bill for a typical residential customer who uses around 78.1 dekatherms (781 therms) of gas per year will increase \$18.07 or by 15.8 percent, from \$114.72 to \$132.79 per month. The bill for a typical commercial customer who uses about 349.2 dekatherms per year will increase \$37.68 or by 8.7 percent from \$432.92 to \$470.60 per month. The bill for a typical industrial customer who uses 2,048.3 dekatherms per year will increase \$205.98 or by 8.8 percent from \$2,352.82 to \$2,558.82 per month.

On Jan. 28, 2009, UGI Penn Natural Gas filed to increase its rate for service by \$38.1 million or 11.4 percent effective March 29. If the request is approved as filed, the bill for a typical residential customer who uses about 1,066 hundred cubic feet of gas per year (ccf) will increase \$17.62 or by 12.7 percent from \$138.32 to \$155.94 per month. The bill for a typical commercial customer who uses 314-thousand cubic feet (Mcf) per year will increase \$31.51 or by 8.4 percent from \$373.29 to \$404.80 per month. The bill for a typical industrial customer who uses 3,534-thousand cubic feet (Mcf) per year will increase \$304.71 or by 8 percent from \$3,803.01 to \$4,107.72 per month.

Both companies have stated that the increased rates would fund system improvements and operations necessary to maintain safe and reliable natural gas service, as well as the funding of additional energy assistance for low income customers and conservation programs for all customers.

By operation of law, the rate requests could be suspended for up to seven months if the PUC does not act before the proposed effective date of March 29. The PUC uses that time to investigate and determine what if any of the requested increase is justified. During the investigation, hearings are held before an administrative law judge at which the evidence in support of the rate increase is examined and expert witnesses testify.

PGW Rate Proceeding

The Commission approved an increase in rates of \$60 million in response to a request for extraordinary or emergency rate relief for PGW. The increase was placed in effect for service rendered as of Jan. 1, 2009. The increase was to be applied on an across-the-board base rates basis so that each class' base rates (including customer charges and delivery charges) would increase by the same percentage. The Commission also directed PGW to file a base rate proceeding by the end of this year.

The Office of Small Business Advocate filed a petition for reconsideration. The Commission is reviewing the petition.

The full order, from the public meeting of Dec. 18, 2008, may be viewed on our Web site: <http://www.puc.state.pa.us//pcdocs/1030277.doc>.

Energy Price Forecast for March 2009

The Energy Information Agency's March 2009 *Short Term Energy Forecast* reports a continuing decrease in global energy demand and a reduction in crude oil and other energy prices. As a result, projections for both energy demand and prices are considerably lower. West Texas Intermediate crude oil (WTI) is the benchmark crude oil in the United States. WTI averaged \$100 per barrel in 2008, and is projected to average \$42 per barrel in 2009, and \$53 in 2010. The average price of West Texas Intermediate crude oil fell from over \$133 per barrel in July 2008 to about \$39 per barrel in February 2009.

Gasoline prices have been slowly increasing over the last two months while crude oil prices have stabilized. After averaging \$1.69 per gallon in December 2008, the lowest monthly average since February 2004, the retail gasoline price in February 2009 rose to \$1.92 per

gallon. Retail gasoline prices are projected to average \$1.96 per gallon in 2009 and \$2.18 per gallon in 2010.

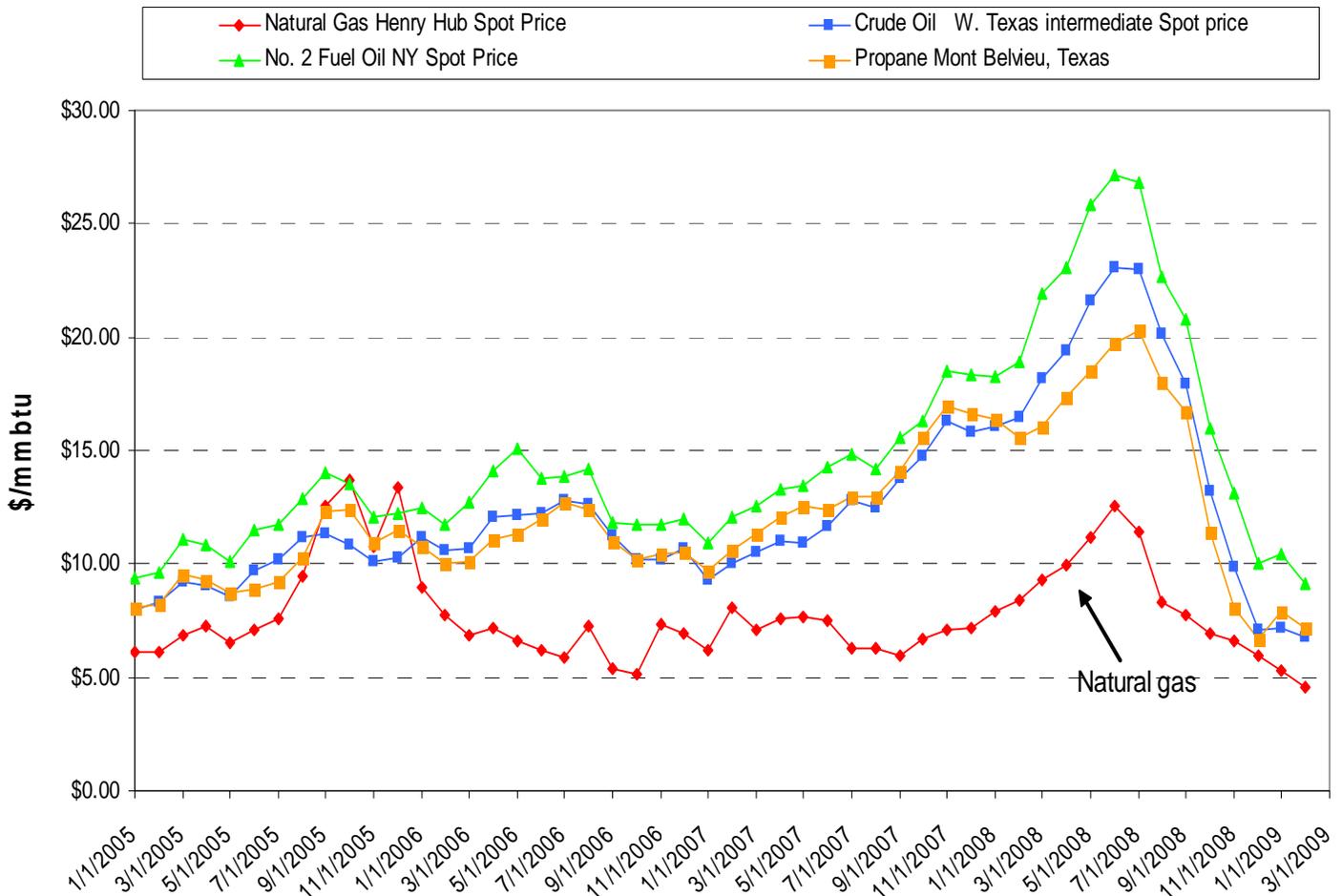
The Henry Hub wholesale spot price averaged \$4.65 per Mcf in February, \$0.75 per Mcf below the average spot price in January. Prices continue to reflect demand reductions brought about by the current economic downturn. If prices fall further natural gas will become increasingly competitive with coal for base load power generation in some regions. The Henry Hub spot price is expected to average \$4.67 per Mcf in 2009 and \$5.87 per Mcf in 2010.

