



*A History of the
Pennsylvania Public Utility Commission*



The PUC Today

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.

The roles and responsibilities of the Pennsylvania Public Utility Commission have continued to evolve over the years as legislators amended the Public Utility Code, and as the utility marketplace and technology evolved. The Commission now regulates approximately 6,000 electric, natural gas, telecommunications, water/wastewater and transportation utilities.



- The PUC regulates electric distribution rates, ensures service reliability and fosters the development of competitive electricity markets. The PUC also participates in matters that impact the wholesale energy market.



- Working to ensure safety, the PUC inspects the state's more than 40,000 miles of natural gas pipelines, regulates natural gas distribution company rates and service, investigates gas cost rates, and encourages the development of competitive supply markets.



- In promoting a competitive telecommunications market, the PUC works to ensure reasonable local rates and service quality, accelerate the deployment of high-speed Internet service, and make programs available so that no consumer is left without access to local telephone service.



- The PUC regulates motor carriers that transport property, passengers and household goods, and conducts motor vehicle, and railroad facility and track inspections.



- The PUC regulates the rates and service of investor-owned water and wastewater companies, along with some municipal systems that serve customers outside their boundaries. Since viable water systems are essential to strong Pennsylvania communities, rates must be set to reflect prudently incurred costs of providing service.

Five Commissioners are nominated by the Governor and confirmed by a majority of the Senate for staggered five-year terms. The PUC employs about 500 in Harrisburg, Philadelphia, Pittsburgh, Scranton and Altoona.



The Commission has evolved over the past 70 years, becoming more accessible to the public, and better able to balance the needs of both consumers and utilities.

A Legacy of Balance

In 1907, the Pennsylvania General Assembly created the Pennsylvania State Railroad Commission, the Commonwealth's first public utility regulatory agency. It held jurisdiction over railroad, streetcar and telegraph corporations. The Railroad Commission was abolished and replaced in 1913 with the seven-member Pennsylvania Public Service Commission (PSC), which was given the authority to regulate all public utilities. The PSC became operational in 1914 and began the legacy of balancing the interests of public service companies and the welfare of the public.



Streetcars on Market Street in Philadelphia, September 1920.

With Act 43 of 1937, the General Assembly replaced the Public Service Commission with the Public Utility Commission, to better “supervise and regulate” all public utilities doing business in the Commonwealth. The Act created the position of Secretary, which also existed in the PSC. Act 186 of 1937 created the Public Utility Law to guide the actions of the new five-member Commission

with statutory authority, among other things, to control market entry and exit; to approve mergers and acquisitions; to establish just and reasonable rates; to maintain safe, adequate and reasonable service; to examine transactions between utilities and their affiliates; to register securities; to inspect records and facilities; to impose civil penalties; and to assess utilities for regulatory costs.

In its early years, the PUC had to deal with rationing of power during World War II, and keep up with rapid population growth and the increasing need for utility service in rural and suburban areas after the war.



In the decades that followed, the PUC dealt with the development of nuclear electricity generation; electric price escalation in the 1970s driven by federal legislation and inflation, which affected all materials used to build new plants; “stagflation” as well as inflation; federal wage and price controls in the early ‘70s that barred rate increases at a time of major construction; and the oil embargo.



This evolving societal change led to organizational and regulatory changes at the PUC, and the evolution of the services provided to ratepayers.

After a comprehensive legislative review of the Commission’s structure, procedures, rules and regulations, and a review of the Public Utility Law, Acts 215 and 216 of 1976 made a number of changes:

- Moving Commissioners from part-time to full-time positions and placing an emphasis on Commissioners’ accountability to both the utilities and ratepayers.
- Establishing that a majority of Commissioners now constituted a quorum, so that pending rate requests

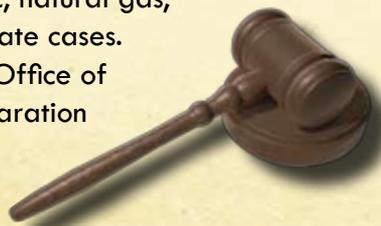
and investigations were not delayed if vacancies existed.

