Keystone Connection

Utility News in Pennsylvania

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

Summer 2009

Act 129 Implementation Efforts Continue

On July 1, the seven major electric distribution companies (EDCs) filed their Energy Efficiency and Conservation (EE&C) Plans designed to achieve the required statutory reductions in energy consumption and demand within their service territories. Act 129 of 2008 requires 1 percent and 3 percent reductions in energy consumption by May 31, 2011, and May 31, 2013, and a 4.5 percent reduction in peak demand by May 31, 2013, respectively.

The Office of Administrative Law Judge is holding public input hearings on the plans to give interested parties an opportunity to submit recommendations as to how they could be improved.

Under provisions of Act 129, the PUC must act on these July 1 filings within 120 days or by Oct. 29. In acting on the plans, the Commission may approve or disapprove them. If the Commission disapproves a plan, it must describe the reasons in detail and afford the EDC 60 days to file a revised plan addressing the deficiencies. The Commission then has 60 days to approve or disapprove a revised plan.

In anticipation of the July 1 filings, the Commission has taken several important actions in the first half of calendar year 2009 including:

- Adoption of standards governing the EE&C programs;
- Establishment of standard EE&C program filing templates;
- Identification of specific energy conservation and peak demand reduction targets;
- Adoption of revisions to the Technical Reference Manual for energy saving measurement and verification;
- Approval of the Total Resource Cost Test; and
- Selection of a Statewide Evaluator.

The Commission has also adopted standards for the smart meter plans that must be filed by EDCs in August, established minimum smart meter capability and offered guidance on smart meter deployment expectations.

Since Act 129's passage in October 2008, the Commission has actively sought the input of stakeholders through participation in working group meetings and the filing of comments on each of these action items. The process began with a stakeholder meeting in December 2008, less than a month after the law's effective date of Nov. 14, 2008. The Commission has made great strides in fulfilling its Act 129 obligations and is prepared to undertake the significant amount of work ahead to ensure full compliance with Act 129.

More information about the PUC's Act 129 implementation efforts may be accessed at the following link on our website: http://www.puc.state.pa.us/electric/Act_129_info.aspx.

For more information on Act 129, see the related article on Page 2.

Connecting in Pennsylvania

Welcome to the 13th 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

Statewide Evaluator

On June 25, the Commission approved GDS Associates Inc. Engineers and Consultants as the Act 129 of 2008 Statewide Evaluator. GDS will evaluate the programs implemented by the electric distribution companies (EDCs) to verify that the consumption and demand reduction targets are met.

GDS will play a critical role in helping the Commission fulfill its statutory obligation to establish an evaluation process that monitors and verifies data collection, quality assurance, performance measures by customer class, and the results of each EDC plan and the program as a whole, in accordance with the Total Resource Cost Test and the Technical Reference Manual. This evaluation, which must be conducted annually and may result in adjustments to EDC plans, will include an analysis of plan and program impacts (demand and energy savings) and cost-effectiveness. GDS will report results, provide recommendations for plan and program improvements, and produce an accurate assessment of the future potential for energy savings.

The Commission expects GDS to begin work in August and continue until Oct. 31, 2011, with two one-year renewal options through Dec. 31, 2013. The costs of this contract will be paid by the EDCs.

CSP Applications

On Feb. 5, the PUC adopted an implementation order establishing a Registry of Conservation Service Providers (CSPs), which are approved entities qualified to provide conservation and energy efficiency services to all classes of customers of an electric distribution company (EDC).

The implementation order established the standards and procedures by which conservation service providers may be registered to provide consultation, design, administration, management or advisory services to an EDC regarding its energy efficiency and conservation plans (EE&C). Act 129 requires that each EDC submitting an EE&C Plan must contract with one or more CSPs to implement that plan. To perform these services, entities must meet the PUC's minimum qualifications and be included on the registry. The implementation order also established an application package and fee schedule.

As of June, the PUC received 82 applicants to be on the registry, with 58 entities having been approved. The PUC publishes the Registry on its website on the CSP Registry page. The application package also is on the PUC website, and entities can apply to be on the registry at any time. Commission approval for the registry is good for a period of two years, at which time the CSP must re-register.

Smart Meters

The Commission approved a Smart Meter Procurement and Installation Implementation Order on June 18. The Act directs electric distribution companies (EDCs) with more than 100,000 customers to file Smart Meter Technology Procurement and Installation Plans with the Commission by Aug. 14, 2009. The order established the standards each plan must meet and provides guidance on the procedures EDCs and the Commission will follow for submittal, review and approval of all aspects of each smart meter plan.

The implementation order establishes minimum smart meter capability and guidance on the Commission's expectation for deployment of smart meters. Act 129 requires that smart meters be capable of performing several functions, including bidirectional communication; recording usage on at least an hourly basis; providing access to and use of price and consumption information; providing customers with information on their hourly consumption, including time-of-use rates and real-time price programs; and supporting the automatic control of the customer's electricity consumption.

When EDCs file their smart meter deployment plans, they also should file cost data that pertains to features contained in the implementation order that go beyond the Act 129 requirements. Some of these additional features include the ability to support maintenance and repair functions, theft detection, system security, net metering and other programs that can increase an EDC's efficiencies and reduce operating costs.

On July 16, 2009, Commission staff convened a working group meeting. Discussions focused on the effectiveness of the smart meter capability requirements imposed by the June 18, 2009, order.

EE&C Plans

Each electric distribution company (EDC) with greater than 100,000 customers was required by Act 129 to file an Energy Efficiency and Conservation Plan (EE&C Plan) by July 1, 2009. EE&C Plans must be designed to allow an EDC to achieve specific reductions in energy consumption and peak demand required by Act 129. EE&C Plans filed by EDCs must detail measures the EDC proposes to use to reach the reduction goals. The EE&C Plans must include a variety of measures applied equitably to all customer classes, provide that a minimum of 10 percent of the required consumption reductions are from units of government, higher education, and/or nonprofit entities, and include specific measures for households at or below 150 percent of the federal poverty income guidelines. The plans must follow a template issued by Secretarial Letter on May 7, 2009.

The EE&C Plans were filed on July 1, following an extensive informal stakeholder process. The Commission has posted

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Act 129 Update

Continued from Page 2.

each plan on the PUC website and will publish a notice of the filings in the *Pennsylvania Bulletin*. Parties wishing to intervene must file an answer along with comments and recommendations within 20 days of the notice publication. Each plan has been referred to an administrative law judge (ALJ), who is establishing discovery schedules and scheduling public input hearings in the EDC's service territory, as well as evidentiary hearings. Such hearings are to be completed on or before the 65th day after a plan is filed, after which the parties will have 10 days to file briefs. The EDC will then have 10 days to submit a revised plan or reply comments or both. The ALJ then will certify the record to the PUC. The PUC is required to act on the plans by Oct. 29, 2009.

Technical Reference Manual

On May 28, the PUC approved an update and expansion of the Technical Reference Manual (TRM), which is used to assess energy savings attributable to energy efficiency and demand response measures. This update of the TRM was prompted by the implementation of Act 129, and builds upon the initial TRM established in March 2005 for the implementation of the Alternative Energy Portfolio Standards (AEPS) Act.