Residential propane prices are projected to be below \$2 for the rest of this year. Residential heating oil retail prices for the rest of this year are projected to average \$2.17 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)



Water and Wastewater Company Applications Approved

Applications Approved
Oct. 9, 2008, through Feb. 5, 2009

Utility Name	Action	Territory	Action Date
Pennsylvania American Water Company	Additional Territory	Mahoning Township, Lawrence County	10/23/08
Pennsylvania American Water Company / Clarion Area Municipal Authority Wastewater System	Acquisition	Borough of Clarion, Clarion & Monroe Townships, Clarion County	10/23/08
CMV Sewage Company Inc.	Abandonment Denied	North Codorus Township, York County	12/18/08
Aqua Pennsylvania Inc./ Gouldsboro Water Company Inc.	Acquisition/ Abandonment	Lehigh Township, Wayne County	12/18/08
Aqua Pennsylvania Inc./ Emlenton Water Company	Acquisition/ Abandonment	Richland Township, Venango County & Richland Township, Clarion County	1/15/09
Pennsylvania American Water Company	Additional Territory	Valley Township, Chester County	2/5/09
Casciola Homes Inc.	Abandonment*	Cecil Township, Washington County	2/5/09
* - Service now provided by a Municipal Authority.			

Water Audit Pilot Program

The creation of a Water Audit pilot program that will enhance the companies' tracking of levels of unaccounted-for water, which is water that is lost between the treatment plant and sale to customers, was authorized in December. Several of the larger water utilities responded to the questions posed by the Commissioners and notified the Commission that they would be participating in the program.

The Water Audit is designed to provide an effective, standardized structure by guiding the water utility to quantify apparent and real loss volumes in a systemized approach and assigning cost impacts to the losses. The voluntary pilot program would further overall infrastructure reliability, help preserve water resources, limit water leakage, and enhance customer service.

The initial meeting was held on Feb. 5, 2009, with the following companies in attendance: Pennsylvania American Water, United Water, York Water Company and Superior Water Company. The Office of Consumer Advocate participated in the initial meeting, as well as members of the Commission's bureaus of Fixed Utility Services and Audits. The next meeting will be held in the spring after the latest version of the software program is issued and the companies have sufficient time to input their data and process their results.

Columbia Water MEI

On Nov. 6, 2008, the PUC released a report on a Management Efficiency Investigation (MEI) that examined Columbia Water Company's progress in implementing all 12 recommendations from a June 2005 Focused Management and Operations Audit and a review of the company's emergency preparedness. The Audits staff found that Columbia Water had effectively implemented five of the 12 recommendations reviewed and taken some action on the other seven recommendations from the 2005 audit. Additionally, staff made nine follow-up recommendations for improvement.

Some of the areas recommended for further improvement include:

- Developing and documenting a succession plan for the general manager's position;
- Conducting a study to determine if further reductions in the billing lag could be achieved once substantial implementation of its automatic meter reading system is completed; and
- Initiating efforts to comply with the company's goal of operating all of its valves every 18 months.

In response to the MEI report, Columbia Water submitted an implementation plan that indicated the company accepted all nine follow-up recommendations.

Water and Wastewater Rate Increases

Rate Increase Request Summary

Oct. 10, 2008, through Feb. 5, 2009

Utility Name	Amount(\$) Requested	Amount(\$) Granted	% of Increase	Action	Action Date
Pennsylvania-American Water Company City of Coatesville Division (Wastewater)	2,685,488	1,850,000	76.6%	Settlement	11/13/08
Exit II WWTP Inc. (Wastewater)	77,500	31,113	31.1%	Alternative	12/4/08
Warwick Drainage Company	21,858	21,600	100.0%	Settlement*	12/4/08
Warwick Water Works Inc.	22,227	21,600	166.0%	Settlement*	12/4/08
Total Environmental Solutions Inc. Mountain Lakes Sewer Division	118,920	118,920	28.6%	Approval**	12/18/08
Hyndman Borough Water Company	1,320	1,320	27.8%	Approval	12/18/08
Superior Water Company Inc.	599,771	522,500	30.6%	Settlement	2/5/09
Rock Spring Water Company	42,545	38,829	42.5%	Settlement	2/5/09
* - Two step increase.					
** - This increase was a pass-through of increased wastewater treatment charges from Butler Township Wastewater Division.					

Water and Wastewater Rate Increases Summary

The PUC voted to suspend by operation of law a rate increase request of **The Columbia Water Company** (Docket Number R-2008-2045157) until April 13, 2009. An evidentiary hearing was held in the case on Jan. 29, 2009. The company is seeking an increase in revenue of \$616,402 (16.5 percent).

A settlement was approved for lower rates than requested by **The York Water Company** (Docket Number R-2008-2023067). Under the settlement, York Water will increase rates by about \$5.9 million. The company had originally proposed to increase rates by about \$7 million. The company's filing indicated the proposed increase is needed to provide an adequate, safe and reliable level of service to its customers and to properly maintain its facilities.

Filings for increases to six divisions of **Little Washington Wastewater** were submitted on Dec. 26, 2008 (Docket Number R-2008-2081738). Several protests were made. The requested rate increase for the Woodloch Springs, White Haven, Pinecrest, Eagle Rock, Laurel Lakes and Thornhurst divisions are the minimum rates necessary to enable the company to earn a reasonable return on their investment to property devoted to the public service, to maintain integrity in existing capital and to attract

new capital. The increases range from 24.5 percent to 115.8 percent, depending on the division and overall annual usage. The increases are expected to generate \$633,942 (39.6 percent) in additional revenues. The filing was suspended by operation of law on March 1, 2009, until Oct. 1, 2009, unless permitted by Commission order to become effective at an earlier date.

