Keystone Connection

Utility News in Pennsylvania

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

SPRING 2011

Gov. Corbett Appoints Robert F. Powelson as Commission Chairman

John F. Coleman Elected Vice Chairman

Chairman Robert F. Powelson

Gov. Tom Corbett on Feb. 24 appointed Robert F. Powelson of Chester County to serve as Chairman of the PUC. Powelson has served as Commissioner since June 2008. After public meeting, the Commissioners elected John F. Coleman Jr. as PUC Vice Chairman, succeeding Commissioner Tyrone J. Christy. "As a Commissioner, Robert Powelson has provided an active voice for Pennsylvania ratepayers on issues such as nuclear power production, competitive markets, renewable investment, broadband deployment, infrastructure development and other critical concerns," Gov. Corbett said. "I am confident consumers and businesses will continue to be well-served by the PUC under Powelson's leadership." Chairman Powelson succeeds James H. Cawley, who continues to serve as Commissioner. His term expires April 1, 2015.

At public meeting on Feb. 24, Commissioner Wayne E. Gardner led a standing ovation honoring Cawley, who read a letter he received that morning from Gov. Corbett. "Once again, thank you for the service you have rendered our Commonwealth. The time and effort you have contributed are greatly appreciated," Gov. Corbett wrote.

Chairman Powelson said, "The standing ovation is well-deserved for our Chairman. He's been a great friend and mentor to me... He's always had a steady hand on the pulse and agenda of this organization. But one thing I take away is his leadership style, the collegiality, the commitment and the care for the people who work here at this Commission. There is no more honorable of a man than Jim Cawley."

Powelson was first nominated by former Governor Rendell to a one-year term on the PUC and was unanimously confirmed by the Senate on June 30, 2008. He was renominated for a five-year term on Feb. 12, 2009, and was

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Connecting in Pennsylvania

Welcome to the 18th 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 website 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.

On the Inside

Act 129 Update

Energy Efficiency and Conservation Plans

The energy efficiency and conservation (EE&C) program requires each electric distribution company (EDC) with at least 100,000 customers to adopt a plan to reduce energy demand and consumption within its service territory. During 2009 and 2010, the Commission reviewed and approved an EE&C Plan for each EDC.

In Sept. 2010, all seven EDCs filed annual reports on their EE&C Plan, and four of the EDCs proposed revisions to their Plans for Commission review and approval. Two administrative law judges recommended approval of the changes proposed by Allegheny Power, and that recommendation was approved by the Commission at the public meeting of Jan. 13, 2011. At the public meeting of Jan. 27, the Commission approved the changes proposed by Duquesne Light Company, PECO Energy Company, and PPL Electric Utilities Corporation. PPL, however, had made some changes in its EE&C program without including those changes in the revised plan submitted for Commission consideration. The Commission required PPL to submit those changes for Commission review within 30 days. PPL submitted that filing on Feb. 28. Following a review of any comments on the proposed changes to PPL's Plan, the Commission will rule on those proposed changes at a future public meeting.

More information on these cases may be obtained by searching the Commission's website at the following Docket Numbers:

- **Allegheny Power** - Docket No. M-2009-2093218
- **Duquesne Light Compan**y - Docket No. M-2009-2093217
- **PECO Energy Company** - Docket No. M-2009-2093215
- **PPL Electric Utilities Corporation** - Docket No. M-2009-2093216

The FirstEnergy Companies filed proposed revisions to their EE&C Plans on Feb. 18. Expedited approval of three specific changes was requested, so the companies could implement those changes effective April 1. The Commission approved these changes at its public meeting of March 17th. The companies also requested approval of other changes in the plan to be implemented at a later date. More information on these filings may be obtained by searching the Commission's website at the following Docket Numbers:

- **Metropolitan Edison Company** - Docket No. M-2009-2092222
- **Pennsylvania Electric Company** - Docket No. M-2009-2112952
- **Pennsylvania Power Company** -Docket No. M-2009-2112956

Smart Meter Plans

As reported in the last edition of the *Keystone Connection*, the seven EDCs filed Smart Meter Implementation Plans (SMIPs) on Aug. 14, 2009. The Commission approved the Plans for PECO Energy, PPL Electric Utilities, the three First Energy Companies and Duquesne Light on April 15, 2010. These utilities are now undertaking more comprehensive analyses and the phase-in of smart meter technologies on their systems.

On May 13, 2010, Allegheny Power asked that its SMIP proceeding, Docket No. M-2009-2123951, be delayed so the parties could consider the impact that the merger of Allegheny's parent company with FirstEnergy Corporation would have on the SMIP. The Commission granted this request. On Oct. 19, 2010, Allegheny and the Office of Consumer Advocate notified the Commission that they reached a settlement on Allegheny's SMIP. In response to requests for hearings, this proposal was referred to the Office of Administrative Law Judge (OALJ). In Feb. 2011, the parties informed the ALJ that they had reached an agreement in principle and in March, the parties submited an amended settlement and other documents with the Commission. The settlement requires Commission approval.

On Oct. 28, 2010, PECO filed a Petition for Approval of PECO Energy Company's Initial Dynamic Pricing and Customer Acceptance Plan, at Docket No. M-2009-2123944. This Plan will evaluate customer response to new critical peak pricing and time-of-use rates that are designed to induce residential and small commercial customers to shift their consumption to off-peak periods. This proceeding was referred to OALJ for hearings. The parties settled all but one issue. A recommended decision was issued on Feb. 23, and exceptions and reply exceptions were filed. At the public meeting of April 14, the Commission adopted the settlement and recommended decision.

Technical Reference Manual

On Feb. 24, the Commission passed an order adopting the 2011 Technical Reference Manual (TRM). The TRM provides guidance to the electric distribution companies (EDCs) in evaluating their Act 129 Energy Efficiency & Conservation (EE&C) Programs for energy savings. The 2011 TRM included the following: measures not included in previous versions of the TRM, clarification of existing calculation methods, improve-

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Act 129

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ment of the functionality and scope of the Lighting Inventory and Motor and Variable Frequency Drive Inventory Tools, and 18 new residential and nine new commercial and industrial EE&C measure protocols. Additionally, the baseline was changed for one residential refrigerator/freezer retirement and recycling protocol, and a new protocol for refrigerator/freezer replacement was added.

Two substantial issues were addressed in the 2011 TRM update. The first concerned the implementation of federal legislation and regulations as they relate to the Act 129 EE&C programs. It was decided that the Technical Working Group (comprised of Commission and Statewide Evaluator Staff, EDC representatives, and other interested parties) would provide recommendations to the Commission regarding the implementation of such changes, including timeframes, cost, and effects on EE&C plans. The second issue concerned the hours of use per day for compact fluorescent light (CFLs) bulbs. In the TRM order, the Commission proposed a reduction in the hours of use for CFLs from 3.0 to 1.9.

After reviewing the comments and reply comments, the Commission determined that further studies needed to be done to determine an appropriate value for Pennsylvania. Therefore, the Commission kept the value at the original 3.0 figure and ordered that the Technical Working Group discuss and develop study proposals addressing the merits of looking at the CFL hours of use, including researching various methodologies, estimating costs, and proposing potential funding mechanisms. These proposals are due to the Commission by June 1, 2011.

The Commission believes that the adopted 2011 TRM will provide the EDCs with the best available calculation methods to determine the savings from their EE&C plans. This TRM will become effective June 1, 2011.

Chairman Powelson

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again unanimously confirmed on April 22, 2009. His term expires on April 1, 2014. Powelson was recently appointed as Co-Vice Chair of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Water. In addition, he has been appointed to represent that committee on NARUC's Task Force on Climate Policy. He is also a member of the NARUC Committee on Critical Infrastructure and a member of the NARUC Subcommittee on Nuclear Issues-Waste Disposal.

Solar Projects Update

As reported in the last edition of *Keystone Connection*, the PUC has established a Solar Projects Working Group to develop and propose standard competitive bid processes, protocols and contracts for solar renewal energy credits (SRECs). The Working Group held its initial meeting on Jan. 27, to identify issues that need to be addressed and discuss a framework for accomplishing the necessary tasks.

PUC staff has divided the Working Group into two subgroups to address large-scale solar projects and small-scale solar projects (less than 200 kW). The subgroups met on March 30, with the large-scale subgroup reviewing proposed standard contracts, terms of contracts, performance security, regulatory risk and bid qualifications/schedules, and the small-scale subgroup focusing on proposed standard contracts, bid qualifications/schedules, consumer education and residential solar projects. The large-scale subgroup will meet again on April 26 at 10 AM, and the small-scal subgroup plans to reconvene on June 15 at 10 AM. A meeting with stakeholders interested in raising net metering/interconnection issues will be scheduled in the near future.

On Feb. 24, the PUC approved a settlement between PPL Electric Utilities Corporation, the Office of Consumer Advocate, the Office of Small Business Advocate and several other parties, which amended PPL's current Default Service Plan to procure a portion of the its SRECs required under the Alternative Energy Portfolio Standards Act over a long term delivery period. Under the PUC's order, PPL will use the request for proposal (RFP) process to purchase long-term SRECs to meet the SREC requirements of residential customers based upon the purchase of 3,000 SRECs per year, resulting in target quantities of 27,000 SRECs for Solicitation 1 (a delivery period of 9 years), 24,000 SRECs for Solicitation 2 (a delivery period of 8 years), and 21,000 SRECs for Solicitation 3 (a delivery period of 7 years).

An independent RFP manager will submit a confidential solar market benchmarking analysis to the Commission prior to each SREC bid closing date. For more information, you may conduct a search on the PUC's website using the Docket No. P-2008-2060309.

Anyone who is interested in participating in the Solar Projects Working Group may contact the PUC by sending an email to ra-solar@state.pa.us. In such communication, you should indicate the nature and level of your interest and expected participation.

Expiration of Electric Generation Rate Caps

On Dec. 31, 2010, the rate caps expired for Pennsylvania's four remaining electric distribution companies (EDCs) whose generation rates had been capped for more than a decade. As of Jan. 1, 2011, Allegheny Power, Metropolitan Edison Company, Pennsylvania Electric Company, and PECO Energy Company began charging market-based rates for electricity to their default service customers—those customers who choose to purchase their electricity supply from the EDC rather than from a competitive supplier. The rate cap expiration applies specifically to the generation portion of customers' bills—those rates customers pay for the actual electricity they buy. The distribution portion—the rates paid to the EDC to deliver the power—was not affected by the expiration.

As a result of the rate caps expiring, residential customers receiving default service from the four affected companies should see an average increase in their overall electric bills in 2011 as follows:

- Allegheny Power – 3.4 percent
- Met-Ed – 2.2 percent
- Penelec – 16.4 percent
- PECO Energy – 5.1 percent

(Includes effect of base rate increase approved Dec. 2010)

These four EDCs now join the seven other Pennsylvania electric utilities whose generation rate caps had already expired in recent years. As a result, all Pennsylvania EDCs now base their default generation rates on the market prices they pay to their wholesale power suppliers. Those prices are passed through without markup to the EDCs' end-use customers via the generation portion of their bills.

The rate caps were originally put in place as a result of the 1997 Electric Generation Customer Choice and Competition Act, which allowed customers to begin purchasing electricity from independent suppliers and have it delivered to them by the local EDC. As part of the transition to this more competitive electricity market, the EDCs' rates for generation, transmission, and distribution were capped at 1996 levels for certain specified time periods. The generation rate caps were the last to expire.

PAPowerSwitch
Pennsylvania Public Utility Commission

Pennsylvania Reaches Million Milestone for Electric Shopping

More than 1 million Pennsylvanians have now switched to a competitive electric supplier, and the number continues to grow weekly.

A surge in electric shopping in the PECO service territory during the first quarter of 2011 propelled Pennsylvania past the million milestone. Rate caps on generation expired on Dec. 31, 2010, for the last four service territories, opening the door to shopping for more than 60 percent of the state's electric customers.

Since the beginning of the year, southeastern Pennsylvania has become the state's "hot spot" for electric shopping, with up to 10,000 PECO customers switching to a competitive supplier on a weekly basis. Because of such robust activity, the statewide total has grown to more than a quarter million shoppers since the beginning of the year.