Initially the TRM was established because the AEPS specifically required the Commission to develop standards for tracking and verifying savings from energy efficiency, load management and demand side management measures. Act 129 expanded the PUC's oversight responsibilities and imposed new energy efficiency and conservation requirements on each electric distribution company (EDC) with at least 100,000 customers. The Commission's Act 129 implementation order entered on Jan. 16, adopted the TRM as a component of the Energy Efficiency and Conservation (EE&C) Program evaluation process thus creating a need to update and expand the TRM. Commission staff initiated a collaborative process to review and update the TRM with the purpose of supporting both the AEPS Act and Act 129 EE&C programs.

The TRM provides an estimate of the annual energy savings, at the customer level, for a selection of standard energy efficient technologies and measures. The energy savings estimates are determined with industry-accepted algorithms using measured and customer data as input values for the algorithms. Calculations and algorithms are provided for a variety of measures, including many Energy Star products such as compact fluorescent light bulbs, clothes washers and refrigerators.

Total Resource Cost Test

On June 18, 2009, the Commission adopted a Total Resource Cost (TRC) test for use in analyzing the cost-effectiveness of the Energy Efficiency and Conservation Plan (EE&C Plan) of each electric distribution company (EDC). Under Act 129, the TRC test is met if over the effective life of the plan, not to exceed 15 years, the net present value of the avoided monetary cost of supplying electricity is greater than the net present value of the monetary cost of energy efficiency and conservation measures. The Commission's June 18 order provides the details, ratios and assumptions that will be used to evaluate the costs and benefits of the plans.

AEPS Tier 1 Changes

Act 129 of 2008 expanded the definition of alternative energy sources that qualify as Tier I resources under the Alternative Energy Portfolio Standards Act. Act 129 also charged the Commission with increasing, at least quarterly, the percentage share of Tier I resources to be sold by electric distribution companies (EDCs) and electric generation suppliers (EGSs) to reflect the new Tier I resources. On May 28, 2009, the Commission adopted a final order (Docket No. M-2009-2093383), which established guidelines for:

1. Qualifying the additional Tier I resources;
2. Reporting requirements for EDCs, EGSs and the new Tier I facilities; and
3. Related procedures Commission staff will follow in making the required adjustments to the Tier percentage requirements EDCs and EGSs must meet.

The new Tier I alternative energy source are:

- Low impact hydropower with a maximum capacity of 21 MW that were licensed by the Federal Energy Regulatory Commission on or prior to Jan. 1, 1984, and held, at least in part, by a Commonwealth municipality or electric cooperative on July 1, 2007; and
- Facilities located in Pennsylvania that generate electricity by utilizing by-products of the pulping process and wood manufacturing process, including bark, wood chips, sawdust and lignins in spent pulping liquors.

These facilities must apply to earn Tier I credits and report their monthly output and sales of alternative energy credits. Once a quarter, EDCs and EGSs must provide a report of their monthly energy sales. Commission staff will use this data to determine how many Tier I credits each EDC and EGS must obtain to meet the quarterly adjusted Tier I requirements. The four quarterly requirements are added together to determine each EDC and EGS annual Tier I requirements as they are only required to demonstrate compliance with the AEPS Act annually.

POLR Updates

Duquesne Light POLR IV

On May 19, Duquesne Light Company solicited two tranches of full requirements wholesale electric power for its medium commercial and industrial customers with loads between 25 KW and 300KW. One tranche consisted of eleven 50 MW blocks for the period of July 1, 2009, to Dec. 31, 2009. The second tranche consisted of five blocks of 50 MW for the period of Jan. 1, 2010, to Dec. 31, 2010. A total of six bidders submitted 43 bids for the 11 blocks in tranche 1, and five bidders submitted 24 bids for the five blocks in tranche 2. This is a ratio of bids to blocks available of 3.9 and 4.8 respectively. One bidder won all blocks in both tranches. Duquesne contracted with a third party monitor to oversee the bidding process.

Duquesne will be conducting another auction in November.

Allegheny Power POLR I

On June 1, 2009, Allegheny Power held the second of several scheduled procurements to obtain “full requirements service” for residential (Type 10) and small (Type 20) and medium (Type 30) commercial customers. Full requirements service is comprised of several components, including energy, capacity, ancillary services and renewable energy portfolio obligations. This procurement solicited supply for the residential (Type 10) customers of 17 months (Jan. 1, 2011 – May 31, 2012) and 29 months (Jan. 1, 2011 – May 31, 2013). In addition, the procurement solicited supply for the small and medium commercial and industrial (Type 20 and Type 30) customers of 17 months in duration (Jan. 1, 2011 – May 31, 2012). The level of competition was good, with 12 bidders registered to bid and nine bidders actually submitting bids. There were two successful bidders, winning a total of 13 blocks (or tranches) of power - 11 for the residential and two for the commercial. Allegheny contracted with a third party monitor to oversee the bidding process. Allegheny will conduct another auction in October.

Flashcut Estimates

The Commission released another quarterly comparison of current market prices for electricity with capped rates now paid by consumers on July 7. While the new figures reflect significantly lower market prices than those released last August, they still validate the importance of current and future steps to mitigate potentially significant electricity rate increases.

The Commission notes that while energy prices are lower, wholesale market prices – which are made up of two major components (capacity and energy) – are higher overall since the March estimate.

The PUC notes that in most cases lower market prices could translate into smaller percentage increases for customers if rate caps were to expire today. While this trend is a positive development, the PUC emphasizes that market prices are subject to constant change and that there are no guarantees that the market prices will continue to fall. The prices may stabilize or trend upward in the future.

Therefore, the PUC will not be complacent about continuing its actions to mitigate potential rate increases. For customers, energy conservation and efficiency are still recommended long-term strategies that should provide benefits regardless of where market prices trend in the future.

Since its peak in July 2008, at 7.66 cents/kWh, the PJM 12-month future price has fallen to 4.45 cents, according to the June 30 data.

This would translate into a decrease in the average rate increases from 73.1 percent down to an expected average increase of 15 percent. The Commission intends to post quarterly updates on the PUC website, with the next update planned for September 2009.

These prices are not a projection of market prices when the rate caps expire. The data only provides a rough idea of what prices would be like if rate caps were lifted today, and electric utility prices rose to current market prices for the next 12 months.

Actual default service prices may be higher or lower, depending on the magnitude of market prices when default service supply is actually acquired. Default service prices also will be less volatile than the market prices, since the PUC’s default service regulations and policy statement require default service supply to be acquired over a number of months and years, instead of on one day.

PUC Approves PPL's Default Service Program

On June 18, the PUC approved a settlement at Docket No. P-2008-2060309, for a default service program and procurement (DSP) plan for PPL Electric Utilities Corporation for the period Jan. 1, 2011, through May 31, 2013. The settlement was reached among the parties in the case, including the company, the state's Office of Consumer Advocate, the PUC's Office of Trial Staff, the Office of Small Business Advocate and other formal complainants.

The settlement requires that the DSP plan request for proposals procurement process be administered by an independent, third-party manager. In addition, PPL and interested parties will develop specific reporting mechanisms regarding the procurement process results. The settlement is structured around three separate procurement groups – residential, small commercial and industrial, and large commercial and industrial – and provides a complete procurement plan for each group.