The PUC voted to investigate a proposal by **Aqua Pennsylvania Inc.** to increase its distribution system improvement charge (DSIC) (Docket Number R-2008-2079310). The company is asking to increase its DSIC surcharge cap from 5 percent to 7.5 percent. The proposal is suspended until Sept. 6, 2009. Aqua says the increase will help reduce the potential need for more frequent base rate proceedings.

A lower rate increase than requested was also approved for **Superior Water Company** at Docket Number R-2008-2039261. The PUC approved an annual increase of \$522,500 (30.6 percent). The request is needed to restore the company's rate of return and net operating income to a reasonable level to allow recovery of a return on and a return of the company's increase of investments in water plants, and to help make substantial investment in water utility assets and incurred increased operating expenses that have occurred since its last rate base filing and increase in 1999.

Pennsylvania American Water Company Updates

Camp Hill Water Pressure Increases

On Nov. 19, 2008, Camp Hill Borough filed for an emergency order (C-2008-2076720) to stop Pennsylvania American Water Company (PAWC) water pressure increases because of water main breaks. On Nov. 26, 2008, a secretarial letter was issued denying the petition.

On Dec. 11, 2008, the Office of Consumer Advocate (OCA) and Camp Hill filed an emergency appeal. The next day a major water main break occurred on Route 11/15. Commissioner Pizzigrilli signed an emergency order that day that enjoined PAWC from further pressure increases pending an administrative law judge (ALJ) hearing to determine if the emergency order should be continued or modified.

Hamden and Lower Allen Townships joined the complaint. A hearing was held, and, on Dec. 23, 2008. The ALJ issued a recommended decision that stayed the pressure increases until a final PUC decision. The decision recognized that low fire flows due to a lack of pressure presented public safety issues and recommended that the Commission allow PAWC to continue the increases with conditions.

On Jan. 7, 2009, PAWC asked to reopen the proceeding to correct a hydrant flow capacity. On Jan. 15, 2009, the Commission granted the petition, referring it back to the ALJ. A hearing scheduled for Jan. 28, 2009, was canceled due to settlement negotiations.

The case remains on hold pending the settlement negotiations. Nothing has been filed before the PUC regarding a settlement, however, on Feb. 27, 2009, Harrisburg-area media reports indicated that a tentative settlement had been reached between PAWC and Lower Allen and Hampden townships. Camp Hill Borough and OCA have not agreed to the proposed settlement and talks continue.

Chloramine Update

On Aug. 7, 2007, about 20 complaints (C-20078029 et al) were filed to prevent PAWC from converting the disinfectant at two central Pennsylvania water treatment plants from chlorine to chloramines. In March 2008, the Commission reversed the ALJ's initial decision and remanded the matter. Public input, evidentiary and other hearings were held.

During the hearing process, the ALJ dismissed the issue that chloramine would cause staining, water odor and color issues, and ruled it is PAWC's discretion to choose the disinfectant. The only issue remaining before the PUC is that of proper notification of consumers. All health-related issues were deemed outside of PUC jurisdiction.

The company and the state's Office of Consumer Advocate reached a settlement in the case. The

residents involved as formal complainants did not join that settlement. On Feb. 18, 2009, a second initial decision said the company did provide proper notification to consumers. The decision also said it is not clear that the Commission needs to approve the terms of the settlement, as it does not resolve the issues raised in the complaint, involves a number of actions outside PUC jurisdiction and the company has agreed to take these steps regardless of the outcome of the litigation. The ALJ did note that the settlement is in the public interest.

Exceptions and reply exceptions have been filed. All of that makes up the body of evidence on which the Commission will base a final decision.

Wastewater Increase for Coatesville Division

The Commission approved a settlement, at Docket No. R-2008-2032689, which will increase rates of PAWC's approximately 5,900 wastewater customers in Chester County by about \$1.85 million or by 76.6 percent. The original rate increase filing had proposed to increase rates by about \$2.69 million or around 111.3 percent. The settlement was reached between the company and the state's Office of Consumer Advocate, the state's Office of Small Business Advocate, the PUC's Office of Trial Staff and other formal complainants including consumers, local municipalities and local authorities.

The average residential customer will see their monthly wastewater bill go from \$15 a month to about \$28 a month. Under the company's original proposal, the monthly bill would have increased to about \$34. In accordance with the terms of the settlement, PAWC has agreed to:

- Not file for a rate increase before April 28, 2009;
- Propose a residential customer assistance program when it files its next base rate case; and
- Address quality of service issues raised by residents in the 700 block of Valley Road, Coatesville.

Improper Notices of Service Interruptions

On Dec. 18, 2008, the Commission tentatively accepted and issued for comment a proposed settlement in which PAWC agreed to pay a \$3,000 civil penalty and provide over \$230,000 in credits to customers whose service they terminated in August 2007 (Docket No. M-2008-2066530). Commission prosecution staff alleged that PAWC violated provisions of Chapter 14 when they terminated service to 1,666 customers without providing the required notice of termination at least 3-days prior to the termination. PAWC also agreed to implement procedures to prevent future similar problems. (Docket No. M-2008-2066530)

Aqua Pennsylvania Wastewater Rate Increase

Aqua PA filed five separate rate filings for various operating areas of its wastewater division. The cases were filed on Dec. 29, 2008, and proposed to become effective March 1, 2009, and are as follows:

Division	Amount	Percentage
Northeast PA Consolidated	\$633,942	39.6%
Bridlewood	\$97,411	64.2%
Links at Gettysburg	\$34,469	80.1%
Deerfield Knoll	\$20,522	35.3%
East Bradford	\$17,819	20.3%

The company stated that the proposed rates are just and reasonable, and are the minimum rates necessary to enable Aqua PA to earn a reasonable return on their investment in property devoted to the public service, to maintain the integrity of existing capital and to attract new capital.

Sale of Emlenton Water

Emlenton Water Company serves about 400 customers in Emlenton Borough and Richland Township in Venango County, as well as Richland Township, Clarion County. In April 2008, a boil water advisory was issued by the Department of Environmental Protection (DEP) for Emlenton customers.

In response to the boil water advisory and other serious service problems at Emlenton, a joint application for emergency relief was filed by DEP and the Office of Consumer Advocate. On Nov. 20, 2008, the PUC, by an emergency order, concluded that Emlenton was not able to provide reasonable and continuous service pursuant to Commission or DEP regulations and that an interim certified operator should be designated to manage the system. Aqua Pennsylvania Inc. was designated as the operator.