Meanwhile, in the PPL territory, electric shopping continues at a steady pace, with nearly 40 percent of all PPL's customers switching to a competitive supplier. Residential customers account for approximately 450,000 of the utility's 525,000 shopping customers.

The PUC's online consumer shopping tool, www.PAPowerSwitch.com, continues to be a valuable tool in driving the number of switches to suppliers. Consumers can sign up for weekly e-mail alerts, which keep consumers in touch with the prices, enabling them to make decisions for their homes or businesses based on the most current pricing information available. To date, more than 9,000 electric customers are receiving the weekly e-mail alerts.

PUC Plans to Launch Statewide Investigation

On Feb. 24, the PUC announced plans to launch a statewide investigation to ensure that a properly functioning and workable competitive retail electricity market exists in the Commonwealth. This investigation was directed as part of the PUC's adjudication of the merger application of West Penn Power Company, Trans-Allegheny Interstate Line Company and FirstEnergy Corporation. In that proceeding, representatives of electric generation suppliers who are active in Pennsylvania's retail market had urged the PUC to impose various conditions on the merger approval designed to ensure a fully functional and workably competitive retail market.

Statewide Investigation *Continued on Page 5.*

Commission Approves FirstEnergy's Acquisition of West Penn Power

In May 2010, West Penn Power (d/b/a Allegheny Power), TrAILCo and FirstEnergy filed a joint application for West Penn and TrAILCo to become wholly-owned subsidiaries of FirstEnergy. Prior to the merger, TrAILCo was an interstate transmission subsidiary of Allegheny Energy. With the merger, West Penn joins Met-Ed, Penelec and Penn Power as operating subsidiaries of FirstEnergy. The merger will not affect the day-to-day operations of these utilities.

The Commission initiated an investigation, at Docket No. A-2010-2176520, into the proposed merger in May 2010, which culminated in an initial decision from two PUC administrative law judges (ALJs) assigned to the proceeding. The ALJs recommended that the Commission adopt a partial settlement of the investigation reached by most of the parties. The ALJs also made recommendations on the outstanding issues related to the potential impact of the merger on retail competition in FirstEnergy's electric distribution companies' (EDCs') service territories.

The partial settlement included a number of safeguards for ratepayers including:

- Isolating the finances of West Penn from FirstEnergy (ring fencing);
- Minimum employment thresholds for former Allegheny Power employees in Pennsylvania;
- Service, quality and reliability standards; and
- Conditions regarding future rates.

In addition to the terms of the partial settlement, the Commission acted at its Feb. 24th public meeting to further strengthen the ring fencing of FirstEnergy's Pennsylvania EDCs.

As part of its approval of the merger, the Commission initiated a number of actions to safeguard and enhance the competitive electric retail market in Pennsylvania. The Commission launched a statewide investigation into Pennsylvania's retail electric market with the goal of ensuring that a "properly functioning and workable competitive market" exists in Pennsylvania. The Commission also added issues to be addressed in its ongoing Code of Conduct rulemaking regarding the relationships between EDCs and electric generating suppliers (EGSs), established a forum for EGSs to resolve operating issues with the FirstEnergy EDCs, and directed that FirstEnergy's affiliate transactions be addressed in the Commission's next regularly scheduled audits.

PUC Approves Duquesne Light's Rates

On Feb. 24, the PUC unanimously approved a settlement for a lower rate increase than requested by Duquesne Light Company. The settlement had been agreed to by the formal parties in the case, including the company, the Office of Consumer Advocate, the Office of Small Business Advocate, and the PUC's Office of Trial Staff.

Under the settlement, the company will increase electric rates by $45.7 million, or 3.5 percent. The company originally requested an increase of $87.3 million, or 6.7 percent. The average total bill for a residential customer using 600 kWh per month will increase by $4.27 from $82.83 to $87.10.

The requested increase was largely driven by projected pension contributions and distribution infrastructure improvements. Other matters covered by the settlement include the recovery of costs associated with universal service, consumer education and smart meter deployment.

Duquesne provides electric service to about 586,800 customers in Allegheny and Beaver counties. Public input hearings were held in Duquesne's service territory in October 2010 and evidentiary hearings were held in December 2010.

Statewide Investigation

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Rather than addressing issues of potential harm to retail markets in the merged entity's distribution footprint in a piecemeal fashion in a litigated proceeding, the PUC opted to open this statewide investigation. The goal of the statewide investigation is for stakeholders and staff to make recommendations for improvements in the functioning of the retail market.

The statewide investigation will examine both the legislative and regulatory framework behind Pennsylvania's retail market, including an analysis of the current default service model and whether, as currently structured, that model is hindering competition. Additionally, the investigation will include a process to identify interested competitive suppliers who are qualified to provide default service throughout the state. The PUC plans to issue an order by early May outlining specific issues that should be examined during the investigation and encourages interested stakeholders to actively participate and offer suggested changes to improve the overall functioning of the competitive retail market.

PUC Clarifies Municipal Aggregation Rules

On March 17, the Commission issued a declaratory order to remove uncertainty concerning the ability of electric generation suppliers (EGSs) to participate in municipal aggregation. Finding that the Commission has jurisdiction over EGSs generally with regard to their involvement in municipal aggregation programs, the Commission concluded that EGSs may not participate in opt-out municipal aggregation programs, absent explicit PUC approval. Such approval will be granted only in unique circumstances demonstrating that opt-out programs are in the public interest.

This declaratory order was issued in response to several petitions raising questions about the lawfulness of the activities of certain EGSs in soliciting home rule municipalities in Pennsylvania to approve opt-out aggregation agreements for the provision of electric supply to residential customers within the municipality.

Under a municipal aggregation program, municipalities become representatives of their participating residents to procure electric supply as a group. The municipality then contracts with an EGS to provide supply to municipal residents participating in the program. An opt-out program is where the residents are switched to the EGS chosen by the municipality unless they notify the municipality that they do not want to be in the program.

The PUC's regulations prohibit EGSs from switching customers from their current service provider without specific customer authorization. According to the declaratory order, generally permitting EGSs to participate in opt-out municipal aggregation programs would violate these anti-slamming protections and would constitute an improper and unnecessary abrogation of individual consumers' rights concerning electric choice.

The Commission's declaratory order is available through a search on the website using Docket No. P-2010-2207062.

PUC Approves Duquesne's Siting of a 345 kV Line

On Feb. 10, 2010, the Commission entered its Opinion and Order (Docket No. A-2010-2159814), which approved Duquesne Light Company's application to upgrade an existing 69 kV transmission line to a 345 kV line. The proposed line will run for 7.8 miles in Pittsburgh and is part of Duquesne's upgrade project known as Duquesne's Transmission Enhancement Plan (DTEP). The DTEP resulted from several system reliability studies undertaken as a result of the regional power outage that affected much of the northeastern United States in August 2003.

Based upon those reliability studies, the DTEP provides for the development of a 345 kV ring around the City of Pittsburgh as well as several 345 kV substations at Brunot Island, Arsenal and Carson. The specific piece of the project approved in this action is designed to reduce Duquesne's reliance on the Brunot Island substation to serve Pittsburgh by providing an additional transmission feed into the city, and reducing Duquesne's dependence on two generating stations to the east by providing greater access to generating resources in the west. The actual transmission line is part of the 345 kV transmission backbone and related facilities between the Brunot Island and Logans Ferry substations.

The Commission approved Duquesne's application, in part, because it found that the 69 kV line to be replaced was originally constructed in 1929 and 1953. There have been no significant modifications to the existing line since the original construction. Duquesne also showed that most of the existing line is at or exceeds the expected lifetime of the materials in that line. In addition, the existing 69 kV line was deemed inadequate to support the capacity necessary to achieve the desired voltage and contingency support for the northeastern part of Duquesne's territory.

Ninth Circuit Rules in Favor of States in Transmission Corridor Decision

The United States Court of Appeals for the 9th Circuit issued a decision on Feb. 1, 2011, that vacated the United States Department of Energy (DOE) designations of two National Interest Electric Transmission Corridors (NIETCs) and the 2006 Congestion Study on which the NIETCs were based. The Court remanded the NIETC designations and the Congestion Study back to DOE for further consideration, ordering the agency to re-examine the corridors in a manner that conforms with its decision.

In October 2007, the DOE designated large portions of the Mid-Atlantic region, including Pennsylvania, as a NIETC which allowed for administrative fast-tracking of transmission projects within the corridor. The DOE also designated parts of southern California and Arizona as a separate NIETC.

Transmission Corridor Decision *Continued on Page 7.*

Transmission Corridor Decision

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In March 2008, the Pennsylvania PUC together with the states of New York, New Jersey, California, Arizona and Virginia and several environmental groups appealed the DOE NIETC designation on the basis that:

1. DOE failed to consult with the affected states;
2. The NIETC designation were arbitrary, capricious and not supported by the record; and
3. DOE failed to conduct an environmental impact statement (EIS) review as required by the National Environmental Policy Act (NEPA).

The case was argued on June 9, 2010 in Seattle. The 2-1 decision agreed with petitioner states and environmental organizations that DOE had not consulted the states prior to the designation and had not conducted any EIS review as required by NEPA.

This case re-affirms the important role of the states in designing transmission lines and the need to solicit state input in any national transmission planning process.

The DOE is currently considering whether to seek rehearing of the matter before the 9th Circuit.

Dynamic Pricing for PECO Energy and West Penn Power

PECO Dynamic Pricing

On Sept. 14, PECO filed its Dynamic Pricing and Customer Acceptance Plan at Docket No. M-2009-2123944. Complaints were filed, and on Jan. 28, a joint partial settlement was filed. PECO intends to test two initial dynamic pricing options (Critical Peak Pricing (CPP) and Time-of-Use Pricing (TOU)) to determine effective combinations of rate design, technology, marketing and educational strategies for customers. A PUC administrative law judge issued the recommended decision on Feb. 23, and exceptions and reply exceptions were filed. At the public meeting of April 14, the PUC adopted the settlement and recommended decision, as modified by the order.

West Penn Dynamic Pricing

On Dec. 30, West Penn Power Company d/b/a Allegheny Power filed a petition requesting approval of the company's dynamic pricing plan for Time-of-Use rates at Docket No. P-2011-2218683. Several entities have filed petitions to intervene. A prehearing conference was held on Feb. 25. Hearings were scheduled for April 12-14.

Marketing and Sales Practices Interim Guidelines Rulemaking

On Feb. 14, 2011, the PUC issued a proposed rulemaking that sets forth rules and best practices that EGSs, NGSs and their agents must observe when engaging in marketing and sales activities in the retail residential energy market. The proposed regulations are drafted to lessen customer confusion about suppliers and the sales process, and to ensure that consumers obtain accurate information prior to enrolling with an EGS or NGS. The *Interim Guidelines on Marketing and Sales Practices for Electric Generation Suppliers and Natural Gas Suppliers* (*Interim Guidelines*), which the PUC adopted last fall, serve as the basis for these proposed regulations.

The proposed rulemaking covers a wide range of topics and sets forth best practices for direct (door-to-door) marketing, telemarketing and sales. Specifically, the proposed regulations cover, *inter alia*, a supplier's liability for its agent; agent qualifications and criminal background investigations; agent training; agent compensation and discipline; and agent identification and misrepresentation. In addition, subjects relating to supplier/agent-customer interactions are addressed: customer authorization to transfer account; customer receipt of disclosure statement and right to rescind contract; consumer protection law; and customer complaints.

The proposed rulemaking has been submitted to the regulatory review process. Interested parties will have 60 days from the date that the proposed rulemaking is published in the *Pennsylvania Bulletin* to file comments. The *Interim Guidelines* will provide direction to EGSs and NGSs on best marketing and sales practices until final regulations are approved. Interested parties may also eFile comments. More details are available through a search of public documents on the PUC's website using the following dockets: Docket No. L-2010-2208332 (*Proposed Rulemaking Order*), and Docket No. M-2010-2185981 *(Interim Guidelines*).