PPL also will include a revised purchase of receivables program. The company is to make a one-time mailing by June 2010 to update customer information release preferences as part of its customer education plan.

PPL will convene a customer collaborative to discuss residential, small commercial and industrial direct mail referral programs. PPL also will convene a collaborative to discuss a residential aggregation program. The results of both will be considered in the company's next default service proceeding.

PPL Retail Electric Market

With the generation rate cap about to expire at the end of the year for customers of PPL Electric Utilities Corporation, the Commission adopted a tentative order on May 14 which should clear most remaining hurdles to meaningful competition in the retail market for electric power in PPL's service territory. The PUC set standards and issued directives in eight areas which it deems critical to removing obstacles for electric generation suppliers (EGSs) to effectively communicate with customers and compete with each other for a share of the retail power market.

The Commission took action though a tentative order with an opportunity for interested parties to submit comments which were filed on July 6. The Commission noted that its action was necessary, stating that, "While the expiration of rate caps will bring about default service rates that approximate current market-based costs for wholesale electricity, that fact alone will not ensure the success of retail competition. Rather, the operating rules for EGS firms that seek to enter Pennsylvania's market and offer retail generation service must be non-discriminatory and must not unduly favor the incumbent electric distribution company (EDC). Otherwise, the efficiencies, innovations and potential costs savings of a fully competitive retail market will not be realized."

The PUC tentatively ordered PPL to take action with respect to standardizing data and exchanging information with EGSs electronically, purchasing EGS receivables, and appointing an ombudsman to expedite EGS relations with the utility. A final order is expected later this summer.

PECO's Supply Procurement Plan

By order entered June 2, the PUC approved a new default service plan for PECO Energy Company, which will establish generation rates for default service customers.

The settlement is designed to ensure reliable provision of electric supply service at the least cost to customers, remove certain barriers to competition, and enhance universal service protections at a reasonable cost. Several parties participated, including the company, consumer advocate groups and multiple electric generation suppliers.

Under the plan, PECO will rely on the competitive wholesale market for a portfolio of spot, one-, two- and five-year purchases of energy to obtain power for PECO's default service customers. The new generation rates will be effective from Jan. 1, 2011, through May 31, 2013. The plan provides for a mix of long-term, short-term and spot market purchases.

The default service program will incorporate a market rate deferral program for residential and small commercial customers. When the generation rate cap expires, this will allow qualifying customers that voluntarily opt into this program to receive a credit on their bills in the first year to mitigate the initial financial impact of any rate increase, followed by higher payments in the later years to make up the first year credits and accrued interest. The PUC had previously approved PECO's voluntary market rate transition phase-in plan. This mitigation plan allows participating customers to make advance payments from July 1, 2009, through Dec. 31, 2010. The payments then are credited to customer bills, with 6 percent interest, between Jan. 1, 2010, and Dec. 31, 2012.

The 1996 electric competition law requires companies, or a PUC approved alternative supplier, to provide electric generation service to customers who have not selected an alternative generation supplier. The default service prices for electric generation service are required to result in a procurement strategy to produce the least cost to customers over time.

The order clarified that the PUC has made no determination on the Nuclear Decommissioning Cost Adjustment Clause included in PECO's tariff, which was attached to the settlement.

Summer Electric Reliability Meeting Held

On June 9, the PUC held its annual Summer Electric Reliability Meeting. The Energy Association of Pennsylvania (EAP), the Electric Power Generation Association (EPGA), and PJM Interconnection advised the PUC that they are expecting normal demands for electricity during the summer months while maintaining enough power for emergencies.

The presenters discussed forecasted load and capacity; generation and transmission for summer 2009; environmental considerations; plant additions and retirements; Marcellus Shale drilling's potential impact on electric utility service; and the perspectives of electric distribution companies.

PJM, based in Pennsylvania, is the electricity grid operator for 13 states and the District of Columbia. PJM predicts that customers will drive the net peak demand this summer to 136,310 megawatts, compared to the all-time peak of 144,644 megawatts on Aug. 2, 2006. PJM expects to have a total reserve margin of 30 percent, which is the extra power on hand to meet unanticipated demand.

EPGA members own and operate more than 145,000 megawatts of generating capacity. The EPGA reported that coal inventories, nuclear units and natural gas storage levels are sufficient to meet peak demand and also discussed reliability risks, including environmental challenges.

The EAP member companies serve over 8 million electric and natural gas customers in the Commonwealth. EAP reported that Pennsylvania electric distribution companies are working to enhance reliability by promoting smart grid collaboration; investing in infrastructure; and working to address an aging workforce and attract new employees.

Pennsylvania One Call System Inc., a nonprofit corporation that promotes safety by providing a communications network among designers, excavators and facility owners also presented. PA One Call discussed the damage impact on utility reliability for 2009 and the potential impact of the Marcellus Shale drilling on electric utility service.

New Retail Electricity Sales Activity Reporting Requirements

On May 30, new regulations requiring the reporting of retail sales activity information went into effect for all electric distribution companies (EDCs) and active electric generation suppliers (EGSs). Under the new regulations at 52 Pa. Code § 54.201 - § 54.204, a distribution company must file quarterly reports, stating retail sales activity information by the customer class as defined in its tariff. An active supplier must file an annual report stating retail sales activity information for customer groups based on annual usage. Reports must be filed using the appropriate report form that may be obtained from the Commission's Secretary's Bureau or the forms officer, or may be down-loaded from the Commission's website.

The Commission will use the reported sales activity information to monitor the retail electric generation market to prevent market power abuse and discriminatory conduct. The information also will be used to conduct milestone reviews of the development of the retail electric generation market. *See* 66 Pa.C.S. § 2804 (12). Information contained in the sales activity reports that does not disclose individual EGS market share will be made available to the public on an aggregated basis.

The new regulations were published in the *Pennsylvania Bulletin* at 39 Pa.B. 2707 and may be accessed at http://www.pabulletin.com/secure/data/vol39/39-22/984.html.

Electric Supplier Licensing

Activity from March 13, 2009, to June 19, 2009.

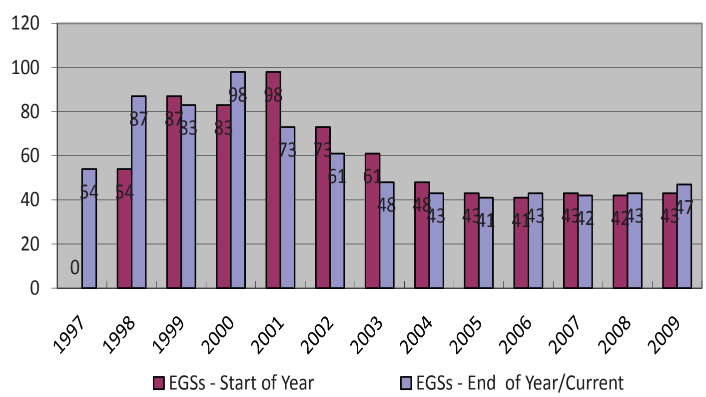
47 Active Licenses

0 licenses canceled

2 licenses approved

5 applications pending

Number of Licensed EGSs



Rail Safety's Participation in Operation Lifesaver

Operation Lifesaver is an international, non-profit education and awareness program dedicated to ending tragic collisions, fatalities, and injuries at highway-rail grade crossings and on railroad rights of way.