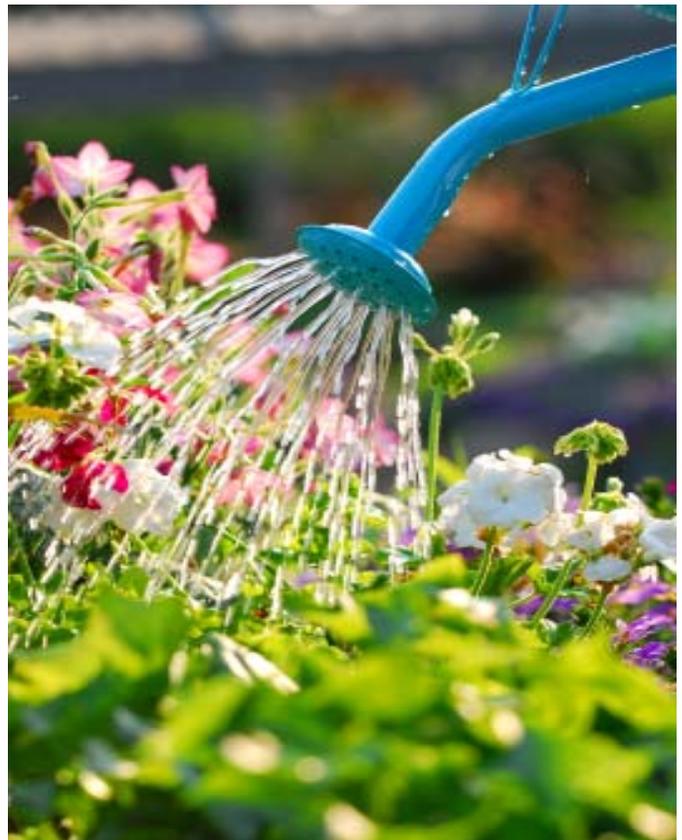
On Dec. 18, 2008, the Commission voted unanimously to tentatively approve the sale of Emlenton to Aqua. As part of the transaction, Aqua agreed to pay \$475,000 for the water company. On December 29, the PUC approved by notational vote a final order that was entered on the same day to permit closing on the sale of Emlenton to Aqua on Dec. 30, 2008.

The PUC has a longstanding policy on water system acquisitions that promotes water system viability. In this case, an agreement for the operation of Emlenton was reached in November 2008, and Aqua began improving service for Emlenton customers. The months-long boil water advisory was lifted within a month of the company's purchase.

CMV Sewage Company

CMV Sewage Company Inc. filed an application for approval to transfer all assets in the provision of sewage collection in North Codorus Township, York County, to the North Codorus Township Sewer Authority (NCTSA). The application also requested Commission approval to abandon service in this area. On Sept. 5, 2008, the Office of Administrative Law Judge (OALJ) issued an initial decision recommending that the application be denied. Exceptions to the initial decision were filed only by NCTSA. The PUC's Office of Trial Staff (OTS) and the Office of Consumer Advocate (OCA) filed replies to the NCTSA exceptions.

In addition to the OTS and OCA reply exceptions, the Department of Environmental Protection (DEP) hand delivered correspondence to the PUC Chairman containing comments addressing the initial decision. This correspondence was immediately followed by NCTSA's petition to reopen the record in an attempt to have the DEP letter entered into evidence. OTS, OCA and CMV objected to the hand-delivered correspondence and filed answers to the petition to reopen the record. The Commission adopted the initial decision, which denied CMV's request to transfer assets to NCTSA and abandon the provision of sewage service in North Codorus Township, York County. Furthermore, the Commission denied DEP's request to consider its letter and rejected NCTSA's petition to reopen the record.



Audit of Verizon PA's NMP

On Feb. 5, 2009, the Commission released a joint report that resolves all the remaining issues that had been left outstanding from a September 2008 independent audit of the Verizon Pennsylvania Inc.'s Chapter 30 Network Modernization Plan (NMP) at Docket No. D-2008-2056921.

The joint report contains agreements between PUC staff and Verizon establishing reporting and provisioning commitment benchmarks for measuring Verizon's performance on network modernization until 2012. At that time, the Commission staff and Verizon will reconvene to establish benchmarks for the company's last two reports due in 2015 and 2016.

The joint report also resolved other issues, including:

- Creating a method to assess Verizon's spare fiber capacity used to timely provision customer requests in the future;
- Mechanizing the DSL and FiOS facilities deployment counting process to provide a more accurate reporting of broadband availability;
- Continuing to use access lines to calculate broadband availability; and
- More clearly defining reporting requirements and reported results.

Under Verizon's NMP, it has committed to ensure 100 percent high-speed broadband availability within its service territory by 2015. The purpose of the September 2008 audit was to provide a comprehensive review to determine whether Verizon's sixth biennial update filed in June 2007 on its high-speed broadband deployment is accurate and if Verizon is complying with other reporting rules required by state law.

The Joint Resolution of Audit Recommendations Resulting from the Network Modernization Plan Audit of Verizon Pennsylvania Inc. can be found on the PUC's Web site at:

<http://www.puc.state.pa.us/pdocs/1032731.doc>.

And the Secretarial Letter can be found at:

<http://www.puc.state.pa.us/pdocs/1032582.doc>.

Update on 211

The Federal Communications Commission has designated 211 as the universal dialing code for providing access to community information and referral services. On Jan. 12, 2009, S. 211 was introduced in the United States Senate with the purpose of facilitating nationwide availability of 211 service. Prior federal legislation regarding 211 failed to make it out of committee. Two bills with the intent of establishing and funding a 211 service throughout the Commonwealth were introduced in the Pennsylvania legislature during the 2007-08 session (HB 539 and SB 1102); however, neither bill made it out of committee.

Verizon Investigation

On June 29, 2007, the staff from the PUC's Law Bureau and the Bureau of Consumer Services (BCS) initiated an informal investigation focusing on Verizon's customer service. Commission staff conducted an investigation of Verizon's customer service, including a review of the company's response to customer trouble reports, the performance of the Verizon customer call centers, and service complaints filed by Verizon's customers. Verizon reported to the Commission for 24 consecutive months that its consumer sales and service centers failed to meet the answering performance in 52 Pa. Code § 63.59(b)(2) and that 85 percent of customer calls to the business office during normal working hours were answered within 20 seconds.