FERC Highlights

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

P3 vs. PJM (EL11-20-000) and PJM MOPR Filing (ER11-2875)

These cases address the effect of the recently enacted New Jersey Long Term Capacity Agreement Pilot Program Act (LCAPP) on PJM's wholesale electric generation market. The LCAPP seeks to subsidize 2000 MW of new generation to be built in New Jersey through long-term contracting for capacity in PJM's Reliability Pricing Model (RPM) market at prices low enough to guarantee clearing. The PJM Power Providers (P3) complaint attempts to correct the projected artificially-depressed capacity prices, directly resulting from the LCAPP, by proposing revisions to the PJM Minimum Offer Price Rule (MOPR) and buyer's market power mitigation provisions in PJM's tariff. The second matter is a PJM tariff filing proposing revisions to its MOPR that seek to prevent an artificial depression of the capacity markets as a result of the LCAPP or other similar interventions. On March 4, 2011, the Pennsylvania PUC filed comments generally in support of PJM's MOPR Filing.

Maryland Public Service Commission et al v. FERC (DC Circuit Case No. 09-1296, FERC Docket No. EL08-67)

This is an appeal by the state commissions of Maryland and New Jersey of a FERC decision, which determined that rates for generation that were adopted by PJM under the provisions of the Reliability Pricing Model (RPM) were just and reasonable. Petitioners alleged that FERC erred in not conducting an independent analysis of the justness and reasonableness of the rates. The court affirmed the FERC ruling, holding that FERC, in reviewing the expert reports submitted by states, PJM's Independent Market Monitor, and the independent consulting group hired by PJM, demonstrated substantial evidence for its findings. The Court held that the proper standard for review of a highly technical matter should involve a significant measure of deference to the expertise of the agency.

Independent System Organization (ISO)/Regional Transmission Organization (RTO) Metrics Report (AD10-05)

The six ISOs and RTOs regulated by FERC have submitted to FERC a metrics report that provides extensive data on grid operations and power markets in their respective regions. The report contains an analysis of each of the regions' reliability performance, wholesale electricity market performance, and organizational effectiveness. It is intended to complement other mechanisms in place to measure ISO/RTO performance, including other detailed information annually submitted to FERC, the respective State of the Market reports for each ISO/RTO, FERC's annual State of the Market Report, and reporting measures developed by the individual ISO/RTOs. This effort is related to FERC's ongoing performance metrics proceeding AD10-5 wherein the Pennsylvania PUC filed comments.

PJM New Demand Response (DR) Products (ER11-2288)

PJM filed with FERC a revision of its tariff proposing to retain its existing DR product and create two additional DR products. The Pennsylvania PUC filed comments generally in support of the proposal, but requested that FERC direct PJM to provide a final method for determining the target limit of the existing DR product or include a specific reference to the PJM Manuals that sets forth these calculations. On Jan. 31, FERC issued an Order approving PJM's DR tariff provisions, subject to 30-day compliance filings. PJM was ordered to file a tariff clarifying how the Minimum Annual Resource Requirement is calculated, as well as a revised tariff that sets forth the methodology for determining the minimum DR targets. PJM timely submitted revised tariffs.

Summer Reliability Meeting Date Set

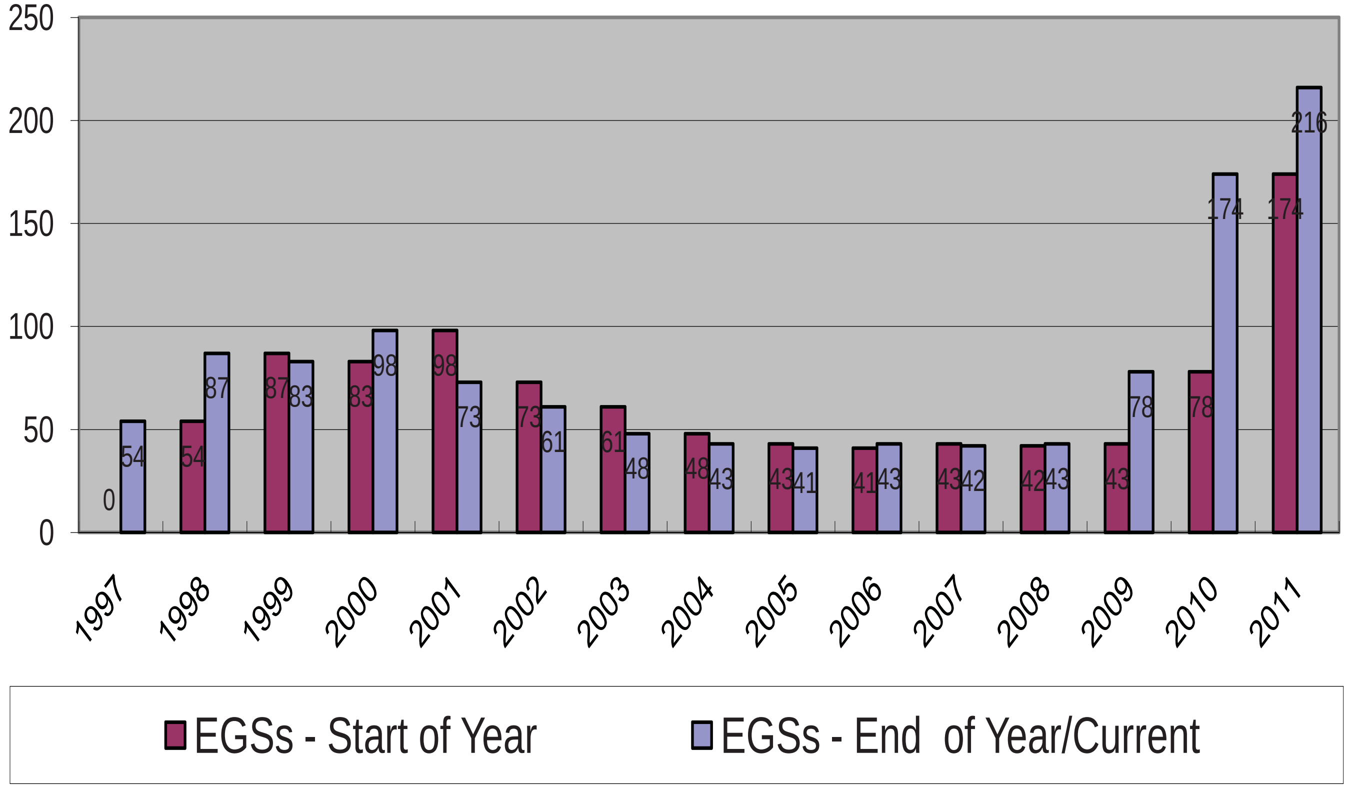
The Bureau of Conservation, Economics and Energy Planning (CEEP) will hold the annual Summer Assessment Reliability Meeting on Thursday, June 9 from 1:30 to 3:00 PM in Hearing Room 1 at the Commonwealth Keystone Building in Harrisburg.

The meeting provides a snapshot of various conditions that may affect electric supply, price and service reliability for the upcoming summer. Topics that to be covered during the meeting include: forecasted load and capacity; generation and transmission for summer 2011; environmental considerations; plant additions and retirements; and the perspectives of electric distribution companies.

Electric Supplier Licensing

Activity from December 3, 2010, to March 31, 2011

216 Active Licenses **0 Licenses Cancelled** **47 Licenses Approved** **9 Applications Pending**



Chloramine Litigaton Update

Since 2007, Susan K. Pickford has attempted to prevent Pennsylvania American Water Company (PAWC) from implementing its intent to convert its West Shore Regional Treatment Plant and its Silver Springs Water Treatment Plant from chlorinated water to chloraminated water. After Pickford was unable to overturn the Department of Environmental Protection's (DEP) approval of the conversion, she and many others filed complaints with the Commission alleging chloramines would produce adverse health effects and diminish the quality of service. The matter was permitted to proceed to hearing to determine if PAWC had committed any water service violations. The Commission dismissed the complaints for failure to meet the burden of proof. The Commonwealth Court later affirmed the Commission's decision that Pickford failed to meet the burden of proof that PAWC's service was unreasonable or inadequate.

Following the Commonwealth Court decision, Pickford, representing two ratepayers, filed an Emergency Motion for Special Injunction and Preliminary Injunction in the Cumberland County Court of Common Pleas in an effort to prevent PAWC from implementing the transition to chloramines. The injunction was denied and PAWC, DEP and the Commission prepared to move forward with matter. On Jan. 7, 2011, the Common Pleas court granted Pickford's Praecipe to Discontinue without prejudice. Consequently, although the case is closed, the plaintiffs are not barred from re-filing another complaint on the same matter. At this time, PAWC is continuing to disinfect its drinking water with chloramines. To date, neither PAWC, nor DEP nor the Commission has received complaints from any customers regarding adverse effects of drinking or using chloraminated water.

Water and Wastewater Company Rate Increases

Rate Increases Approved
November 5, 2010, through March 17, 2011

Utility Name	Amount($) Requested	Amount($) Granted	% of Increase	Action	Action Date
City of Lock Haven - Water Department	491,423	375,000	31.75	Settlement	12/2/10
Pennsylvania-American Water Company - Clarion Wastewater Operations	968,817	600,000	51.78	Settlement	12/16/10
Pennsylvania-American Water Company - Claysville Wastewater Operations	487,486	360,000	116.52	Settlement*	12/16/10
Pennsylvania-American Water Company - City of Coatesville Division (Wastewater)	8,156,652	5,999,000	145.16	Settlement*	12/16/10
Pennsylvania-American Water Company - Northeast Wastewater Operations	2,099,490	1,475,000	168.89	Settlement*	12/16/10
Little Washington Wastewater Company - Masthope Division	161,426			Investigation	12/16/10
Little Washington Wastewater Company - Southeast Consolidated Division	1,078,436			Investigation	12/16/10
Tri-Valley Water Supply Inc.	54,430			Investigation	1/27/11
CMV Sewage Company Inc.	270,532			Investigation	1/27/11
Superior Water Company Inc.	404,190	404,190	18.70	Settlement**	1/27/11
Reynolds Disposal Company (Wastewater)	77,167	49,500	13.20	Settlement	2/10/11
Total Environmental Solutions Inc. - Treasure Lake Water Division	376,183	244,917	40.50	Settlement	3/17/11
Total Environmental Solutions Inc. - Treasure Lake Wastewater Division	268,150	105,059	10.00	Settlement	3/17/11

* These settlement agreements consisted of six year phase-in increases from Jan. 1, 2011 - Dec. 31, 2016.
** The settlement consists of a two-step increase.

Commonwealth Court Approves PUC's Order in Newtown Artesian Water Case

On Jan. 21, 2011, the Commonwealth Court held that the PUC had the authority under Section 1307(a) of the Public Utility Code to allow Newtown Artesian Water Company to implement a purchased water adjustment clause and therefore, single-issue rate making was not applicable. Newtown Artesian Water Company requested the purchased water adjustment charge because of increasing costs in the water that it purchases from Bucks County Water and Sewer Authority, which gets its water from the City of Philadelphia. Pursuant to contract, Bucks County, at its sole discretion, may change its rate and rate structure at any time and without notice. Newtown Artesian is also contracted to take or pay for at least one million gallons per day. Over an eight year period, Bucks County increased its rates four times. Because of this, Newtown Artesian suffered significant uncompensated losses. In July 2008, Bucks County's rate increase caused Newtown Artesian to suffer lost purchased water costs of approximately $244,000. In April 2010, the PUC approved Newtown Artesian's request for a purchased water adjustment charge. The Office of Consumer Advocate appealed to Commonwealth Court arguing that Section 1307(a) did not permit a purchased water adjustment clause. For more information on this case, see Docket Nos. R-2009-2117550 and C-2009-2122003.

Water and Wastewater Company Applications

Applications Approved
November 5, 2010, through March 17, 2011.