- Upgrading Commission staff through employment of engineers, statisticians, accountants, inspectors and other experts, and appropriate compensation for expert staff.
- Creating the Law Bureau as a multi-functioning legal staff, as well as the Bureau of Conservation, Economics and Energy Planning (CEEP), and the Bureau of Consumer Services (BCS).
- Forming the Office of Administrative Law Judge (OALJ) and beginning the process of ALJ public hearings and ALJs submitting initial decisions to the Commission as a foundation for final orders.
- Creating a new Code of Ethics for Commissioners, Administrative Law Judges and employees, including a prohibition on ex parte communications on issues presently before the Commission.

Act 116 of 1978 created the Public Utility Code as the primary source of the PUC's power and authority.

Act 234 of 1984 provided for management audits of electric, natural gas, telephone and water utilities, and use of independent consulting firms.

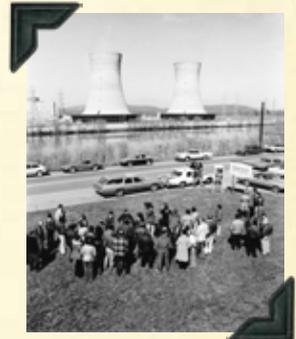
With Act 114 of 1986, the General Assembly again made changes to the PUC, creating the Office of Trial Staff to represent the public interest in all electric, natural gas, telephone, water and other fixed utility rate cases. The General Assembly also created the Office of Special Assistants (OSA) to assist in preparation of Commission orders and other



advisory work, and established the position of Director of Operations, responsible for day-to-day administration of the Commission.

In the past several decades, the PUC faced the following changes and challenges:

- In 1976, the PUC formed the Bureau of Audits by transferring auditors from the state Office of Auditor General, and from the PUC rates and research staff.
- In 1977, the Commission created the Consumer Advisory Council to advise the PUC on utility issues important to consumers.
- The Commission began implementing cogeneration and small power production under the federal Public Utility Regulatory Policies Act of 1978 (PURPA).
- In 1979, the Three Mile Island (TMI) nuclear power plant experienced a partial reactor meltdown. The state House passed Resolution 55, resolving “that the Pennsylvania Public Utility Commission take such action as may be necessary to prevent the shifting of the cost of the accident at Three Mile Island from those responsible to consumers or the taxpayers.”
- From 1979 to 1985, the Commission dealt with the aftermath of the TMI accident while facing large rate increase requests, soaring inflation, high interest rates and the electric utilities’ requests for a return on their investment in completed nuclear power plants.



Media gathered on the visitor center lawn at Three Mile Island.



The 2007 Public Utility Commission: (front row left to right) Chairman Wendell F. Holland, Commissioner Kim Pizzingrilli, Vice Chairman James H. Cawley and (back row) Commissioner Tyrone J. Christy.



Commissioner James H. Cawley, Commissioner Susan M. Shanaman, Chairman W. Wilson Goode, Commissioner Linda C. Taliaferro and Commissioner Michael Johnson.



Commissioner Wendell F. Holland, Chairman David W. Rolka and Commissioner Joseph Rhodes Jr.



Commissioner Lisa Crutchfield, Vice Chairman Joseph Rhodes Jr., Chairman David W. Rolka, Commissioner John M. Quain and Commissioner John Hanger.



Commissioner David W. Rolka, Vice Chairman Robert K. Bloom, Chairman John M. Quain, Commissioner John Hanger and Commissioner Lisa Crutchfield.



Commissioner Kim Pizzingrilli, Vice Chairman Robert K. Bloom, Commissioner Glen R. Thomas, Chairman Terrance J. Fitzpatrick and Commissioner Wendell F. Holland.



Chairman Wendell F. Holland, Commissioner Terrance J. Fitzpatrick, Vice Chairman James H. Cawley, Commissioner Bill Shane and Commissioner Kim Pizzingrilli.

- The Commission oversaw the associated cases and access charge proceedings needed to implement the federal breakup of AT&T in 1984.
- In 1985, there was a major outbreak of giardiasis in the water supply affecting a half-million people in Northeastern Pennsylvania, which brought to light the need to filter all surface water sources to safeguard the population.



- In 1985, the Commission on a case-by-case basis began to open up the natural gas industry to direct sales by producers to industrial customers.