In addition, BCS reported that in 2006, it lodged 726 informally "verified" infractions against Verizon for violation of section 63.57(c), which requires a public utility to keep commitments or provide timely notice. In 2007, BCS lodged 1,002 such informally "verified" infractions against Verizon. On Dec. 3, 2008, the parties filed a settlement agreement whereby Verizon agreed to reduce the number of Section 63.57(c) infractions by 50 percent, and place \$500,000 into a separate account to be used for targeted infrastructure projects during 2009. In consideration for the terms of the agreement, Verizon would seek a temporary exemption from the answering performance and make the settlement contingent upon approval of the application.

On Feb. 26, 2009, the Commission issued an order seeking comments from interested parties, at Docket No. M-2008-2077881. Comment have been filed.

Intrastate Access Charge Investigation

On Feb. 17 and 18, 2009, parties presented evidence on and recommended changes to the Pennsylvania Universal Service Fund (USF) as part of the intrastate access charge investigation originally instituted in 2004 and more recently reactivated in part by order entered on April 24, 2008. The investigation, which is also examining intraLATA toll rates of rural carriers, had previously been stayed pending the expected outcome of a parallel federal investigation which would impact the PUC's case.

In partially reopening this proceeding at Docket No. I-00040105, the Commission issued a list of questions about the USF. The matter is now in the briefing stage, and a recommended decision is expected to be released in June 2009.

Price Stability Mechanism

The Price Stability Mechanism (PSM) is a formula which may be included in an incumbent local exchange carrier's (ILEC's) Commission-approved alternative form of regulation Chapter 30 plan. It permits rates for noncompetitive services to be adjusted based on the annual change in the Gross Domestic Product – Price Index (GDP-PI) inflation factor. All ILECs operating with a PSM file an annual Price Stability Index (PSI) report based on this change in GDP-PI. The PSI tracks these changes cumulatively, adjusted for any exogenous events, indicating the maximum amount an ILEC may raise its rates.

When the change in the GDP-PI is positive, the ILEC may take the full amount of the increase available to it, take part and “bank” the remainder for future use, or bank the increase in its entirety. Most of the ILEC Chapter 30 plans state that the ILEC must implement any banked increases within four years or forfeit them.

Since September 2008, the Commission has approved annual PSI filings for 10 of the 23 ILECS operating with a PSM. Three of these ILECs implemented part of the increases available to them, two banked their allowed revenue increases in their entirety, and five chose not to implement increases, forfeiting the remainder due to a settlement agreement. In this time period, these companies implemented approximately \$16.511 million in increases while banking approximately \$1.598 million for future use, and forfeiting \$341,000.

EAS Working Group Submits Final Recommendations

The Extended Area Service (EAS) Working Group submitted a final recommendation on EAS in January 2009 that is currently under review by the Commissioners. EAS regulations govern when the Commission will change a carrier's local calling area by including additional in-state toll calling areas within the local calling area.

The EAS Working Group started examining EAS policy following a Commission decision in May 2008 in which the Commission decided against final revised regulations on EAS at 52 Pa.Code §§ 63.71-63.77. The Commission favored an EAS Working Group instead because of the desire to get more public input and because of changes in competition and technology.

The EAS Working Group met several times. They finalized the EAS options and submitted a recommendation to the Commissioners in January 2009.

More information on the EAS Working Group can be found on the Commission's Web site at: http://www.puc.state.pa.us/telecom/telecom_index.aspx.

Exhaustion of Pennsylvania's Area Codes

There are 10 area codes used in Pennsylvania. Within the next five years, seven of these area codes will exhaust, or run out of numbers. These seven area codes provide service/numbers for 80 percent of the geographical area of the state. The zones affected are 215/267, 570, 610/484, 717 and 814. Area codes 215/267 and 610/484 now have required 10 digit dialing. Ten digit dialing is required when two or more area codes cover the same geographic area.

The process for area code relief begins three years prior to projected exhaust dates. The exhaust date is projected by NANPA (North American Numbering Plan Administration) personnel using the data collected in the Numbering Resource Utilization/Forecast Report. NANPA will assist the PUC during the process. Public hearings will be held in the affected areas.

Before the area code reaches exhaustion, the Commission will have to determine whether to use an overlay or a split.

A split means that the geographical area of the area code will be split between the old and new area codes. An overlay means that a new area code would serve the same area as the exhausted area code, requiring 10-digit dialing.

TRS Advisory Board Meetings

The Pennsylvania Telecommunications Relay Service (TRS) Advisory Board has published its 2009 quarterly meeting schedule on the PUC's Web site. The first meeting will be at 10:30 a.m. on April 15, in the PUC's Junior Executive Chambers on the third floor of the Commonwealth Keystone Building at 400 North St. in Harrisburg.

Representatives from AT&T, Pennsylvania Telephone Association, the PUC, the Office for the Deaf and Hard of Hearing, Hamilton Relay and the community of persons who are deaf or hard of hearing and persons with language and speech disorders make up the Board's membership. The Board's quarterly meetings provide guidance to the relay service providers in such areas as problem solving, communication assistant training and service enhancements.

The Board will also meet in 2009 on June 10, Sept. 16, and Dec. 9. Board meetings are open to the public and anyone who is interested in TRS is welcome to attend.

Railroad Safety Improvement Act

The most comprehensive federal rail safety bill in 34 years was signed into law on Oct. 16, 2008. The Rail Safety Improvement Act of 2008 provides for new regulations and safety studies that will impact some industry operations, as well as oversight by government agencies. The Act will develop a long-term strategy for improving rail safety, including an annual plan for reducing the number and rates of rail accidents, injuries and fatalities.

The PUC's Rail Safety Division oversees the safety of railroads in PA along with the Federal Railroad Administration (FRA) through participation in the FRA's State Participation Program. Its safety inspection efforts will be impacted by any changes prompted by the Act. The State Participation Program supplements the inspection efforts of the federal inspectors. The PUC inspectors enforce the same regulations and are involved in the same studies as the federal inspectors.

The major provisions of the Act addresses the following: significant training improvements for railroad workers; implementation of Positive Train Control (PTC) on some railroad operations to establish crash avoidance systems; revisions to hours-of-service rules for railroad crews resulting in additional rest; a requirement of the FRA to issue new regulations for railroads to maintain the safety of their bridges; the establishment of a toll-free telephone number for reporting grade crossing problems; and review of track inspection, maintenance and repair procedures.



PUC to Host NCSTS Annual Conference

The PUC will host the National Conference of State Transportation Specialists (NCSTS) from June 15-17 at the Hershey Lodge and Convention Center. The purpose of the NCSTS is to promote the effective and fair regulation of the safety, services, operations and practices of the various modes of transportation under the jurisdiction of states. NCSTS began in 1959 with its first annual conference held in Louisville, Kentucky. NCSTS is affiliated with the National Association of Regulatory Utility Commissioners (NARUC).