Utility Name	Action	Territory	Action Date
Eaton Sewer & Water Company	Additional Territory	Eaton Township, Wyoming County	11/19/10
Wilcox Water Company/Jones Township Municipal Authority	Abandonment	Jones Township, Elk County	12/16/10
Village Water Company/Lycoming County Water & Sewer Authority	Abandonment	Fairfield Township, Lycoming County	12/16/10
Pennsylvania-American Water Company	Additional Territory	Whitemarsh Township, Montgomery County	1/13/11
Pennsylvania-American Water Company (Wastewater)	Additional Territory	South Coatesville Borough, Chester County	1/13/11
Little Washington Wastewater Company	Additional Territory	Hazle Township, Luzerne County	2/24/11
Aqua Pennsylvania Inc.	Additional Territory	Hazle Township, Luzerne County	2/24/11
Aldick Associates Inc. - Water Division	Additional Territory	Pine Grove Township, Schuylkill County	3/17/11

Management Audit of United Water Pennsylvania Inc.

The PUC released a Management and Operations Audit (MA) report of United Water Pennsylvania Inc. at Docket No. D-2010-2150875, on Jan. 13, 2011. The audit was conducted by the PUC's Bureau of Audits staff.

The Audit staff's MA report contained 17 recommendations for improvement and identified potential annual savings of $315,500 and one-time savings of $57,000 from their effective implementation. In its implementation plan, United Water indicated that it accepted 16 recommendations and rejected one recommendation.

The accepted audit recommendations include:

- Accelerate the main replacement program to achieve long range main replacement rates of approximately 100 to 120 years.
- Develop a more proactive main replacement program.
- Correct the inventory turnover calculation and strive to achieve an inventory turnover of at least 2.0.
- Establish emergency stock and eliminate obsolete material.
- Enhance automation of the materials management system, document procedures, and strive to eliminate parts of the current process that may cause errors.
- Improve inventory accuracy and implement a cycle counting procedure.
- Strive to reduce Unaccounted for Water to or below the Commission guideline of 20 percent.

The rejected recommendation is related to the assignment and/or allocation of loan costs among affiliates.

The Commission will conduct a follow-up on United Water's implementation efforts during a future Management Efficiency Investigation.

Pennsylvania American Wastewater Division Rate Cases

On April 23, 2010, Pennsylvania-American Water Company (PAWC) filed rate increase requests for four of its wastewater divisions to become effective on June 22, 2010. The Office of Consumer Advocate and other parties filed formal complaints protesting these proposed increases. On June 16, these filings were suspended for investigation. At the public meeting on Dec. 16, the Commission approved a joint petition for settlement for each division to become effective Jan. 1, 2011.

PAWC proposed to increase the rates to the **City of Coatesville Division** by $8,156,652 on an annual basis. PAWC stated that this increase was necessary to recover approximately $57.7 million that had been invested since 2008 to improve service and reliability. The settlement allowed a rate increase of $5,999,000 phased-in over a six-year period. This will increase the average annual residential customer's bill from $329 to $864 or 163 percent by the end of the phase-in period.

For the **Claysville Division**, PAWC proposed to increase the rates by $487,486 on an annual basis. PAWC stated that this increase was necessary to recover approximately $940,000 invested in the system since acquiring it in July 2008. The settlement allowed a rate increase of $360,000 phased-in over a six-year period. This will increase the average annual residential customer's bill from $460 to $910 or 98 percent by the end of the phase-in period.

In the **Clarion Division**, PAWC proposed to increase the rates by $968,817 on an annual basis. PAWC stated that this increase was necessary to recover approximately $2.7 million invested in the system since acquiring it in October 2008. The settlement allowed a rate increase of $600,000 which will increase the average annual residential customer's bill from $258 to $484 or 41 percent.

PAWC proposed to increase the rates to the **Northeast Division** by $2,099,490 on an annual basis. This increase would affect customers in the Lehman Pike, Winona Lakes, and Blue Mountain Lake service areas. PAWC stated that this increase was necessary to recover approximately $11.5 million invested in these areas since 2002. The settlement allowed a rate increase of $1,475,000 phased-in over a six-year period. This will increase the average annual residential customer's bill from $269 to $645 or 140 percent by the end of the phase-in period.

York Water Company Rate Increase

On May 14, 2010, The York Water Company filed a rate increase request to become effective July 13, 2010. The Office of Consumer Advocate and other parties filed formal complaints protesting the proposed increase and on June 16, the filing was suspended for investigation.

York proposed to increase the water service rates by $6,220,428 (15.9 percent) on an annual basis. It was indicated that the increase was necessary due to the additional operating costs and the approximate $30,000,000 in new and replacement facilities placed in service. The company provides water service to over 61,500 customers in the City of York, and in York and Adams Counties.

On Nov. 4, 2010, the Commission approved a Joint Petition for Settlement negotiated between the parties. The settlement allowed an annual rate increase of $3.4 million (8.9 percent). The rates for the average residential customer on the gravity system increased from $31.69 per month to $34.03 per month while the rates for the average residential customer on the repumped system increased from $37.94 per month to $41.01 per month.

City of Lancaster Water Base Rate Case

On Aug. 27, 2010, the City of Lancaster Bureau of Water filed Supplement No. 40 to Tariff Water-Pa. P.U.C. No. 6, proposing and annual increase in rates of $8,608,024 for customers residing outside City limits and within the PUC's jurisdiction. This would equate to a 99.8 percent increase for jurisdictional customers. The Docket Number for this case is R-2010-2179103.

Evidentiary hearings were held on Feb. 1. Main briefs were filed Feb. 24, and reply briefs were due March 10. The City recommended the Commission approve an increase of $8,192,036 while the PUC's Office of Trial Staff recommended an increase of no more than $6,340,232. The Office of Consumer Advocate (OCA) recommended an increase of no more than $6,206,856. A Joint Petition for Settlement of some issues between the City and OCA has also been filed. If approved this settlement would require the City to establish an Other Post Employment Benefits (OPEB) trust before any portion of the rate increase awarded to fund the OPEB Trust Fund is given to the City. Also through settlement, the City has agreed not to fill three open positions.

The parties are currently awaiting the recommended decision from a PUC administrative law judge.

In Memory of Gerry Clark

Gerry Clark, Bureau of Transportation & Safety (BTS) Manager, passed away Feb. 19. Clark had worked in BTS since 1983.

"Gerry's dedication to his job was extraordinary. Carrying out the responsibilities and duties of his position was not just a commitment, it was his passion," said Mike Hoffman, Director of Transportation and Safety.

He was assigned to the Scranton District Office as an Enforcement Officer, and served in that capacity for 11 years. During that time period he was named Officer of the Year in 1993. He was promoted to the position of Enforcement Officer Supervisor in 1994, and he served in that position for 11 years until he was promoted to the Safety Coordinator position in 2005.

"Gerry was greatly respected by his peers. Many people respected him and thought so highly of him," added Hoffman. "I would constantly hear people telling me that 'Gerry is special' and he was."

Memorial contributions may be made to the Penn State Hershey Medical Center Cancer Institute, P.O. Box 852, Hershey, PA 17033.

Commission Regulations Regarding Household Goods Movers

Carriers of household goods in use, which move individuals' personal possessions from one residence to another and between storage facilities and residences in Pennsylvania, are regulated by the Public Utility Commission. Prior to being granted authority to operate, the PUC requires proof of adequate liability and cargo insurance coverage, and prospective household goods carriers must submit to safety fitness evaluations conducted by the Commission's enforcement officers. Movers that enter homes are also required to have periodic criminal background checks.

Spring and summer are the peak seasons when residents of Pennsylvania move between residences, and household goods carriers are in high demand. Understanding the regulations that apply to household goods carriers can help customers select better moving companies and facilitate an easier moving experience. The following information provides a brief overview of the household goods regulations that benefit consumers in Pennsylvania:

- Carriers must include their PUC certificate number with all advertising. Ensuring that a carrier is properly registered provides protection from becoming a victim of a rouge carrier. To access a complete list, visit the PUC website - Transportation and Safety, Motor Carrier section.
- Carriers must provide a written estimate prior to a move. They must charge reasonable rates based on tariffs filed with the PUC. Payment in full is generally required before the mover unloads the goods. However, if the actual charges exceed the estimate by more than 10 percent, the mover must deliver the goods upon payment of the estimated amount plus the greater of 10 percent or $25 of the actual cost.
- Carriers must provide an "Information for Shippers Form" before preparing an order for service. The form describes the consumers' rights in regard to the charges and services.
- Carriers must provide minimal insurance for lost or damaged goods at no additional charge. They must offer available additional insurance for up to the replacement value that involves additional costs.
- Carriers must act promptly upon claims for damages, must not refuse a claim prior to proper investigation, and must provide a reasonable explanation when denying a claim.
- Unless waived by the customer, carriers must complete an inventory of all items along with notations of conditions. Before signing a delivery receipt, a consumer should note all damaged and lost items.
- Carriers that violate PUC rules are subject to civil penalties. Consumers can obtain additional information and direct complaints to the Commission by calling the nearest district office or by visiting www.puc.state.pa.us.

Consumers can direct complaints about interstate moves to the Federal Motor Carrier Safety Administration by calling 1-888-368-7238 or by going to nccdb.fmcsa.dot.gov .

For additional consumer tips and information on moving, visit www.emovingstorage.com.

High-Speed Intercity Passenger Rail: An American Adventure

In the 20th century, the United States built highway and aviation networks that transformed the country with economic expansion, new communities, and connecting cities, towns and regions. The existing transportation system requires significant investment simply to rebuild and maintain critical infrastructure and modernize aging technologies. Meeting our 21st century challenges will require new transportation solutions as well.

After 60 years and more than $1.8 trillion of investment, the United States has developed the world's most advanced highway and aviation systems. Yet these systems face mounting congestion and rising environmental costs. The Obama Administration has placed a new emphasis on building high-speed and intercity passenger rail to connect communities and economic centers across the country. A fully developed passenger rail system will complement highway, aviation and public transit systems.

Just as the Interstate Highway System took 60 years to complete, the true potential of a fully integrated high-speed intercity passenger rail network will not be achieved or realized overnight. The United States Department of Transportation is working with states to plan and develop high-speed and intercity passenger rail corridors that range from upgrades to existing services to entirely new rail lines exclusively devoted to 150 to 220 mph trains. Implementing these corridor projects and programs will serve as a catalyst to promote economic expansion (including new manufacturing jobs), create new choices for travelers in addition to flying or driving, reduce national dependence on oil, and foster livable urban and rural communities.

The Recovery Act included $8 billion to launch a national high-speed rail program that will modernize America's transportation network, spur economic development domestically and keep the United States competitive with other leading nations. High-speed rail grants announced under the Recovery Act can be used only for high-speed rail projects and not for other transportation projects. President Obama has proposed to begin that ongoing investment in his FY 2010 budget proposal, which calls for high-speed rail funding of $1 billion per year for 5 years.

Rail manufacturers and suppliers committed to not only locate in the United States, but to ensure high-speed rail projects are built by American workers with American-made supplies. To deliver maximum economic benefits to American taxpayers, the Administration's high-speed rail program also includes a 100 percent 'Buy American' requirement.

The Federal Railroad Administration (FRA) has provided a $750,000 High-Speed Intercity Passenger Rail (HSIPR) Program grant to the Commonwealth of Pennsylvania to study the expansion of Amtrak's Keystone Corridor from Harrisburg to Pittsburgh. Passenger trains on the Keystone Corridor currently operate at 110 mph between New York, Philadelphia and Harrisburg, and have seen ridership grow from 891,764 passengers in 2006 to 1,296,838 last year. The study will evaluate the feasibility of electrifying track between Pittsburgh and Harrisburg, construction of dedicated tracks for passenger trains and major signal and switch improvements. The study will also evaluate installation of concrete ties, procurement of new passenger cars and alternative route alignments. The FRA grant is from FRA's fiscal year 2009 Intercity Passenger Rail appropriation with a 50 percent state match requirement from Pennsylvania's Department of Transportation.