Operation Lifesaver started in Idaho in 1972 when the national average of collisions at highway-rail grade crossings exceeded 12,000 annually. During the campaign's first year, Idaho's crossing-related fatalities dropped by 43 percent. The next year, the Operation Lifesaver campaign spread to Nebraska, where the collision rate was reduced by 26 percent. Today, Operation Lifesaver programs are active in 49 states and the District of Columbia nationwide. By 2008, the most recent year for which preliminary statistics are available, the number of train/motor vehicle collisions had been reduced by approximately 80 percent to 2,391.

Operation Lifesaver's trained and certified volunteer speakers provide free safety presentations for people of all professions and age groups to help them make safe decisions around tracks and trains. The presentation includes the showing of a short video specifically geared to the age group and audience for which the presentation is provided. To accomplish its mission, Operation Lifesaver promotes the 3 Es: Education, Enforcement and Engineering.

- Education - Strives to increase public awareness about the dangers around the rails. The program seeks to educate both drivers and pedestrians to make safe decisions at crossings and around railroad tracks.

- Enforcement - Promotes active enforcement of traffic laws relating to crossing signs and signals and private property laws related to trespassing.

- Engineering - Encourages continued engineering research and innovation to improve the safety of railroad crossings.

The PUC's Rail Safety Division has the expertise with regard to engineering at highway-rail crossings, and participation in the program compliments the division's goals for the prevention of accidents and the promotion of public safety. The Rail Safety Division has five trained presenters.

Thus far in 2009, the Rail Safety Division's has provided Operation Lifesaver presentations at the Pennsylvania Rail Freight Seminar, several elementary schools, the Harrisburg Academy, and the "Thomas the Tank Engine Days" at the Strasburg Railroad in Lancaster County.

2010 Commercial Vehicle Safety Plan

The Bureau of Transportation and Safety's Motor Carrier Division participates in the Federal Motor Carrier Safety Assistance Program (MCSAP) that is administered in Pennsylvania by the Pennsylvania State Police (PSP). As part of Pennsylvania's participation in the MCSAP grant, it must prepare a commercial vehicle safety plan (CVSP) to direct its safety and enforcement efforts for the next federal fiscal year (FFY). The Pennsylvania State Police and the PUC Safety Office are currently in the process of writing and formulating the CVSP for FFY 2010.

Some highlights of the planning include:

- **Traffic Enforcement** - PSP will focus on traffic enforcement of commercial motor vehicles (CMV) and their interaction with passenger vehicles, coupled with a safety inspection for violators operating CMVs.
- **Level III Inspection Activity** - The PSP and PUC will place an emphasis on driver fatigue and driver qualification by increasing Level III or "driver only" inspections.
- **Rural Roads** - Studies have indicated that accidents are occurring more on rural roads, so PSP and the PUC will target enforcement efforts in those areas.
- **Crash Corridors** - Locations where crashes occur and their causation factors, particularly the critical reason for a crash, will be identified; and roadside enforcement efforts will be increased in high crash locations, and focused upon items that have been frequently identified to cause crashes. Pennsylvania's crash reduction goal is to reduce crashes from the current .19 percent per million miles to .16 percent per million miles by 2011.
- **Passenger Transportation** - PUC officers will increase destination and terminal inspections of bus carriers. Compliance Reviews will continue to be conducted on passenger carriers with accident safety evaluation area (SEA) scores of 75 and above.
- **Public Outreach** - Public outreach programs like TACT- Ticketing Aggressive Cars and Trucks - will continue to inform the public of safety concerns while interacting on the roadways with commercial motor vehicles.

Pennsylvania's CVSP, and an accompanying MCSAP budget for approximately $6 million, incorporates education and enforcement programs that are designed to enhance public safety.

Water and Wastewater Company Applications Approved

Applications Approved
Feb. 6, 2009, through June 18, 2009

Utility Name	Action	Territory	Action Date
Middlesex Water Company/ Twin Lakes Water Services	Water System Acquisition/ Abandonment	Shohola Township, Pike County	2/26/09
Eaton Sewer & Water Company Inc.	Additional Territory	Eaton Township, Wyoming County	3/12/09
Aqua Pennsylvania Inc./ Clarendon Water Company	Water System Acquisition/ Abandonment	Mead Township, Warren County	3/26/09
Aqua Pennsylvania Inc./ Washington Park Water Company	Water System Acquisition/ Abandonment	Washington Township, Wyoming County	3/26/09
Little Washington Wastewater/ Washington Park Sanitary Company	Wastewater System Acquisition	Washington Township, Wyoming County	3/26/09
Aqua Pennsylvania Inc./Kratzerville Municipal Authority	Water System Acquisition	Jackson & Penn Townships, Snyder County	3/26/09
PA-American Water Company/Wallaceton Municipal Authority	Water System Acquisition	Borough of Wallaceton, Boggs, Bradford, Morris and Graham Townships, Clearfield County	4/16/09
PA-American Water Company/Boggs Township	Water System Acquisition	Boggs Township, Centre County	4/16/09
PA-American Water Company	Additional Territory	Valley Township, Chester County	4/16/09
Laurel Highlands Water & Sewer	Water/Wastewater Abandonment*	Jenner Township, Somerset County	4/16/09
Aqua Pennsylvania Inc./Cove Village Association	Water System Acquisition	North & East Union Townships, Schuylkill County	4/30/09
Little Washington Wastewater/Cove Village Association	Wastewater System Acquisition	North & East Union Townships, Schuylkill County	4/30/09
Aqua Pennsylvania Inc.	Additional Territory	West Vincent Township, Chester County	5/14/09
Houston Run Community Water System LLC	New Utility	Salisbury Township, Lancaster County	6/18/09
PA-American Water Company	Additional Territory	Mount Pleasant Township, Washington County	6/18/09
PA-American Water Company	Additional Territory	Paint Township, Clarion County	6/18/09
* - Service now provided by an unregulated municipality.			

Emergency Preparedness Audits of Small Water Companies

During March 2009, the Commission issued confidential Emergency Preparedness Audit (EPAs) reports to seven small water utilities. These were the initial reports issued in conjunction with the Commission's initiative to conduct limited scope reviews at the smaller jurisdictional water utilities not subject to routine periodic management and operations audits and management efficiency investigations during which similar reviews are conducted of the state's larger water, gas and electric utilities. The objective of the EPAs is to ensure that the smaller water utilities have emergency response plans that are up to date and in compliance with all applicable laws and regulations, including the annual self-certification process required by 52 Pa. Code §§ 101.1-101.7. The EPAs include a review of the utilities' physical security, cyber security, emergency response, and business continuity plans and, as applicable, result in recommendations for improvements.