- In 1990, the PUC implemented the Telecommunications Relay Service, which allows people who are deaf, hard of hearing or speech disabled to communicate with anyone using a regular telephone. Pennsylvania was one of the first states to offer this service and acted prior to the passage of the federal Americans with Disabilities Act.
- In 1993, the PUC conducted the Pennsylvania Telecommunications Infrastructure Study that led to the original Chapter 30 and set out the first goals for providing broadband to all Pennsylvanians.
- In 1994, the PUC instituted a formal investigation and collaborative to examine



the structure, performance and role of retail competition in Pennsylvania's electric utility industry. The Commission prepared the Report and Recommendation on Electric Competition, which helped to lead to the creation of the 1996 Electricity Generation Customer Choice and Competition Act.

- The Commission created the Bureau of Fixed Utility Services in 1995 with technical staff from OSA.

- In 1995, the PUC combined the Bureau of Transportation and the Bureau of Safety and Compliance into the Bureau of Transportation & Safety.



- Also in the midst of implementing changes to Pennsylvania's utility marketplace, the PUC merged its public information personnel with BCS staff specializing in consumer education to create the Office of Communications. During this same period, the Office of Intergovernmental Affairs became the Office of Legislative Affairs. These changes aimed at making the Commission more transparent and accessible to all ratepayers, and those who inform and represent consumers.
- In 1997, the General Assembly enacted the Distribution System Improvement Charge (DSIC) to allow water companies to use a PUC-approved surcharge on customers' bills to fund more upgrades of aging infrastructure than would otherwise be feasible at a reasonable rate for customers.

- In 1999, the PUC created the Bureau of Administrative Services to provide advisory support for administrative matters in the operation of the PUC.
- In 1999, the Natural Gas Choice and Competition Act became law. As part of its implementation, the Commission continues to work with the General Assembly to find ways to foster natural gas and electric supply competition in Pennsylvania.
- The PUC joined other state and federal agencies in preparing for “Y2K,” and the computer’s ability to make the calendar transition from Dec. 20, 1999, to Jan. 1, 2000. This led to greater interaction between the Commission and the Pennsylvania Emergency Management Agency (PEMA) during emergencies and power outages. This interaction benefited the Commonwealth in the aftermath of the terrorist attacks on Sept. 11, 2001, when the PUC worked with PEMA to determine utility vulnerabilities. The state House of Representatives issued Resolution 361 tasking the PUC and PEMA with reviewing, analyzing, and evaluating utility infrastructure security and risk-mitigation policies.
- In 2000, the PUC moved its offices from the Capitol Complex’s North Office Building to the new Commonwealth Keystone Building. The Commissioners began holding Public Meetings in a new Hearing Room 1 in the new building.



- In 2002, in the wake of the Enron collapse, the PUC reviewed current corporate governance controls and auditing practices of the 27 major Pennsylvania utilities.
- During late 2004, the General Assembly passed three major new comprehensive laws bringing significant changes and challenges to PUC. The acts represented sweeping changes to the way energy and water utilities terminate consumers (Act 201 of 2004); the way electric utilities and their consumers embrace the use of alternative energy sources for generation (Act 213 of 2004); and the way telephone companies are regulated and deploy high-speed Internet services across Pennsylvania, through a new Chapter 30 (Act 183 of 2004).
- In 2007, the General Assembly again reviewed the Commission, through a performance audit by the Legislative Budget and Finance Committee, which found, among other things, that the PUC has made “significant regulatory changes” to maintain electric reliability; has ensured at least 58 percent of Pennsylvania telephone access lines were broadband capable as of 2004, substantially ahead of the aggregate goal of 45 percent to be compliant with Chapter 30; has made “good progress” in implementing the Alternative Energy Portfolio Standards Act; and is successfully partnering with the State Police to handle the Motor Carrier Safety Enforcement Program.



- Throughout the Commission's history, technology advancements have led to increased effectiveness and efficiencies, such as a new online service that electronically processes insurance filings for commercial trucks, buses, taxicabs and limos, and the new Information Management & Access Project (InfoMAP), which will overhaul the PUC's existing case management system to improve electronic workflow capability.

The Commission is poised to meet the challenges of the next 70 years and will certainly continue to evolve to meet the ever-changing needs of Pennsylvania utilities and their customers.