State agency members and industry partners involved in transportation safety, insurance and consumer protection, come together to promote uniform, effective and fair laws in the public interest by providing representation and a forum for communication and education. This is accomplished through the study and discussion of transportation regulation issues, the exchange of pertinent data, information and experiences; and the consideration of important trends and development in transportation. Most recently NCSTS has provided valuable information to the PUC to implement a Web-based program for electronic filing of insurance, and information for the PUC to issue a proposed rulemaking for the regulation of portable on demand storage units, commonly known as PODS. NCSTS also provides the forum at its conferences for the UCR Board of Directors to hold their semi-annual meetings.

David Loucks, Regional Manager for the Harrisburg and Scranton District Offices in the Bureau of Transportation and Safety is the PUC's representative with NCSTS. David currently serves on the Executive Board. Chairman Cawley will provide opening remarks at the NCSTS on June 15.

Gas Safety Division Arranges Training for Emergency Responders

The PUC's Gas Safety Division organized a training class for Chester and Delaware counties' emergency responders on Jan. 30, in Kennett Square. The course instruction was provided by representatives of the National Association of State Fire Marshals.

The PUC and Sen. Pileggi, in partnership with Spectra Energy, provided training to prepare emergency responders, as three new interstate transmission pipelines will be constructed through both counties. Earlier resistance to the pipelines' location identified the lack of specific training for emergency responders.

Forty-nine emergency response personnel attended the eight-hour course, which covered subjects such as appropriate response to pipeline incidents, natural gas characteristics, the extinguishment of natural gas fires, and evacuation procedures.

FCC Highlights

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

The Matter of Intercarrier Compensation Reform CC Docket No. 01-92.

Since the last publication, the FCC issued a Mandamus Order and Notice of Proposed Rulemaking (NOPR) that proposed a reform of intercarrier compensation and universal service. Intercarrier compensation refers to the payments that carriers make and receive to provide telecommunications over their networks. Universal service refers to federal and state efforts to ensure that telephone service remains affordable.

The FCC published their *ICC NOPR* on Nov. 5, 2008. The Pennsylvania PUC filed comments and reply comments. Another part of this *ICC NOPR*, the Mandamus Order, is already under appeal in the Court of Appeals for the District of Columbia. The PUC is an intervenor in that appeal. The appeal challenges the FCC's new legal theory in which the FCC claims federal authority to set the intercarrier compensation rates for all telecommunications.

Petition of TracFone Wireless Inc. for Modification of Public Safety Answering Point (PSAP) Condition to Eligible Telecommunications Carrier (ETC) Designation; Petition of Virgin Mobile for ETC in Pennsylvania, Docket No. 96-45.

In November 2008, TracFone Wireless Inc. asked the FCC to change a requirement that it had imposed on TracFone when granting TracFone's ETC request in April 2008. ETC status allows TracFone to get federal universal service money to deliver Lifeline service, up to \$10 a month to provide a wireless phone and limited calling units.

After consultation with the Pennsylvania Emergency Management Agency (PEMA), the PUC filed comments and reply comments opposing TracFone's petition. PEMA also filed comments indicating that TracFone has not provided the monetary support for 911 that is imposed on wireless carriers under Pennsylvania law. The FCC granted TracFone's request on March 5, and also referred Virgin's ETC request to the Pennsylvania PUC.

Petition of NEP Cellcorp Inc. for Designation as an ETC in the Commonwealth of Pennsylvania, CC Docket No. 96-45, DA 07-360.

On Jan. 12, 2009, the FCC issued a Notice of Apparent Liability (NAL) at File No. EB-08-SE-1204 against NEP Cellcorp Inc. The FCC alleged that at least two models of NEP's digital wireless handset offerings failed to meet the inductive coupling standards for hearing aid compatibility. NEP obtained FCC authorization to become an ETC on May 1, 2008. That decision allowed NEP to get federal funding to provide wireless service in parts of Pennsylvania where such service is not available, although NEP must

also comply with provisions addressing service to persons with disabilities.

FERC Highlights

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

FERC Chairman

Joseph T. Kelliher resigned his chairmanship on Jan. 19, 2009. He continues to sit as a non-voting Commissioner while seeking other business opportunities. President Barack Obama appointed Jon Wellinghoff as Acting Chairman on Jan. 23, 2009.

FERC Order 719 (10/17/2008)

FERC issued final rules on wholesale market demand response, "scarcity" pricing rules, long-term power contracting, market monitoring policies, regional transmission organizations (RTO) responsiveness and organization, market structure, and market monitoring directing RTOs to convene stakeholder task forces to discuss compliance filings, which are due in April 2009. The Pennsylvania PUC is actively participating in the Order 719 stakeholder discussions.

Offer of Settlement in PJM RPM filing, Docket ER09-412

A comprehensive offer of settlement of the December 2008 PJM RPM capacity market case was filed on Feb. 9, 2009. The settlement which modifies PJM's original filing, contains changes in market rules to combat market power abuses and encourage demand response and eliminate some conflicts with state jurisdictional authority. Most of the state commissions, consumer advocates, industrials, and end users, and municipals and cooperatives that are parties to the case joined in or did not oppose the settlement. No generation owner joined in the settlement and it is believed that PJM generators will generally oppose.

The PUC was active in negotiations and will not oppose the settlement. FERC has expedited consideration of the settlement and a decision is expected some time in the first quarter of 2009.

Piedmont Environmental Council v. FERC, No. 07- 1651 (D.C. Cir., 2/18/2009)

FERC's expansive interpretation of its preemptive transmission siting authority was partially struck down by the United States Court of Appeals, 4th Circuit, which held that a state that decides a siting case within one year of filing may not be preempted by FERC's authority to hear cases in which a state "withholds approval" of an application for more than one year.

Second Biennial Report on Chapter 14

Chapter 14 (66 Pa. C.S. §§ 1401-1418 - *Responsible Utility Customer Protection*) requires the PUC to report to the General Assembly and the Governor every two years on Chapter 14 implementation. The Commission submitted its second report on Dec. 15, 2008.

The PUC has taken steps to implement Chapter 14 in a manner that will allow it to achieve the policy goals of increasing utility account collections and eliminates the subsidization of bad debt costs by paying customers. The PUC has issued a proposed rulemaking to update the provisions of the Chapter 56 regulations consistent with the mandates of Chapter 14.

The Commission is concerned that failure of utilities to fully implement Chapter 14 leads to unlawful or erroneous terminations, which present serious issues of health and safety for both the individuals directly involved and the surrounding community.