Water and Wastewater Rate Increases

Rate Increase Request Summary

Feb. 6, 2009, through June 18, 2009

Utility Name	Amount($) Requested	Amount($) Granted	% of Increase	Action	Action Date
Newtown Artesian Water Company	695,802	420,000	8.97%	Settlement	2/26/09
The Columbia Water Company	616,402	311,783	8.20%	Litigation	5/28/09
Borough of Fairchance	58,597	22,540*	6.05%	Approval	6/18/09

* The tariff filed by Fairchance produced an increase of $22,540, as calculated by the Commission, rather than $58,597, as calculated by Fairchance. The tariff filed by Fairchance was approved by the Commission.

Pennsylvania-American Water Company's Rate Increases

On April 24, Pennsylvania-American Water Company (PAWC) filed a request for a rate increase of $58,062,930 (12.5 percent) to become effective on June 23. On June 18, the Commission suspended the filing for investigation. The proposed changes to the rates for each of the individual zones follow:

Rate Zone	Present Annual Cost*	Proposed Annual Cost*	Change
1 – Main Division	$515.76	$586.80	13.8%
14 – Prior Acquisitions	$452.04	$586.80	29.8%
30 – Rustic Acres	$406.80	$586.80	44.2%
32 – Lehman Pike	$403.20	$586.80	45.5%
33 – Winona Lakes	$403.20	$586.80	45.5%
34 – Blue Mountain Lake	$458.40	$586.80	28.0%
35 – Pine Ridge	$414.60	$586.80	41.5%
36 – Pocono Farms	$275.52	$432.84	57.1%
37 – Redstone	$453.00	$586.80	29.5%
38 – Mountain Top	$600.00	$586.60	(2.2%)
39 – New Acquisitions	$452.04	$487.20	7.8%

* Based on annual water usage of 50,400 gallons.

PAWC stated that the proposed increase is the minimum increase necessary to permit it to preserve public health and safety, and to maintain the integrity of its existing capital, attract additional necessary capital at reasonable costs and have an opportunity to actually achieve a fair rate of return, particularly on its common equity capital.

Columbia Water Company Rate Increase

Following a full rate investigation, the PUC approved an 8.2 percent revenue increase for the Columbia Water Company, which became effective on June 11. The company initially requested a revenue increase of $616,402 or 16.5 percent.

Columbia Water filed its proposed new tariffs on July 15, 2008. The company sought an increase in rates to realize a reasonable rate of return on its capital investment and to recover increased operating expenses.

The PUC suspended the filing so that an investigation could be held to determine if the rates are lawful, just and reasonable. After evidentiary hearings, an administrative law judge issued a recommended decision on March 30, 2009. The Commission conducted a binding poll of the issues raised in the parties' exceptions to the recommended decision at its public meeting held on May 28, 2009.

The company provides water service to approximately 8,700 customers in Columbia and four surrounding municipalities in Lancaster County. Columbia Water has been in continuous operation since 1823.

PUC Approves Aqua Pennsylvania's Acquisition of W.P. Water and W.P. Sanitary

On March 26, the Commission approved a settlement for the sale of (1) W.P. Water Company to Aqua Pennsylvania Inc. and (2) W.P. Sanitary Company Inc. to a subsidiary of Aqua (Docket Nos. I-00070114, P-00072313 and A-230550F2000).

W.P. Water operates one small water system in Luzerne County and another in Wyoming County. W.P. Sanitary operates a small sewer system in Wyoming County.

The case began when individuals complained that their water and/or sewer service was deficient. The Office of Consumer Advocate and the Commission's Law Bureau participated in the litigation. In March 2009, the parties submitted a settlement to the Commission, requesting expedited consideration.

Under the settlement, the monthly bill for most W.P. Water customers using an average of 5,000 gallons of water a month will increase from $19.55 to $50.15 when meters are installed. The monthly bill for W.P. Sanitary customers using an average of 5,000 gallons of wastewater each month will increase from $18.45 to $52.10 when sewer meters are installed. However, the settlement includes $12,500 in refunds for both W.P. Water and W.P. Sanitary customers over a 12-month period.

The Commission also approved improvement plans for the water and sewer systems. The improvements to the W.P. Sanitary system alone will cost more than $1.6 million.

Water and Wastewater Plant Inspections

The PUC's Bureau of Fixed Utility Services (FUS) has conducted 13 plant inspections and one main break inspection through May 2009. The 14 inspections included 12 random, one investigative and one compliance inspection. Six of the random inspections were completed when FUS participated with the Bureau of Audits conducting emergency preparedness audit inspections.

Random inspections are conducted at various times, usually to inspect companies that have not had any recent inspections. If violations are found, the company is directed to correct the problem. If the problem is not corrected, FUS would seek Law Bureau assistance in conducting an informal complaint proceeding. Also, problem areas would be noted in the inspection report for future use as needed in connection with other filings by the company.

The investigative inspection was conducted to determine that a main break repair was completed correctly and timely.

The compliance inspection, at the invitation of the company, was conducted with the Department of Environmental Protection (DEP). FUS inspectors observed the installation and operation of arsenic treatment facilities that DEP required the company to install at two of its well sites.

Water Audit Pilot Program

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

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

The initial meeting was held on Feb. 5, 2009, with the following companies in attendance: Pennsylvania American Water, United Water, York Water Company and Superior Water Company. The Office of Consumer Advocate participated in the initial meeting, as well as members of the Commission's bureaus of Fixed Utility Services and Audits.

The next meeting will be held on July 23, to discuss the new version of the water audit software that the companies are going to use during the pilot program. This new software will assist the companies in conducting standardized water audits.

Commission Approves Merger of Embarq PA and CenturyTel

On May 28, the Commission approved the transfer of control of The United Telephone Company of Pennsylvania LLC d/b/a Embarq Pennsylvania to CenturyTel Inc. (Docket No. A-2008-2076038).

Protests were filed by the Office of Small Business Advocate, the Office of Consumer Advocate and the Broadband Cable Association of Pennsylvania. A PUC administrative law judge recommended approving the application without conditions. The PUC, however, attached several conditions to its approval, including: Embarq PA must maintain substantially the service levels that it currently provides for wholesale operations, and, for the first three years after the merger, Embarq PA must submit quarterly reports on the integration of billing systems and business and repair office operations.

The merger will occur through a transfer of the stock of Embarq PA's parent corporation. The transaction will be seamless to customers, who will continue to receive service from the same local company at the same terms and conditions as prior to the transaction.

The Commission found that the merger will be beneficial in several respects. The merger will result in a financially stronger firm, which will enable Embarq PA to better invest in infrastructure and develop products and services, and also will promote competition in Pennsylvania's telecommunications market.

On June 26, the Office of Small Business Advocate (OSBA) filed an appeal of the Commission's order before the Pennsylvania Commonwealth Court. In its appeal, the OSBA requested that the merger order be reversed and that the matter be remanded to the Commission for reconsideration of whether the synergy savings from the merger might be used to subsidize Embarq's competitive services, which is a violation of Section 3016(f)(1) of the Pennsylvania Code (i.e., local exchange carriers are prohibited from "using revenues earned or expenses incurred in conjunction with noncompetitive services to subsidize competitive services.")