Relief Plans for 570, 814 and 717 Area Codes

Despite efforts to monitor our area codes and encourage carriers to request unused numbers from existing carriers or to participate fully in pooling efforts, the PUC was informed that the 570, 814 and 717 area codes would exhaust their supply of telephone numbers. Exhaustion triggers the need for new area codes and exhaust procedures usually start 36 months prior to the projected exhaust date. Based upon the latest projections of the Number Resource Utilization Forecast (NRUF) and Numbering Plan Area (NPA) Exhaust Analysis Update, the National Numbering Plan Administrator, Neustar, Inc., informed us that the 570 NPA is projected to exhaust during the third quarter 2012, the 814 NPA is now set to exhaust in the first quarter 2015, and the 717 NPA is set to exhaust in the third quarter 2013.

NeuStar Inc., the neutral third party NPA relief planner for Pennsylvania, petitioned the PUC to institute "overlay" plans in each NPA to address the pending exhaust of telephone numbers. An overlay plan means that once the existing telephone numbers are exhausted, new telephone services in that region would be assigned telephone numbers from the new area code which is "overlaid" over the existing geographical area. Because the local area then would have more than one area code, 10-digit local dialing would be necessary for all phone calls.

However, the PUC denied the petitions in order to elicit comments on the 570, 814, and 717 relief plans. Additionally, public input hearings were scheduled throughout the 570, 814 and 717 NPAs on which form of area code relief should be implemented in each region: an overlay or a geographic split within the NPA.

The PUC began implementation of an overlay for the 570 area code using the area code 272 by directing all carriers in Pennsyvania complete network preparation no later than March 1, 2011. The Commission directed that all area code holders in Pennsylvania complete network preparation of their systems for the implementation of the overlay of the 570 area code no later than March 1, 2011. The PUC also decided that a geographic split was the more appropriate form of area code relief for the 814 area code (582). Nevertheless, the 814 area code decision is now being reconsidered by the Commission. The 717 area code relief plan is still under consideration.

Technical conferences and public input hearings will be held in May to discuss the 814 plans. On May 24 in State College and on May 26 in Erie, the PUC will host the technical conferences at 2 p.m. and public input hearings at 6 p.m. in both locations.

Commonwealth Court Approves Merger of CenturyTel and Embarq

On March 1, the Commonwealth Court affirmed the Commission's approval of a merger between two telecommunications companies, CenturyTel and Embarq (B-2010-2167311). The Court held that the Commission followed the precedent established by the Pennsylvania Supreme Court and properly evaluated the impact of the merger on competition. The Court further held that the substantial evidence supported the Commission's determination that the merger would provide affirmative benefits for the state's citizens and that the merger would positively affect competition in Pennsylvania.

In an order dated March 1, 2010, the Commission approved the merger of CenturyTel and Embarq, subject to conditions imposed by the FCC, which also approved the merger. The Office of Small Business Advocate (OSBA) appealed the Commission's order to Commonwealth Court, arguing that the Commission erred in concluding that financial strengthening and the post-merger company's resulting enhanced ability to compete was a public benefit of the merger. OSBA also argued that as a result of the merger, an incumbent local exchange carrier (ILEC) would be strengthened, which hinders a competitive local exchange carriers (CLEC's) ability to compete and is thus anti-competitive.

Competition in Telecommunications

In 2010, the Commission processed 34 unprotested applications from carriers for new telecommunications authority. Many of the applications requested multiple certifications, resulting in over 130 docket numbers. By category, there were 19 competitive local exchange carriers (CLECs), 22 long distance toll carriers (IXCs), and four competitive access providers (CAPs). Fifteen of the 19 CLEC applications requested authority to compete in rural territories. The Commission also processed 14 applications to surrender certificates during the year (six CLECs, four IXCs, and four CAPs). Figures exclude merger/acquisition activity.

NARUC Panel Reviews Revoking CPCs

Joe Witmer of the PUC's Law Bureau recently conducted a National Association of Regulatory Utility Commissioners (NARUC) Telecommunications Staff Subcommittee Panel during the NARUC Winter Meetings in Washington D.C. The panel examined how and why state commissions should revoke a carrier's certificate of public convenience (CPC). Witmer spoke of his recent experience in seeking to revoke a carrier's Pennsylvania CPC for failure to comply with Commission orders.

The panel presented issues of law and policy that other states may face if they seek to revoke a CPC. Steve Samara, the President of the Pennsylvania Telephone Association, and others urged state commissions to be more active in revoking a carrier's CPC to prevent fraud or refusals to pay. The panelists were particularly concerned about carriers using their right to interconnect to another carrier's network while refusing to pay intercarrier compensation.

In addition, Witmer presented a proposed Resolution on Non-Discriminatory Access to Video Content by small cable and telecommunications carriers. The resolution, sponsored by Indiana, called state and federal attention to alleged increases in the prices that small rural cable and telephone companies are being charged for access to video content on their broadband networks when smaller carriers also try to provide Triple Play services. The resolution was amended and rejected by the staff Telecommunications Committee as beyond the scope of traditional state commission authority. However, the Commissioners' Telecommunications Committee adopted the resolution, which was subsequently approved by NARUC's Board of Directors.

Verizon Metrics Contract

At the public meeting held on Jan. 27, the PUC voted unanimously to select Silverpoint Consulting LLC as the vendor to oversee the review of performance metrics and related remedies as they pertain to Verizon Pennsylvania Inc.'s wholesale interconnection devices. Silverpoint was notified of their selection, and final contract negotiations were initiated shortly thereafter. At this time, Verizon is reviewing the final contract, and the PUC's Law Bureau is waiting for signatures from all applicable parties. Once all parties have signed the final contract, a Notice to Proceed will be issued by the Bureau of Administrative Services. The parties expect work to begin on the audit within the next month.

Commission Staff Updates PTA's Small Company Group

At the request of the Pennsylvania Telephone Association (PTA), Law Bureau staff attended a meeting of the PTA in State College. Joe Witmer, a PUC attorney, provided PTA members an update on FCC proceedings, litigation underway in the federal courts, and matters of interest to the PTA.

Witmer discussed the FCC proposal to consider reforming intercarrier compensation by setting a uniform compensation rate that all carriers will receive for terminating calls on networks. The proposed national rate could be considerably lower than what many of the current PTA members receive for those services. Moreover, it is not clear if the reforms would include a program to compensate carriers for those lost revenues.

He also updated the PTA on recent federal litigation, particularly the GNAPs litigation underway at the FCC and in the federal courts. PTA members provided an update on current interconnection practices, indicating that the refusal of some carriers to pay for interconnection may no longer be isolated instances but may well become an endemic industry problem.

The PTA group was updated on the recent NARUC initiatives. Witmer also discussed the Joint Board's February 2011 conference of interested stakeholders on the FCC's proposed universal service and intercarrier compensation reform proposals. Steve Samara, PTA President, also provided members a brief summary of his presentation at the Winter 2011 NARUC Meeting panel on revoking carrier certificates for refusal to comply with Commission orders.

Commission Continues Multistate Effort to Enforce Orders Against Global NAPS

The Law Bureau Prosecutory Staff (LBPS) filed a complaint against Global NAPs (GNAPs) for failure to comply with the Commission's decision in Palmerton Telephone Company v. Global Naps, Inc. In Palmerton, the Commission ordered GNAPs to compensate Palmerton for use of Palmerton's network, particularly the termination of calls. GNAPs has not complied with the order and the complaint seeks revocation of GNAPs' Certificate of Public Convenience.

GNAPs filed two responses, neither in Pennsylvania. GNAPs filed to preempt the Commission. At the FCC, GNAPs claims that their delivery of Voice over Internet Protocol (VoIP) service and the FCC's precedent prohibits the Commission from imposing access charges on VoIP. The Commission filed Comments and Reply Comments supporting the Commission's determination that federal case law gives the commission authority to address intercarrier compensation claims. The matter is still pending.

GNAPs then filed a Motion to Stay the LBPS proceeding in Federal District Court. LBPS appeared before the Federal District Court in Boston, arguing that a CPC is not a property right under receivership law. GNAPs was placed in receivership in the Boston federal district court after the Verizon New England and Verizon New York decisions. Receivership is distinct from bankruptcy in that in receivership a Trustee appointed by the federal court operates the company, pays the company's debts, and prepares the company for sale or auction to the highest bidder.

Following a 2.5 hour conference in chambers, the parties agreed on the record to a $5000 monthly payment into an escrow account for Pennsylvania carriers pending the trustee's sale or selection of a bidder in an auction of GNAPs' assets. There has been no hearing yet on the auction and the court has not yet selected a bidder. The LPBS intends to participate in that proceeding to ensure that the trustee and any new buyer or bidder continue to be required to comply with the judge's directives.

Additional information may be found at:
PUC Docket No. C-2010-2208511
PUC Docket No.C-2009-2093336
FCC Docket No. WC 10-60
Civil Action No. 02-12489-RWZ and 05-10079-RWZ

Commissioner Cawley Coordinates Federal State Joint Board Conference on FCC Reforms

As State Chair, Commissioner James H. Cawley coordinated a recent Joint Board Conference on proposed FCC reforms and the states' roll on Feb. 17, 2011 at the FCC. The Joint State Board's state members presided over several panels that examined intercarrier compensation and universal service reform. Two major topics under discussion were the wisdom of setting a unitary intercarrier compensation rate for all calls, regardless of whether they are interstate, intrastate, or local, and the cost model the FCC and the states should use to set that rate.

The conference also examined how regulators and policy makers can obtain reliable industry data and discussed the different ways of continuing the "Carrier of Last Resort" (COLR) service mostly provided by incumbent carriers. They also discussed the use of auctions to select COLR providers in the future. The conference focused on the impact that large reductions in termination rates will have on those carriers' who rely on those revenues to finance broadband and provide COLR service. The conference also discussed the viability of using Eligible Telecommunications Designation (ETC), a condition a provider must currently meet as a precondition to getting support and which is granted by the states under federal law, as a way of obtaining federal support for broadband deployment and delivering the proposed Broadband Lifeline Program for low-income consumers.

Commissioner Cawley continues to work cooperatively with the other state members to develop a response to the FCC's proposed federal universal service fund (USF) and intercarrier compensation reforms (Docket Nos. 96-45, 09-51 and 10-90). The FCC's deadlines for comments was April 1. The deadline is the first in a series of rolling deadlines for the proposed reforms.

FCC Highlights

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

FCC Notice on Reforming Universal Service and Intercarrier Compensation Docket Nos. 96-45, 09-51 and 10-90

The FCC issued its latest notice on the National Broadband Plan (NBP) on Feb. 9, 2011. The FCC proposes to advance the National Broadband Plan by creating a Connect America Fund (CAF) to support the delivery of broadband to all Americans while reforming intercarrier compensation. The FCC proposes to gradually replace current support with a CAF to finance broadband deployment while possibly reducing all intercarrier compensation rates to one national rate for interstate, intrastate, and local interconnection.

The Commission is concerned that these proposals do not undermine the existing Universal Service, Intercarrier Compensation, or broadband deployment programs already underway or nearly completed in Pennsylvania. The Commission also is concerned that any FCC attempt to set a national rate for intrastate and local interconnection must not undermine existing law in Pennsylvania governing rates, quality of service, and interconnection.

The Commission is reviewing the proposal with a view to determining whether the reforms erode Pennsylvania law, weaken Pennsylvania's broadband program under Chapter 30 or increase Pennsylvania's net contributor role in the federal fund. Currently, Pennsylvania pays $165 million more into the federal fund than it receives.

Commission Unsuccessful in Securing United States Supreme Court Review of FCC Decision that Affects Local Rates: FCC Issues New Notice to Reform Local Rates

In November 2010, the Supreme Court of the United States denied the Commission's Petition for a Writ of Certiorari filed in August. The Writ asked the Supreme Court to review a Circuit Court of Appeals decision in Core Communications, Inc v. FCC, 592 F.3d 139 (D.C. 2011) (Core Decision). The Core Decision upheld the FCC's authority to set the rates one carrier pays another carrier when a local call is used to access the internet.

The Commission argued that the FCC's mandatory rate violated prior Supreme Court decisions holding that states, not the FCC, set the local rate. The Commission also claimed that the rate set by the FCC did not comply with the pricing model upheld by the Supreme Court. Finally, the Commission warned that upholding the FCC's authority to set the rate for local calls to access the internet could impact all intrastate rates, particularly when the FCC expressly declared an intention to eliminate all regulatory and jurisdictional boundaries.