The overall collections performance for the electric industry has shown some deterioration since the passage of Chapter 14 while the natural gas industry has improved from 2004 to 2007. PGW has outperformed its gas industry peers.

The enrollment increase and amount spent on Customer Assistance Programs (CAP) since the passage of Chapter 14 appears to be making a noteworthy contribution to the overall collections trend line.

The Commission provided recommended amendments. The PUC respectfully requested continued support for the federally funded Low-Income Home Energy Assistance Program (LIHEAP) by lobbying Congress to maintain the current level of assistance.

The Commission asked the General Assembly to consider introducing legislation to direct additional state dollars to assist our low-income households. The PUC asked that an energy emergency be declared releasing these funds for 2008-09.

Lifeline Customer Report

Lifeline and Link-Up information for all participating companies is now available online. The number of customers enrolled in Lifeline that received a Lifeline credit or had telephone service connected through a Link-Up discount are presented for 2006 and 2007.

Lifeline service is a program that offers qualified low-income customers a credit on their monthly telephone bill for one telephone line. Link-Up provides qualified customers with a discount on line connection charges for one telephone line. Each company that participates in the Lifeline and Link-Up programs is required to file a Lifeline tracking report with the PUC each year. For more information on telephone assistance programs, please visit the PUC Web site.

Chapter 56 Rulemaking

On Sept. 25, 2008, the Commission adopted a Notice of Proposed Rulemaking (NOPR) that will amend 52 Pa. Code Chapter 56 to bring it into compliance with Act 201 (Chapter 14 of Title 66). Chapter 56 contains the standards and billing practices for residential utility service and includes the regulations governing the termination process, credit, applications, billing, payment, and dispute procedures. The PUC also will address other issues with Chapter 56, including updates needed due to technological advances, including electronic billing and payments.

Publication in the *Pennsylvania Bulletin* will trigger a 60-day comment period. Upon review of the comments and input from the General Assembly oversight committees, the Office of Attorney General and the Independent Regulatory Review Commission (IRRC), the Commission will publish final regulations. The PUC strives to implement Chapter 14 in a manner that will allow it to achieve the policy goals of increasing utility account collections and eliminating the subsidization of bad debt costs by paying customers while also being as fair as possible and ensuring that service remains available to all customers on reasonable terms and conditions. The Commission is dedicated to using a collaborative process that takes into account the perspectives and needs of both utilities and consumers and providing all parties an opportunity to participate in these efforts. (Docket L-00060182)

2007 UCARE Report

The *2007 Utilities Consumer Activities Report and Evaluation: Electric, Gas, Water and Telephone Utilities* (UCARE) is available on the PUC's Web site, under Publications and Reports. This report provides consumers with the ability to review their local utility's customer service performance for the past two years. It also allows utilities the opportunity to compare their performance to other utilities within their industry.

The 2007 UCARE reveals that the Bureau of Consumer Services (BCS) received 71,061 contacts from utility customers that required investigation. Consumer complaints were down by 3 percent from 2006 to 2007. Billing disputes were the main reason for residential consumers filing complaints in the electric, gas and water industries in 2007. In the telephone industry, service delivery complaints registered the highest volume of complaints during the year. Meanwhile, the number of payment arrangement requests (PARs) handled by BCS rose by 2 percent since 2006.

Preliminary statistics from 2008 are also available on the Web site. The PUC posted initial 2008 data in February. Further analysis and details of the 2008 complaint PAR data will appear later this year in the 2008 UCARE.

New Rochelle Telephone Abandoning Service

Recently, New Rochelle Telephone Corporation abandoned the provision of local and long-distance telephone service in Pennsylvania. The abandonment resulted from the company's Chapter 7 bankruptcy granted in New York in January 2009. New Rochelle served approximately 800 residential and small business customers in the Commonwealth. The company advised that it lacked the financial resources to notify customers that it would no longer provide service. Verizon Pennsylvania agreed to send notices to the New Rochelle customers advising them to choose another local and/or long-distance telephone provider. The Commission's Bureau of Consumer Services and Law Bureau are monitoring the progress of this bankruptcy abandonment and will contact affected customers, if necessary.

Since 2005, the Commission has been involved in 10 service abandonments by Pennsylvania telephone companies. In 2005, the Commission promulgated the Local Service Provider Abandonment Process at 52 Pa. Code Chapter 63 Sections 301-310. The rules protect customers when a local exchange carrier (LEC) plans to abandon its certificate of public convenience for the provision of local service, when a network service provider (NSP) intends to terminate a LEC's interconnection agreement, or when the Commission has issued an order to revoke a LEC's certificate of public convenience in Pennsylvania.

Fire Settlements in Steelton, Indiana and Philadelphia

On Nov. 13, 2008, the Commission tentatively accepted and issued for comment a proposed settlement in which **PPL Electric Utilities** agreed to contribute \$300,000 to a low-income program. PPL terminated service to a home on Nov. 2, 2007, one day before a fatal fire in Steelton, Dauphin County. A lit candle touching a wall allegedly started the fire in which two children died. Commission prosecutory staff contended that PPL violated sections of Chapter 14 and Chapter 56. The settlement requires PPL to revise its practices to comply with these regulations (Docket No. M-2008-2057562.)

On Dec. 18, 2008, the PUC tentatively accepted and issued for comment a proposed settlement in which **Penelec** agreed to contribute \$200,000 to the Dollar Energy Fund. To settle an informal investigation, Penelec also agreed to revise its application and discontinuance procedures. A Nov. 3, 2007, fire seriously injured an occupant in Indiana, Pennsylvania, at an address involving a discontinuance and application for service (Docket No. M-2008-2027681.)

Also on Dec. 18, 2008, the Commission approved settlement of an informal investigation resulting in **Philadelphia Gas Works** (PGW) agreeing to contribute \$10,000 to their conservation program. PGW terminated a customer's non-heat gas service, 11 months before her death in a house fire, when they could not gain access to install an automated meter reading device. PUC Prosecutory Staff alleged that PGW improperly handled the service termination. PGW agreed to train its staff to help prevent future similar occurrences (Docket No. M-00072017).

PUC Web Site Provides Access to More Information

As part of the PUC's Information and Management Access Project, also known as InfoMAP, which made eFiling available, the PUC also enhanced the search features on the Web site. Anyone searching on the PUC's Web site can now use a 60-day date range to search for a document using the public meeting date field. This is helpful if you know the general timeframe for adoption of an order but cannot remember the exact public meeting date. Also, other search parameters are now available, including a "document received" date range and "document title."