D&E Communications and Windstream Merger

On May 10, 2009, D&E Communications, Windstream and Delta Merger Sub entered into an agreement that will merge D&E Communications into Delta Merger Sub. As a result of the merger, D&E Communications will cease to exist, and Delta Merger Sub will be the new parent company of D&E Telephone, D&E Systems, Conestoga Enterprises and Buffalo Valley Telephone.

At the effective time of the merger, each issued and outstanding share of D&E Communications' common stock will be converted into the right to receive 0.650 shares of Windstream common stock and cash of $5. Windstream expects to issue approximately 9.5 million shares of stock valued at approximately $86 million, based on the outstanding shares of D&E Communications and the closing stock price of Windstream common stock on May 8, 2009, and to pay approximately $73 million in cash. On May 21, a joint application for the merger was filed with the PUC.

Telecommunications Competition

Pennsylvania consumers have a growing number of choices when it comes to selecting providers for their telecommunication needs. Despite current economic conditions and the growing popularity of voice over Internet protocol (VoIP) and wireless services, the Commission continues to receive numerous applications from companies eager to enter Pennsylvania's telecommunication markets. By utilizing streamlined entry procedures and adopting policies that both protect consumers and foster a competitive market, the Commission ensures Pennsylvanians in both rural and urban areas can choose from a variety of safe and reliable telecommunication service providers. During the first half of 2009 alone, the Commission has received more than 20 applications from companies seeking to enter Pennsylvania's telecommunications markets or expand their current operations. Many of these new applicants are seeking multiple authorities to compete with both local and long-distance carriers. The Commission currently oversees more than 480 telecommunication providers who combine to file more than 800 separate tariffs.

AT&T/TCG Pittsburgh/TCG New Jersey vs. Rural ILECs

In March 2009, AT&T, TCG Pittsburgh and TCG New Jersey filed 96 complaints against the rural incumbent local exchange carriers (RLECs) at Docket Nos. C-2009-2098380, C-2009-2098735 and C-2009-2099805, respectively. The complaints were filed pursuant to 66 Pa. C.S. §§ 701 & 1309 and 52 Pa. Code § 5.21 alleging violation of § 1301 requiring rates to be just and reasonable and § 301(3)(4)(5)(8) and (9), which, inter alia, establish the policy of the Commonwealth to promote competition and a level playing field among all companies.

The companies allege "[t]he RLECs subject to the complaints maintain intrastate switched access rates that substantially exceed their corresponding interstate switched access rates for materially identical functionality." The matter is currently in the PUC's Office of Administrative Law Judge.

BOAF and E-Fund

Act 183 of 2004 established the Broadband Outreach and Aggregation Fund (BOAF) and the Education Technology Fund (E-Fund). Annually, the Commission is responsible for assessing Pennsylvania's four largest incumbent local exchange carriers (ILECs) - Verizon PA, Verizon North, Windstream and Embarq - for contribution to these funds.

The BOAF is a grant program administered by Department of Community and Economic Development designed to help communities' aggregate demand for broadband service and create outreach programs for the use of broadband services by public entities. In the event that any of these ILECs file rate increases, the PUC will assess 10 percent of the company's first year revenue increase for contribution to the fund. In June 2009, the Commission approved a BOAF fund size of $1.698 million for Fiscal Year 2009-10.

The E-Fund is a grant program with an annual fund size of $10 million administered by the Pennsylvania Department of Education. It was established to assist schools with the purchasing of services, hardware, technical assistance and distance education. Assessments are based on three parts:

1. 10 percent of the projected revenue increase from any rate increase by each of the four ILECs;
2. $7 million pro-rated between the two Verizon companies based upon their access line counts; and
3. The difference between $10 million, and parts one and two, payable by the two Verizon companies.

In June 2009, the Commission approved E-Fund assessments for the coming fiscal year of $9.871 million on the Verizon Companies, $82,000 on Windstream, and $47,000 on Embarq.

Bundled Service

The Commission is further reviewing its March 2009 order and final rulemaking on provision of basic service in single-priced bundled service packages based upon the Petitions for Review/Reconsideration from telecommunications carriers and consumer advocate groups. The regulation aims to ensure consumer protection for basic telephone service that is included as part of a single-priced package of services.

Historically, the Commission has facilitated the practice of bundled billing by granting waivers of the various billing regulations which would prohibit the practice of single-priced package plans. Chapter 30 granted statutory authority for incumbent local exchange carriers (ILECs) to offer and bill on one bill single-priced packages of services, while retaining the PUC's authority to regulate protected service. The current regulation was drafted to codify the various waivers for all LECs and bring uniformity to the billing practices for basic service in a single-priced plan.

Exhaustion of Area Codes

On April 1, 2009, area code 570 was declared in jeopardy. The pre-initial planning document (IPD) conference call was held April 13, 2009. The purpose of this pre-IPD call was to solicit industry input on the proposed relief plans and to discuss additional alternative relief plans for consideration prior to the issuance of the IPD. These conference calls included industry, Neustar and PUC staff. During a May 27, 2009, conference call, participants reviewed and discussed options for the 570 numbering plan area (NPA) relief. The options were three different geographical splits and an overlay. Consensus was reached by industry members to recommend the overlay option to the Commission.

Relief planning for the 814 numbering plan area (NPA) began in 2002. After reaching consensus (an overlay) on the NPA relief plan, however, the telecommunications industry discussed the decline in demand for central office codes and certain proposed number conservation measures. The industry decided to delay filing the petition for relief. On June 9, 2009, the petition was submitted to recommend the overlay.

Mandatory pooling was introduced in 2001 and 2002 in the top 100 Metropolitan Statistical Areas (MSA). Some rate centers are not included in an MSA and therefore have excluded or optional pooling. The Commission is in the process of requesting delegated authority from the Federal Communications Commission to make all pooling mandatory.

Local Number Portability

Local number portability (LNP) just got a little easier for some consumers. The Federal Communication Commission (FCC) is requiring carriers to port a customer's phone number in one business day rather than the previous four business day timeframe. Carriers that will be affected by this change will be wireline, wireless and certain voice over Internet protocol (VoIP) providers. This requirement will only affect simple ports that: involve single line accounts; do not involve unbundled network elements (UNE); do not include complex switch translations like Centrex, ISDN, AIN services, remote call forwarding or multiple services on the loop; and do not include a reseller.

The FCC has given the North American Numbering Council (NANC) 90 days to provide a definition for a "business day," requirements for the ports, and guidelines on the implementation. Carriers will have nine months from the finalization of the requirements to implement the change with the exception for the small carriers, which will have 15 months to implement. Carriers will be able to seek waivers from the FCC or the state commissions.

1307(f) Filings

Philadelphia Gas Works

On Feb. 27, Philadelphia Gas Works (PGW) filed its annual purchased gas cost rate (GCR) filing pursuant to Section 1307(f) to become effective on or after Sept. 1, 2009, at Docket No. R-2009-2088076, et al. Complaints were filed. On May 22, a joint petition for settlement was filed. A recommended decision will be issued concerning the proposed settlement.

National Fuel Gas Distribution Corporation (NFG)

On Jan. 30, NFG submitted its computation of annual GCR at Docket No. R-2009-2083181, et al. Complaints were filed. On May 19, the parties submitted a stipulation in settlement of the rate investigation. In May, the administrative law judge released a recommended decision approving the settlement, which was then approved by the PUC on June 18.