Following the November 2010 denial, the FCC has claimed that it has authority to reform local rates as part of an overall plan to transform the telephone network into an Internet Protocol (IP) network.

SEARCH Update

Licensing Requirements for Natural Gas Suppliers

On Nov. 4, 2010, the Independent Regulatory Review Commission (IRRC) approved final revisions to the PUC's natural gas supplier (NGS) licensing regulation relating to financial security requirements. Through the rulemaking process, the PUC revised Section 62.111 to permit the use of NGS accounts receivable in a PUC-approved purchase of receivables program to satisfy all, or part of a NGS's security requirement. The revised regulation became effective on Jan. 1, 2011 upon its publication in the Pennsylvania Bulletin. See 41 Pa.B. 30.

Other legal and financial instruments and property determined to be acceptable forms of security include escrow accounts, cash, calls on capacity, netting natural gas distribution company (NGDC) gas supply purchases from the NGS against NGS security requirements, and other operational offsets by mutual agreement of the NGDC and NGS. Circumstances that could support a NGDC's adjustment of security for a NGS operating on its system, and reasonable criteria that an NGDC must use in adjusting the security amount are set forth, as well as PUC procedures, both formal and informal, that an NGS may use to resolve a dispute over security with an NGDC.

The PUC believes that revised Section 62.111 better balances an NGS's ability to provide adequate security to maintain its license with an NGDC's actual risk of financial loss in the event of supplier default.

Also established for NGDCs is an annual reporting requirement on the adjustment of security amounts. The reporting requirement will permit the PUC to monitor NGDC compliance with the revised regulation, and to collect data that may be used to standardize the criteria and rules relating to security for inclusion in a uniform supplier coordination tariff.

This rulemaking was one of three included in the PUC's Sept. 11, 2008 Final Order and Action Plan (SEARCH Order), that resulted from the PUC's Investigation into the Natural Gas Supply Market: Report on Stakeholder's Working Group, Docket No. I-00040103F0002.

In the investigation, the PUC determined that lowering market entry barriers for NGSs would increase effective competition in Pennsylvania's retail natural gas market. One of the barriers identified as impeding supplier participation in the market was the amount of financial security needed to obtain and maintain a NGS license.

Recent Natural Gas Explosions

On Feb. 9, a pipeline operated by UGI exploded at North 13th and Allen streets in Allentown, causing the deaths of five people. Eight homes were destroyed, and forty-seven buildings were damaged. The cause of the explosion is under investigation. A section of 12 inch cast iron pipe, which had been installed in 1928, was sent to a lab for analysis along with soil recovered from the investigation site.

Less than a month earlier, on Jan. 19, another gas explosion occurred in northeast Philadelphia, in the 6900 block of Torresdale Avenue in the Tacony neighborhood. The explosion destroyed several homes, injured six people, and killed one utility worker. The deceased worker was employed by Philadelphia Gas Works (PGW), which operated the pipeline that exploded. A cracked, 12-inch, cast iron gas main, also installed in 1928, was discovered next to the explosion site and sent to a lab for analysis.

ARRA Revenue Decoupling

The Commission has instituted an investigation at Docket No. I-2009-2099881 to comply with the requirements of the American Recovery and Reinvestment Act of 2009 (ARRA).

The ARRA requires that the Commonwealth consider ratemaking policies for gas and electric utilities that align revenue recovery with energy conservation. As part of the investigation, the Commission has received a number of comments from interested parties, held a technical conference, and instituted a working group. Most of the large gas and electric utilities in Pennsylvania, as well as the Office of Consumer Advocate and the Office of Small Business Advocate, have participated in the investigation.

The working group's report may be found at www.puc.state.pa.us under Regulatory Information, ARRA.

Equitable Gas Abandonment

Equitable Gas filed an application of Equitable Gas Company for approval of the abandonment of natural gas service to 23 field gathering line customers located in Washington County, Pennsylvania at Docket No. A-2009-2089152. An initial decision on remand was served on Nov. 11- 16, 2010. A motion to dismiss was filed on Jan. 28, and is currently under consideration by the Commission.

Management Efficiency Investigations of Columbia Gas of Pennsylvania Inc.

According to a report on the Management Efficiency Investigations (MEI) released by the PUC on Jan. 27, 2011, at Docket No. D-2009-2118619, Columbia Gas of Pennsylvania Inc. could achieve additional annual savings of up to $200,000 by effectively implementing the recommendations contained in the report. The MEI, conducted by staff from the PUC's Bureau of Audits, examined the company's progress in implementing 24 of the 30 original recommendations from a Management and Operations Audit released in August 2006, its emergency preparedness efforts, and the status of its outsourcing of most functions to IBM.

The Audit staff found that Columbia Gas has effectively implemented 16 of the 24 prior recommendations reviewed and that it had taken some action on the eight other recommendations. As a result of its implementation efforts, Columbia Gas is realizing annual savings of approximately $11.5 million. Some of the changes made by Columbia Gas since the 2006 audit include:

- Refinancing its long-term debt through NiSource Corporation which resulted in an annual interest savings of $4,275,000.
- Increasing its capital investment for replacing its infrastructure.
- Significantly decreasing its residential receivable gross write offs resulting in an increased cash flow of approximately $3.1 million annually.
- Implementing the process of allocating the customer call center expenses based upon the number of call minutes applicable to the distribution companies, resulting in an estimated $1.6 million annual savings.
- Realizing an annual increase in net collections.
- Allocating charges to affiliates for the use of the main office.
- Implementing controls to limit employee access to financial, customer, and employee data.
- Revising contractor meter reading performance targets.

Additionally, the audit report contained ten follow-up recommendations for further improvement. Columbia Gas' Implementation Plan submitted in response to the MEI indicated acceptance of eight, partial acceptance of one, and rejection of one of the follow-up recommendations. Some of the more significant follow-up recommendations accepted by Columbia Gas include:

- Expedite the installation of dispatching software which accurately tracks dispatching time and has data archiving abilities.
- Conduct an internal audit that specifically tests Columbia Gas' allocation process and the related charges to and from affiliates.
- Strive to control the high levels of overtime experienced by individual field employees.
- Implement changes to decrease emergency response times after normal hours and during weekend/holidays periods.
- Accurately and effectively track line hits and damage collection success.
- Continue to utilize newly formed collection practices and continue with the planned reinstitution of secondary collections.

Peoples Base Rate Case

On Oct. 28, Peoples Natural Gas Company issued Tariff Gas - Pa. P.U.C. No. 44, to become effective Dec. 27, proposing an increase of $70,218,751 representing an increase in annual revenues of 21.4 percent. It has been 15 years since Peoples filed for a base rate increase (Docket No. for this case is R-2010-2201702.)

Under the proposed increase, the average bill for a residential customer who uses 90.7 Mcf of gas per year would increase from $71.00 to $88.86 per month. The average bill for a small commecial customer using 294.3 Mcf would decrease from $203.21 to $201.27 per month. The average bill for a large commercial customer using 1,996.5 Mcf would increase from $1,266.16 to $1,293.07 per month. The average bill for an industrial commercial customer using 4,170 Mcf would increase from $2,532.64 to $2,633.87 per month.

Since its last base rate increase filing, Peoples has invested $325 million in its distribution and pipeline system. Peoples has also indicated that it plans to invest an additional $119 million in capital and IT infrastructure investments. At this juncture multiple rounds of testimony have been filed by the parties in this case.

Transfer of T.W. Phillips' Stock

On Nov. 16, 2010, TW Phillips Gas and Oil Co. and LDC Holdings II LLC filed a joint application authorizing approval of the transfer of TW Phillips' stock to Holdings II at Docket No. A-2010-2210326. LDC Holdings II is an indirect subsidiary of SteelRiver Infrastructure Investment Fund North America LP. Protests have been filed and the Office of Administrative Law Judge has scheduled initial hearings for May 10-12, 2011.

Columbia Rate Case and BTU Content Adjustment Case

Columbia Gas of Pennsylvania Inc.'s case is interesting because Columbia made two separate filings which the parties hope to have a PUC administrative law judge (ALJ) consolidate at the prehearing conference. These filings consist of a base rate case filing and a BTU content adjustment filing. The reason for the BTU content adjustment filing is that Columbia is bringing Marcellus Shale gas into its pipelines. This gas has a higher than usual BTU content.

On Sept. 29, 2010, Columbia Gas issued Supplement No. 156 to Tariff Gas - Pa. P.U.C. No. 9 to become effective Nov. 27, 2010, requesting approval of a modification to Tariff Rule No. 15 – Measurement to provide for a BTU content adjustment to the monthly determination of customers' billing MCFs in addition to existing adjustments for pressure and temperature. Later, on Jan. 14, 2011, Columbia Gas issued Supplement No. 163 to Tariff-Gas Pa. P.U.C. No. 9 to become effective March 15, proposing an increase of $37,844,921.

In addition, Columbia has proposed to implement a levelized distribution charge. This case has been suspended and the prehearing conference was scheduled for March 23, 2011.

Annual 1307(f) Filings by Gas Companies

National Fuel Gas filed its 2010 annual 1307(f) filing on Feb. 2, at Docket No. R-2011-2218386. Various complaints and opposition have been filed. A hearing is scheduled for April 26-27, 2011. NFG is proposing increase rates for recovery of purchased gas costs for the principal rate schedules for sales service by S0.8802 per Mcf.

Equitable Gas filed its 2010 annual 1307(f) filing on Feb. 28, at Docket No. R-2011-2223563.

Philadelphia Gas Works (PGW) filed its 2010 annual 1307(f) filing on Feb. 28, at Docket No. R-2011-2224739. Complaints have been filed. An Initial Prehearing Conference was held on March 14, 2011. PGW's filing indicates a proposed decrease in purchased gas cost rates for retail sales service from the current rate of $6.5400/Mcf to a proposed rate of $6.3077/Mcf effective Sept. 1, 2011, a decrease of $0.2323/Mcf.

UGI Central Penn Gas Base Rate Request

UGI Central Penn Gas has proposed a general rate increase of $16,460,000 (Docket No. R-2010-2214415). This is designed to allow the company an opportunity to earn a rate of return of 9.11 percent, with an 11.60 percent return on common equity. The company has indicated that it is proposing the increase to enable the company to invest in gas plant, recover lost revenue because customers are using less gas, and recover unavoidable cost increases such as salary and wages, healthcare costs and the cost of servicing customer accounts.

Under the company's proposed increase, the average total bill for a residential customer using 821 hundred cubic feet of gas per month would increase 16.9 percent, or from $87.03 to $101.72. The average total bill for a commercial customer using 285 Mcf per month would increase 19.3 percent, or from $225.64 to $269.11. The average total bill for an industrial customer using 1,855 Mcf per month would increase 18.6 percent, or from $1,358.24 to $1,610.60.

Under UGI's proposal, of the $16.46 million increase, $10.97 million would be allocated to residential customers, while commercial and industrials customers would receive $5.02 million and transportation customers would receive $0.47 million.

2011 Pennsylvania Natural Gas Trends and Developments Report

The Bureau of CEEP has prepared the Pennsylvania Natural Gas Trends and Developments Report, which summarizes financial and gas supply data for the Pennsylvania natural gas distribution companies (NGDCs). This annual report also includes information on the following:

1. A discussion regarding natural gas infrastructure;
2. United States natural gas data;
3. Pennsylvania natural gas data;
4. Pennsylvania NGDC customer data;
5. NGDC supply and demand data; and
6. Financial statistics from the Gas Annual Reports filed by the NGDCs and data from the Energy Information Administration (EIA).

The report is available at www.puc.state.pa.us under Publications and Reports, Natural Gas Reports.

Energy Price Forecast for Spring 2011

The Energy Information Agency's (EIA) March 2011 Short-Term Energy Outlook reports that West Texas Intermediate (WTI) crude oil spot prices have risen about $15 per barrel since mid-February. EIA estimates the average cost of crude oil to refiners in 2011 will be $105 per barrel. The EIA forecast assumes the United States gross domestic product (GDP) will grow by 3.3 percent in 2011 and 2.8 percent in 2012.