Another helpful tool on the Web site is the ability to easily access the consolidated case view. For example, if you search by docket number, the results will include all public documents for that docket number. If you then click on any docket number, you will be taken to a consolidated case view, which will give you: 1) a case summary, including the applicant, respondent, and responsible bureau; 2) a list of daily actions, from the creation of the case to the last action taken; and 3) links to all public documents for that docket number, whether they were filed with or issued by the Commission.

Check it out and take advantage of all this additional information at your fingertips from your home or office!

Assessment Audits

Commission staff recently initiated an assessment audits program to ensure that annual assessment reports being filed with the PUC are accurate. This will involve all industry groups regulated by the Commission. On an annual basis, the Commission staff will select a small number of utility assessment reports for review. The Bureau of Audits, in conjunction with other Commission bureaus, will audit those utilities' annual assessment reports to ensure the accuracy of the information being submitted. The assessment audit process will begin in the 2009 calendar year.

PUC Presents Budget Request

The five PUC Commissioners testified before the House Appropriations Committee on Feb. 25 and the Senate Consumer Protection & Professional Licensure on March 10, in support of their budget request of \$55.970 million, including \$3.389 million in expected federal funds.

The \$52.581 million in state funding is obtained from assessments of jurisdictional public utilities based on their revenues from intrastate operations. The budget request reflects an increase in state funds of \$419,000 or 0.8 percent, to fund leasing and moving costs associated with the Pittsburgh State Office Building relocation, and required salary and benefit increases.

The Commissioners also commented on how the PUC has followed Gov. Rendell's spending reduction initiative. The Commission has placed strict restrictions on out-of-state travel and is currently reviewing all operating expenditures to determine whether they can be further reduced. In January, the PUC suspended longevity increases for 182 management and non-represented employees. All money that is saved during this year will be used to offset utility assessments that are invoiced in the fall of 2009 to support the PUC's fiscal year budget. The Commission is currently carrying approximately 40 vacancies, out of an authorized complement of 519. The Governor's request for the PUC would reduce the Commission's complement to 499.

The Commissioners answered questions on several topics, including the expiration of electricity rate caps, consumer education, assessments on utilities, telecommunications services, and alternative energy.

Commission Staff Participating in Pennsylvania Bar Institute Public Utility Seminar

On May 7 and 8, several PUC staff will participate in the biannual Public Utility Seminar presented by the Pennsylvania Bar Institute. Administrative Law Judges Susan Colwell and Wayne Weismandel will offer their perspectives to practitioners, while Chief Counsel Buck Pankiw will present a case law update, summarizing key court decisions of the past couple of years affecting public utilities and their consumers. Secretary James McNulty will team up with Director of Operations Karen Moury to highlight the eFiling, eCommerce and enhanced search features that have been made available by InfoMAP.

Several attorneys from the PUC will join public utility law practitioners for this valuable continuing education opportunity to learn about the changes and challenges in the utility arena.

Also, Lois Burns, counsel and telecommunications advisor to Vice Chairman Tyrone J. Christy, and Rik Hull counsel and energy advisor to Commissioner Robert F. Powelson, serve on the planning committee.

PUC Celebrates Black History Month with State Agencies



Chairman James H. Cawley spoke at the Black History Celebration reception on Feb. 5 at the State Museum.

The PUC joined seven other state agencies, as well as the Governor's Advisory Commission on African American Affairs, in February to celebrate Black History Month. The theme for this year's celebration was the "Quest for Black Citizenship in the Americas."

Several events were held to commemorate the occasion, including a reception on Feb. 5, at the State Museum, which featured several speakers, including PUC Chairman James Cawley. On Feb. 26, Office of Special Assistants Director Cheryl Walker Davis served as mistress of ceremonies for a program held at the Forum Place Auditorium in Harrisburg. The program featured performances by Ms. Diane Wilson, who gave an inspired performance of the Negro National Anthem; the Indiana University of Pennsylvania Voices of Joy; and the Central Dauphin East Step Team.

The Keynote Presentation was given by the Honorable Peter Speaks, Deputy Secretary of the Department of General Services and Special Advisory to Gov. Edward G. Rendell for Minority, Women Owned and Disadvantaged Business Development.

eFiling Available at the PUC!



On Feb. 17, eFiling began at the PUC, allowing all consumers, public utilities and practitioners to file certain qualified documents electronically. This widespread availability of eFiling followed the completion of a successful pilot program that permitted users to submit feedback and help create a system that is user-friendly. The pilot program began in early December with about 20 participants. During the pilot, half of those participants combined to successfully eFile more than 100 documents.

The PUC held an eFiling demonstration and question and answer session on Feb. 26, in which approximately 150 stakeholders participated either in person or via a Web-based meeting. Even before the demo, more than 100 accounts had been established, representing over 50 different entities. Additionally, 80 users who were not in the pilot had already eFiled 345 documents. Since then, the numbers of users and eFiled documents have grown by leaps and bounds.

Anyone who signs up to be an eFiler may also subscribe to a service that allows users to automatically receive an email notification whenever a document is added, removed or changed on the PUC's Web site that meets specific criteria. For example, a user may have a subscription to receive notifications for a specific docket number or for documents of a specific type. In addition, industry group and utility type are extra search parameters that may be used in conjunction with docket number of document type.

During a short transition period, the PUC is requesting that eFilers submit one paper copy of all eFiled documents within three business days. The eFiling Summary Page containing the eFiling confirmation number should be included with the paper copy as the first page. After the Secretary's Bureau has adjusted to the volume of eFilings, the PUC will dispense with this paper copy request, except where the regulations require a paper copy for documents more than 250 pages.

With eFiling, PUC filing fees accompanying qualified documents may be paid electronically using a credit card. Qualified documents include applications, formal complaints, comments, exceptions, petitions, protests, security certificates and tariffs, and other documents so designated in a list on the PUC's Web site. Anyone interested in viewing this list or obtaining more information about setting up accounts and using the eFiling system can visit the PUC's Web site at <http://www.puc.state.pa.us/efiling/Default.aspx>.

PUC at the Farm Show



A consumer takes PUC information on utilities while asking questions of (from left) Dave Thompson of the Bureau of Transportation and Safety, and Bob Shindle of the Bureau of Consumer Services.

For the third year, the PUC continued to educate the public on utilities by staffing a booth at the Pennsylvania Farm Show in January. Thanks to the efforts of about 30 volunteers from throughout the PUC, the booth was staffed from 8 a.m. to 9 p.m. each day. The hot topic this year was electricity rate caps, with Farm Show visitors approaching PUC staffers about potentially higher energy prices and ways that they can conserve.

Feedback



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

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

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