Peoples Natural Gas d/b/a Dominion Peoples

Peoples Natural Gas submitted its 1307(f) 2009 filing on April 1, reflecting increases and/or decreases in natural gas costs and related tariff changes to its Tariff Gas Pa PUC No. 43 to become effective Oct. 1, 2009. Complaints were filed at Docket No. R-2009-2088069. Hearings were held on June 11. A settlement petition and remaining issues are currently being addressed in briefs.

Columbia Gas of PA Inc.

On April 1, Columbia Gas filed its 2009 1307(f) filing to provide for annual adjustment and reconciliation of its gas costs recovery rates. The proposed effective date is Oct. 1. Complaints were filed. Hearings were held on June 9 and June 10. The filings are at Docket No. R-2009-2093219.

Equitable Gas Company

Equitable Gas filed its 2009 1307(f) filing regarding annual purchased gas costs on April 1. Complaints were filed and hearings were held on June 15 and June 16. The filings are at Docket No. R-2009-2088072.

UGI Central Penn Gas Inc.

On June 1, UGI Central Penn Gas filed its 2009 annual purchased gas cost filing pursuant to 1307(f). The proposed effective date is Dec. 1, 2009. A complaint was filed at Docket No. R-2009-2105909. Hearings are scheduled for Aug. 3 and Aug. 4.

UGI Penn Natural Gas Inc.

UGI Penn Natural Gas filed its 2009 annual purchased gas cost filing pursuant to 1307(f) on June 1. The proposed effective date is Dec. 1, 2009. A complaint was filed. The hearings are scheduled for Aug. 3 and Aug. 4. The filings are at Docket No. R-2009-2105904.

UGI Utilities Inc.

On June 1, UGI Utilities filed its annual purchased gas cost filing pursuant to 1307(f), and the proposed effective date is Dec. 1, 2009. Hearings are scheduled for Aug. 3 and Aug. 4. A complaint was filed. The filings are at Docket No. R-2009-2105911.

PECO Gas Distribution Rate Case Settlement

On Oct. 23, 2008, the Commission approved a gas distribution rate case settlement reached by PECO, the PUC's Office of Trial Staff, the state's Office of Consumer Advocate and Office of Small Business Advocate, as well as consumers who had filed formal complaints against PECO's proposed increase of $98.3 million (11.2 percent) annually. The Commission voted 5-0 to approve the settlement, which increases rates by about $76.5 million (8.7 percent) annually. Several other key provisions of the settlement include requiring PECO to:

- Increase its annual funding for Low Income Usage Reduction Programs (LIURP) from $1.75 million to $2.25 million;
- Implement a four-tier Customer Assistance Program (CAP) that is subject to reevaluation, during the next three-year universal service plan period; and
- Monitor new CAP participants' consumption to determine whether CAP customers are maintaining annual usage at or below 125 percent of historical average usage, adjusted for weather.

Under the terms of the settlement, PECO may not file for a rate increase until Jan. 1, 2010.

Gas Supplier Licensing

Activity from March 13, 2009, to June 19, 2009.

84 Active Licenses

1 license canceled

1 license approved

3 applications pending

SEARCH Update

Since adopting an order and action plan in September 2008, the Commission has taken several steps to promote the development of effective natural gas competition supply in Pennsylvania. These actions include the adoption of the following three proposed rulemakings:

- Market Issues (Docket No. L-2008-2069114)
    - Price to Compare
    - Purchase of Receivables
    - Mandatory Capacity Assignment
- Supplier Issues (Docket No. L-2008-2069115)
    - Standard Language for Financial Instruments
    - Reasonable Criteria for Security Requirements
- Distribution Company Business Practices (Docket No. L-2009-2069117)
    - Supplier Tariffs
    - Standardized Business Practices (imbalance trading, tolerance bands, cash out and penalties, nominations, and capacity)
    - Communication Standards and Formats
    - Recovery of Reasonable Competition-Related Costs

Also, earlier this year, the Commission established the Office of Competitive Market Oversight (OCMO). This office is within the Director of Operations' office and is assisted as necessary by technical and legal staff from various bureaus at the Commission. The OCMO's purpose is to provide an opportunity for informal dispute resolution between natural gas distribution companies (NGDCs) and natural gas suppliers (NGSs) so as to ease participation in the retail market.

On April 16, the SEARCH (Stakeholders Exploring Avenues for Removing Competition Hurdles) Working Group convened in Harrisburg to focus on capacity release issues. The general consensus among the participants is that statutory amendments with regard to upstream capacity assignment are not needed at this time. Nonetheless, some NGSs raised concerns regarding the need for improvements to the existing process to ensure fair, equitable and non-discriminatory allocation of and access to capacity. It was agreed that these and other issues can continue to be addressed and resolved informally between NGDCs and NGSs through quarterly meetings and as necessary with the assistance of the OCMO.

SEARCH was created after the Commission concluded that effective competition does not exist for natural gas supply in Pennsylvania. Consistent with the statutory mandate, SEARCH has identified barriers to competition and recommended approaches for promoting the development of a competitive market for natural gas supply. For more information about SEARCH's activities, you may click on the following link on the PUC's website: http://www.puc.state.pa.us/naturalgas/naturalgas_stakeholders_wg.aspx.

Small Gas Companies Task Force

On Jan. 15, the Commission voted unanimously to establish a task force to evaluate each small gas utility under PUC jurisdiction to determine the sufficiency of the company's current rates as well as the ability of its distribution system to provide safe and adequate service to its customers.

A face-to-face meeting was convened in Mars, Butler County on June 17 in which members of the Commission's Gas Safety, Office of Communications and Bureaus of Audits, Fixed Utility Services and Law met with representatives from various small gas utilities to discuss a range of issues. Among those items discussed were:

- The array of reports the companies are required to file;
- Gas safety issues of concern to the PUC;
- An overview of the ratemaking process;
- Processes for terminations and abandonments;
- The need to maintain accurate records for plant and expenses;
- The ability to maintain sufficient funds and earn a fair return by filing a base rate case and keeping current with gas cost rate adjustments; and
- Suggestions for customer notifications.

811 Safety Day

PECO representatives presented photos of the 8-1-1 message displayed on the company's headquarters in Philadelphia to the PUC and PA One Call at the Eastern PA Safety Day on May 7. From left are: Bill Kiger, PA One Call; Mark Alden, PECO; Commissioner Kim Pizzingrilli; Gary Bartnik, PECO; and Commissioner Wayne E. Gardner.

Management Audit of T.W. Phillips Gas & Oil

On April 16, 2009, the PUC released a report on the Focused Management and Operations Audit of T.W. Phillips Gas & Oil Company. The report, issued by the Commission's Bureau of Audits, contained 28 recommendations and identified potential annual savings of up to $1.1 million and one-time savings of up to $266,000 from effective implementation.