United States price for regular-grade gasoline is expected to average $3.56 per gallon in 2011, 77 cents higher than the 2010 average. EIA predicts that gasoline prices during the peak driving season of April through September will average $3.70 per gallon. EIA asserts that there is uncertainty in the forecast and there is a 25 percent probability that retail gasoline prices could exceed $4.00 during summer 2011. Rising crude oil prices along with the higher costs of refining are the cause of higher gasoline prices.

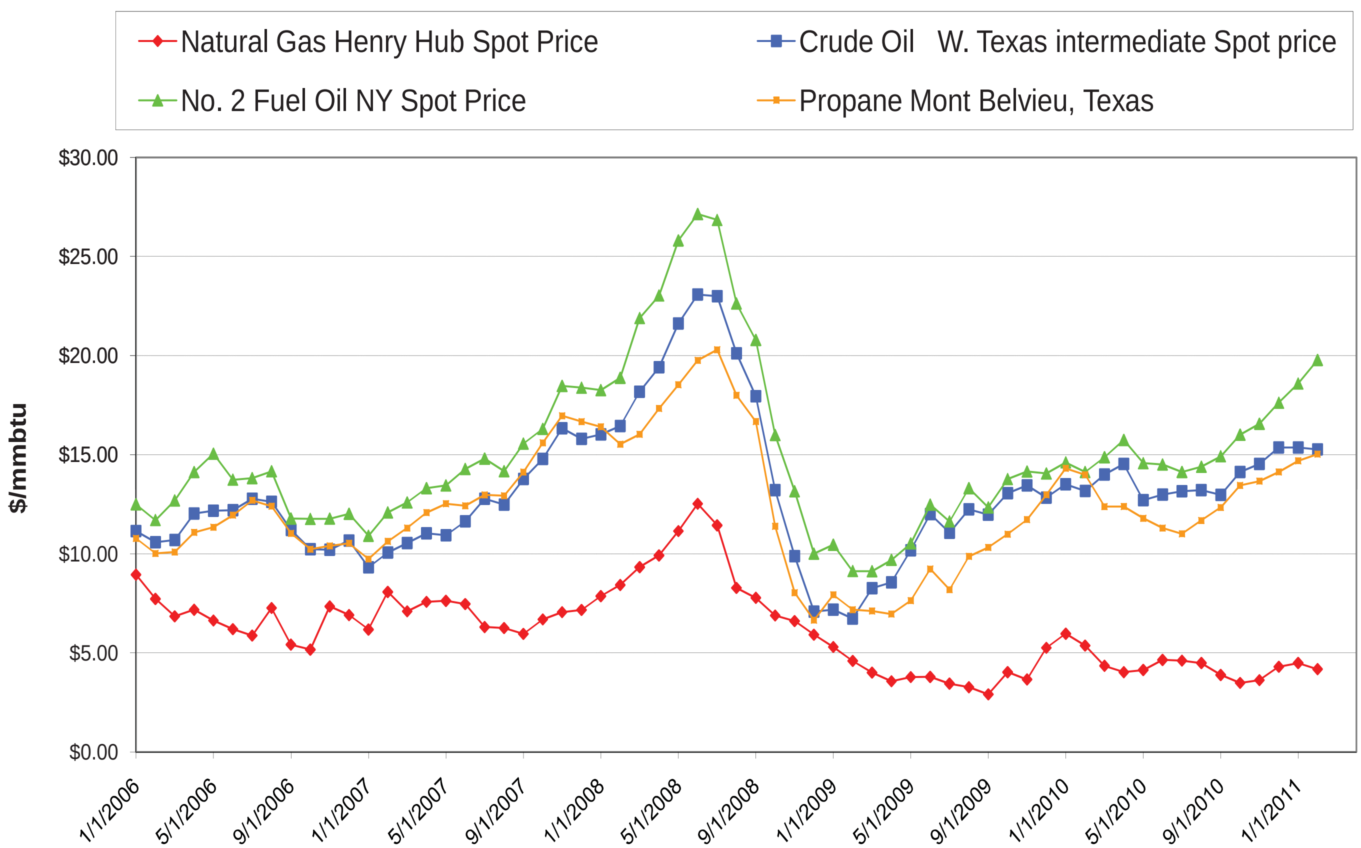
The Henry Hub (Louisiana) natural gas spot price is expected to average $4.10 per million Btu (MMBtu) for 2011, and increase to $4.58 per MMBtu during 2012. Gas production grew 4.4 percent in 2010 to 63.8BCf/d in December. Modest declines are expected in 2011 as the active gas drilling rig count has fallen since October 2010. Higher prices for petroleum liquids have shifted drilling from dry gas to liquids.

Annual average retail electricity prices are expected to increase 1 percent in 2011 and 0.5 percent in 2012. Lower generation fuel costs this year are expected to be passed through to industrial consumers during 2011, which will result in a 1.6 percent decrease in 2011 and then a rise of 0.2 percent in 2012 for the industrial sector.

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

Wholesale Fuel Prices by Heat Content

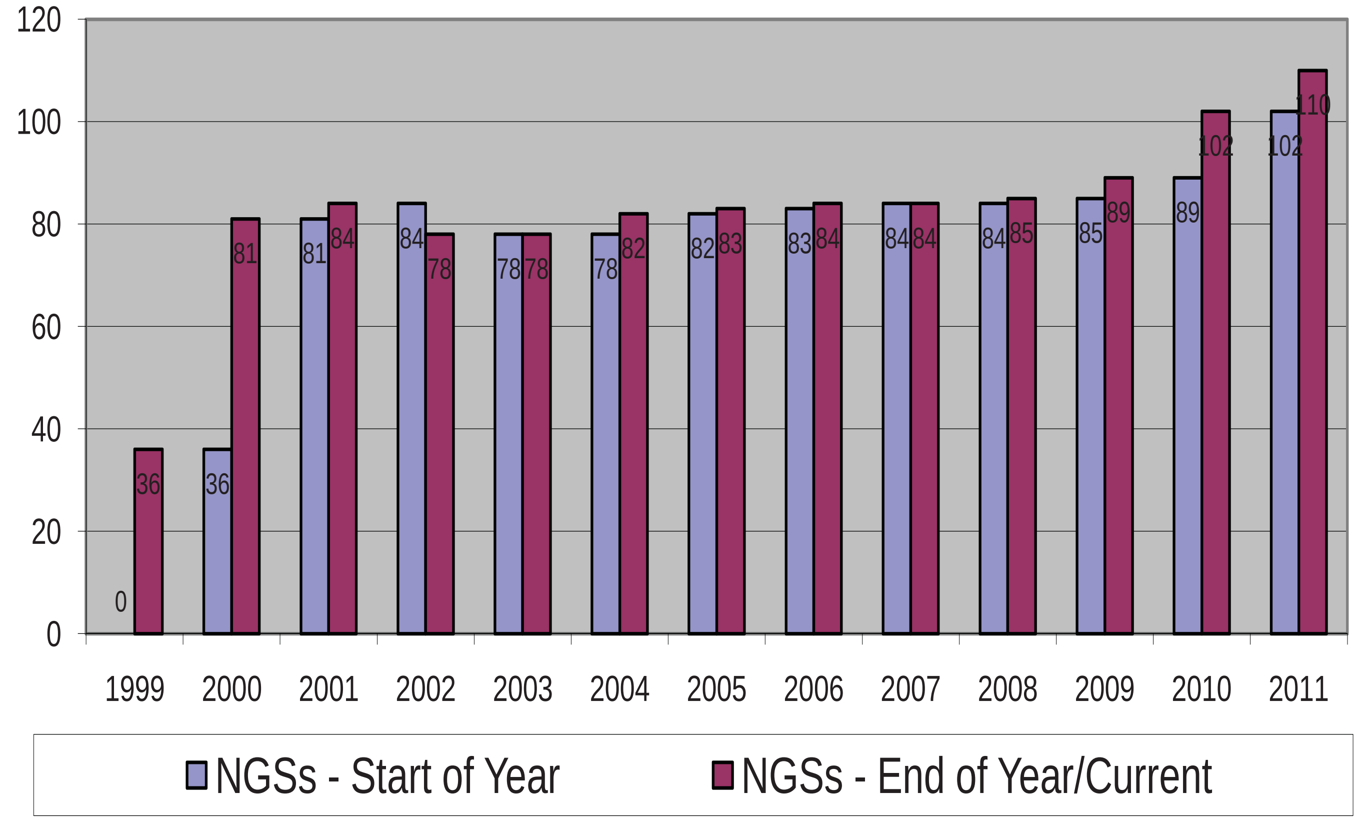
Data from EIA's *Weekly Gas Report* and *Weekly Petroleum Status Report*
(Unweighted Average)



Natural Gas Supplier Licensing

Activity from December 4, 2010, to March 31, 2011

110 Active Licenses **9 License Approved** **1 License Cancelled** **3 Applications Pending**



Laser Northeast Gathering Company Decision

On Jan. 19, 2010, Laser Northeast Gathering Company LLC (Laser Northeast) filed an application for a certificate of public convenience authorizing it to offer natural gas gathering and transporting service by pipeline in certain townships in Susquehanna County, Pennsylvania. Two public input hearings were held in Susquehanna County on July 7, 2010. Evidentiary hearings were held on Aug. 23 and 24. On Sept. 10, Laser Northeast , the Office of Trial Staff, Silver Lake Association, Vera Scroggins and William C. Fischer filed a non-unanimous Joint Petition for Settlement.

The Commission issued an Administrative Law Judge's (ALJ's) recommended decision on Dec. 1, 2010, in which the ALJ disapproved the settlement and denied the application because she found that the service in question was not public utility service. Exceptions and reply exceptions have been filed. The Commission will issue a decision at a future public meeting. Additional information about this case can be obtained from the Commission's website at Docket No. A-2010-2153371.

Chapter 14 Report

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 to keep them abreast of the implementation of Chapter 14. The Commission submitted its third report on Jan. 14, 2011. The report concludes that the utility companies have successfully implemented Chapter 14, passed in 2004.

Despite a prolonged declining economy since the passage of Chapter 14, utilities have effectively managed residential collections expenses and Universal Service program expenses so that the total costs spread upon the residential rate base have been increasing at a pace that is well below the inflation rate.

The report indicates that the while the overall collections performance of the electric industry has shown some deterioration since the passage of Chapter 14, the gas industry has improved from 2004 to 2009. PGW's collections performance and overall financial health is reflected by its recently upgraded bond rating.

Terminations that increased dramatically with the initial passage of Chapter 14 have leveled off in recent years. Utilities are using the terminations as a collections tool to effectively manage customer debt. However, more customers now enter the winter season without a central heating source and the Commission is concerned about the health and safety of the occupants in these dwellings.

Low-income customers have fared better since the passage of Chapter 14. The utilities have adopted the Commission's request for lenient restoration terms in our annual Prepare Now Campaign. Low-income customers are given every opportunity to have utility service entering the winter time. Most significantly, enrollment in Customer Assistance Programs has increased by 92 percent from 2004 to 2009.

The report concludes that overall the utilities have effectively complied with Chapter 14 but there are some instances of utility non-compliance.

Chapter 14 has had an impact on the number of Payment Arrangement Requests (PARs). The Commission has turned away 94,777 customers who are ineligible to receive a PAR since the passage of Chapter 14.

More information and a copy of the report can be found on the PUC's website, under Publications and Reports.

Chapter 56 Rulemaking

On Feb. 24, the Pennsylvania Public Utility Commission (PUC) approved rules that will update its regulations dealing with residential utility service standards in order to make those regulations consistent with legislative changes regarding how utilities address delinquent residential accounts and to modernize the regulations as to accommodate technological advances.

The Commission voted 5-0 on a motion (Docket No. L-00060182) which approves the proposed rulemaking that will revise its regulations at 52 Pa. Code Chapter 56, to ensure the regulations are consistent with Act 201 of 2004, also known as Chapter 14. Section 6 of Act 201 requires the Commission to amend Chapter 56 to comply with the provisions of Chapter 14.

Throughout this process, the Commission strove 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 used a collaborative process that took into account the perspectives and needs of both utilities and consumers and provided all parties an opportunity to participate in these efforts.

The rulemaking addresses provisions such as:

- Winter termination;
- Definition of customer;
- User without contract;
- Application and credit standards;
- Security deposits;
- The service termination process;
- Medical emergency procedures;
- Dispute procedures;
- Protections for victims of domestic violence;
- Electronic billing and payment; and
- Medical certificates.

The regulations still have to be approved by the Independent Regulatory Review Commission (IRRC), the Commission's oversight committees in the General Assembly, and the Office of Attorney General. Once approved by these agencies, the new rules will become effective upon their publication in the *Pennsylvania Bulletin*.

2010 Cold Weather Survey Results

On Dec. 17, 2010, the Commission released the results of the annual Cold Weather Survey showing that about 17,294 households entered the winter season without heat-related utility service. Another 2,363 residences used potentially unsafe heating sources, bringing the total homes not relying on a central heating system to 19,657. A majority of the total "off" accounts, 54 percent or 10,690, are in the Philadelphia area. In addition, 19,323 households appear to be vacant and without utility service.

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.

On Feb. 2, the Commission released the results of the Cold Weather Re-Survey of the company's "still off" accounts. As of Feb. 1, the total number of homes still not using a central heating system or using a potentially unsafe heating system was 13,859, down 29 percent from the 19,657 Dec. 15, 2010 total.

More information can be found on the PUC's website (www.puc.state.pa.us) under Press Releases, Natural Gas. Press Relase No. 1, dated Dec. 17, 2010 and Press Release No. 2, dated Feb. 2, 2011.

Old MacDonald Had a Farm...with a PUC Here and a PUC There....

The PUC joined the Farm Show frenzy this year with two locations dedicated to educating consumers. Throughout the week, PUC staff reached out to thousands of visitors. Located in the Commonwealth Commons area of the show, volunteers staffed a table and spoke with consumers who had questions regarding various industries regulated by the Commission. In another area, volunteers staffed a booth dedicated to the Commission's one-stop shop for electric shopping, www.PAPowerSwitch.com. Most of the questions fielded by volunteers at both booths involved electric shopping and how to do it. With the expiration of rate caps statewide beginning Jan. 1, 2011, the PUC increased its education at this year's show.

Expanding eFilings

Starting Jan. 19, the Commission expanded the size of documents that can be electronically filed from five megabytes to 10. The pilot has been so successful; it is being extended to June 1st. The Commission has also designated additional qualified documents acceptable for eFiling during this pilot. After gaining more experience, the Commission plans to move forward with a proposed rulemaking to revise our regulations on electronic filing.

Feedback

PENNSYLVANIA PUC PUBLIC UTILITY COMMISSION

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

Staff from the Bureau of Administative Services, 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, the Secretary's Bureau 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.

Commissioners Brief Legislators on Planned Reorganization

The five Public Utility Commissioners testified before the House Appropriations Committee on Monday, March 14, and the Senate Appropriations Committee on Thursday, March 17, in support of the Commission's 2011-12 budget request. In his written testimony, Chairman Robert F. Powelson updated the members of these committees on the Commission's planned reorganization of its bureaus and offices.

Chairman Powelson and Vice Chairman John F. Coleman answered legislators' questions on the Commission's plans.

The following is an excerpt from the Chairman's testimony: "To further our goal of operating in the most efficient and effective manner possible, the PUC is undergoing a major agency reorganization. Act 129 of 2008 granted the PUC flexibility to change our agency structure – something that had not been possible earlier. My fellow Commissioners and I recently presented a new organizational chart to staff that continues the functions and responsibilities currently delegated to the PUC, but realigns the Commission's structure for greater efficiency and effectiveness moving forward. Some of the major changes we plan to implement include:

1. Incorporating strategy and planning functions within a new Executive Director position;
2. Centralizing administrative and personnel functions;
3. More accurately aligning agency bureaus with regulatory functions;
4. Consolidating technical staff within one bureau; and
5. Clearly separating the agency's prosecutory and advisory functions.

"As part of our ongoing pledge to update and regularly communicate where the PUC is in the reorganization process, we held five employee forums to address staff's questions and concerns about the reorganization. I am confident that the changes we are making will lead to a PUC that is better equipped to address the challenges we face."

The Commissioners followed up on give Open Forums with PUC employees during the end of February and beginning of March with two conference calls the end of March with PUC employees based in the regional offices.

PUC 2011-12 Budget Submission

The Commission's budget submission for the 2011-2012 fiscal year (FY) presented by the Governor at his Budget Address on March 8, 2011 was for a total of $63,002,000. Of this total, $58,898,000 is state funding and $4,124,000 is anticipated federal funding. The federal funds include our Gas Pipeline Safety Program, Motor Carrier Safety Assistance Program and the ARRA (Federal Stimulus) Electric Regulation Assistance Program.

The budget submission this year was a 5.2 percent increase in state funding over the current fiscal year totaling $2,895,000. Factors driving this $2.8 million increase are contractual obligations for benefits for personnel, technology upgrades, increases on building lease payments and technology requirements, and incremental increase in almost all vendor goods and services. The PUC has maintained a zero increase over the past three fiscal years in Operating and Fixed Asset budgets and these factors have caused the need to increase our budget request for these items in this 2011-12 request.

The personnel costs have risen to sustain the current approved complement of 519. Total personnel costs in this request are $48,894,000 which is comprised of $45,889,000 from state funds and $3,005,000 in federal funds. The state funding requirement for the personnel budget request is $939,000 more than the amount approved in FY 2010-11 and will fund the increase in the fringe benefit costs.

As part of the PUC's commitment to fiscal responsibility, the Commission has identified personnel and operating expenses that we plan to reduce during the upcoming fiscal year. Through reducing overtime and wage expenses, minimizing travel costs associated with training, consolidating regional offices, eliminating or reducing specific contract expenses, foregoing some technology upgrades, delaying the filling of certain vacancies and scrutinizing all operating expenses, we project that we will be able to reduce our spending by at least $1.5 million.

Complement reductions that are achieved through attrition both as a result of our reorganization efforts and expected retirements will further enhance these savings. All unspent funds appropriated to the Commission for Fiscal Year 2011-12 will be used to offset future assessments on public utilities.

PUC Employees' Generosity Continues

Following generous contributions to the charities represented by the State Employees Combined Appeal (SECA) campaign in the Fall 2010, PUC employees have continued to show their kindness toward those in need. Over the holidays, PUC employees donated hundreds of items to troops serving overseas, and generously contributed to the annual Toys for Tots campaign sponsored by the United States Marine Corps.

In February, PUC employees got together for a lunchtime covered dish event to commemorate the appearance of Pennsylvania's Pittsburgh Steelers in Super Bowl XLV. Combining the fun event with a "Souper" Bowl drive, they donated several boxes of canned soup and a monetary donation to the Central Pennsylvania Food Bank.

Through an annual Cookie Chaos event, over a dozen bakers made 17 different types of cookies for PUC to purchase and judge based on how delicious they were. All proceeds, which totaled over $325, were contributed to the Bethesda Mission.

PUC employees created a cookbook called *Cookin' With The PUC*. A portion of the cost of each book was donated to local food banks. Since the cost of the cookbooks have been covered, now all proceeds go directly to charitable organizations. Cookbooks may be purchased from Teri Mathias in Commissioner Gardner's office.

PAPowerSwitch.com Upgrades

The PUC is continually upgrading PAPowerSwitch.com to help consumers. In recent months, we have added a few features to enhance the website.

- **Future Price to Compare** - This allows consumers to see what the price to compare will be in the next time period for each electric distribution company.
- **New Suppliers and Brokers** – The PUC grants new licenses each month, and the new suppliers/brokers/consultants are then listed on the PAPowerSwitch website to offer consumers even more options.
- **Factsheets** – New and updated factsheets are included on the site to better explain how to read an electric bill, provide information on electric shopping and more.
- **Introductory Price Column** – This new column will allow consumers to see if the Price to Compare is an introductory price or not.
- **Monthly Estimate** – The site now notes that the monthly estimate price does not include introductory price or discounts.

Tips from the Secretary: Sins to Avoid

Multiple eFiling Accounts

Some eFilers don't keep track of their password. So their simple solution is to create another eFiling account. Some regular eFilers have as many as 20 accounts. Keep Track of Your PASSWORD – and coordinate your efforts within your law firm.

Filing a Rate Increase Request

52 Section 53.51(b) requires an original and eight copies be filed with the Secretary. Before the Commission adopted its internal case management system, this many copies were necessary. The Secretary's staff would send copies to the various bureaus within the Commission. The company serves the statutory advocates – Office of Consumer Advocate, Office of Small Business Advocate, and the PUC's Office of Trial Staff – separately under 53.51(d). Some companies have been filing an original and CDs and then hand delivering additional copies to the Commission's internal offices. No problem with that and the CDs assist us in downloading the filing.

However, some companies have been hand delivering copies to the Commission's internal offices BEFORE physically filing the case with the Secretary. This is a problem! When the Secretary's Bureau receives any filing, staff checks it for compliance before processing. On several occasions a filing has not been accepted for lack of compliance, and the company has had to retrieve the copies they prematurely delivered and replace them with the accepted version of the filing. REMEMBER – your filing is not officially filed with the Commission until it is accepted!

The Mail Bin Rule

Inside the Secretary's Bureau are mail bins used to serve orders, secretarial letters and other documents to the statutory advocates and internal PUC offices. Those bins are now located behind the front desk and require staff assistance to access them. Why? Because outside law firms were using the mail bins to serve their filings and other case related documents to the statutory advocates and internal PUC offices. The mail bins are for the exclusive use of the Secretary's Bureau and the statutory advocates, and for security reasons, were moved to prevent public access.

First Phase of the PUC's Reorganization Plan

Beginning April 1, 2011, all administrative duties now performed by the Bureau of Transportation and Safety will be transferred to the Secretary's Bureau. Applicants for motor carrier authority and other entities having motor carrier or transportation business before the Commission will file all documents with the Secretary of the Commission.

Commissioner Wayne Gardner spoke to a crowd of consumers at the NBC 10 studio in February.

Todd Haslup (right) of the PUC's Bureau of Consumer Services, helps a consumer learn how to shop for a new supplier at the PAPowerSwitch event in Philadelphia on March 22, 2011.

PAPowerSwitch Events Help Thousands of Consumers Choose a Supplier

The PUC is out and about educating Pennsylvania consumers on the benefits of electric shopping and the convenience of PAPowerSwitch.com to "Shop, Switch and Save" when it comes to choosing a competitive electric supplier.

Through its partnership with NBC 10 in Philadelphia, the Commission held three PAPowerSwitch (PAPS) events in the first quarter of 2011 in the PECO service territory. Approximately 2,000 electric shoppers turned out on Jan. 19, for a PAPS event at the King of Prussia Mall – by far the largest turnout for a PAPS event. NBC 10 promoted the event and consumer reporter Tracy Davidson provided live coverage throughout the day. Nine competitive suppliers, representatives from PECO and the Office of Consumer Advocate also participated.

On Feb. 17, NBC 10 staged an "in-studio" event for dozens of electric shoppers. Commissioner Wayne Gardner highlighted the benefits of electric competition and how to shop on PAPowerSwitch.com, and afterward PUC consumer educators walked consumers through the website. A second PAPowerSwitch event took place on March 22 at The Shops at Liberty Place, Center City Philadelphia, with 10 suppliers offering deals and discounts to consumers. Tracy Davidson and NBC 10 once again promoted and covered the event, and remain committed to future news stories providing background on the expiration of rate caps and what customers can do as well as using their social media resources to push PAPowerSwitch and educational information out to consumers.

Additional PAPS events are being planned with NBC 10 in southeastern Pennsylvania, as well as future events with WGAL-TV in south central Pennsylvania and other news stations in media markets across the state.