In its implementation plan, T.W. Phillips indicated that it accepted 15 recommendations and partially accepted the other 13 recommendations. The audit recommendations include:

- Establishing a debt reduction/financial management plan to reduce total debt and control the level of its short-term debt;
- Modifying, tracking and enforcing the damage prevention program, billing for all non-company caused hits, and initiating solutions to reduce the number of company-at-fault hits;
- Initiating actions to increase collection agency recovery rates;
- Reevaluating economic order quantities and economic order points with a goal of reducing inventory levels and improving turnover;
- Applying an overhead rate to all salary and labor charges for recovery of the cost of employee benefits from Energy Corp. and Supply Corp., and annually recalculating and modifying the rate; and
- Filing an affiliated interest agreement with the Commission for approval related to the goods and services provided by T.W. Phillips to Supply Corp.

T.W. Phillips reports that of the recommendations accepted or partially accepted it has already implemented five of the recommendations, 12 of the implementation efforts are ongoing, nine are scheduled for implementation by Dec. 31, 2010, and the remaining two recommendations are subject to the Collective Bargaining Agreement, which does not expire until Dec. 31, 2011. The Commission will conduct a follow-up on the company's implementation efforts during a future Management Efficiency Investigation. Both the report and implementation plan, at Docket No. D-2009-2084332 or Docket No. D-07MGT022, can be found on the PUC's website, under Search for Documents.

PGW's Base Rate Case in Supreme Court

The Commission's Sept. 13, 2007, order approving a $25 million base rate increase for Philadelphia Gas Works (PGW) has been affirmed by the Commonwealth Court of Pennsylvania, and pleadings are currently pending in the Supreme Court of Pennsylvania, who will decide whether to review the Commonwealth Court's decision on appeal. PGW filed a petition for allowance of appeal with the Supreme Court on May 4, 2009, after a three-judge panel of the Commonwealth Court affirmed the PUC's order on Feb. 4 and refused to grant reconsideration, reargument and/or argument en banc on April 2. The PUC and the Office of Consumer Advocate have filed answers opposing PGW's request for the Supreme Court to review the Commonwealth Court's decision.

PGW filed for PUC approval of a $107 million (11 percent) increase in base rates on Dec. 22, 2006. Under that proposal, the annual bill for an average customer using about 89 Mcf of natural gas would have increased by about $160. The average annual residential bill would have increased by about 9.3 percent, from $1,727 to $1,887.

After suspending the proposed increase for hearing and investigation, the PUC approved a $25 million increase. In its appeal to Commonwealth Court, PGW argued that a five-year future period should be the basis for determining an appropriate level of rate relief and challenged the PUC's use of a traditional test-year concept, adjusted to reflect known and measurable changes. PGW also argued that the PUC had incorrectly calculated its allowance for bad debt expenses.

Affirming the PUC's decision, the Commonwealth Court found that the Commission had applied the proper ratemaking methodology and requirements as set forth in the Chapters 13 and 22 of the Public Utility Code, as well as the City of Philadelphia's Management Agreement Ordinance. The Commonwealth Court also agreed with the PUC's manner of calculating PGW's allowance for bad debt expense.

The parties are awaiting a decision from the Supreme Court as to whether PGW's appeal will be heard.

Gas Distribution System Improvement Charge

Pending in the General Assembly is House Bill 744. The proposed legislation would allow natural gas distribution companies (NGDCs) to increase rates in order to recover the costs of qualifying infrastructure projects in a more timely manner using a distribution system improvement charge (DSIC). This would promote the replacement of unsafe gas pipeline. The PUC has expressed support for a gas DSIC for NGDCs. The PUC also expressed support for a gas DSIC for PGW, provided that the legislation is amended to authorize the PUC to establish reasonable parameters for use of the DSIC, via regulations, as is presently the case for water utilities and as would be the case for non-city NGDCs. The PUC has indicated that it also should have oversight of the securitization process, which would only be available to PGW. Currently, water companies can use a DSIC to cover replacement of aging water mains.

The bill also would bring treatment of natural gas service lines in line with industry practice relative to electric service lines, both of which present inherent risks to activity on and near such lines. The NGDC would be responsible for service lines and safety issues related to service line leaks, excavations and siting. The PUC supports this aspect of the proposed legislation.

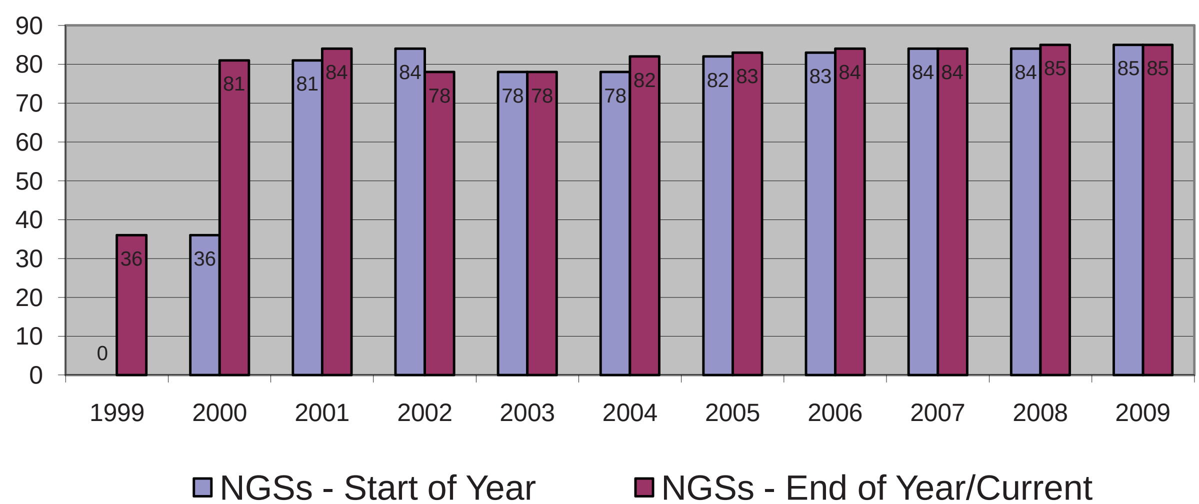
Report from NAPSR Eastern Regional Meeting

The National Association of Pipeline Safety Representatives (NAPSR) met from June 1 through June 5, in Saratoga Springs, New York. The PUC's Gas Safety Division was represented at this meeting, which is a gathering of 14 Northeast states and the United States Department of Transportation, Pipeline and Hazardous Material Safety Administration (PHMSA). PHMSA requires each state to send a representative to the meeting as part of the federal grant guidelines.

The two most prominent topics at this year's meeting were the Federal Pipeline Safety Grant, and Distribution Integrity Management (DIMP). The pipeline safety grant discussions focused on the increasing federal requirements and federal oversight of states that participate in the federal Pipeline Safety grant program. Jeffrey Weise, PHMSA Associate Administrator for Pipeline Safety, was on hand for the meeting to discuss PHMSA's needs and to hear the concerns from the state's program managers. Most states oppose any additional federal requirements for grant participation.

DIMP was another topic that occupied much discussion time. DIMP is the most comprehensive change in pipeline regulation since the 1970s. DIMP focuses on three points: 1) damage prevention, 2) corrosion and 3) operator qualification. As part of its pipeline integrity provisions, DIMP will require gas distribution companies to remove cast iron and bare steel pipelines, and will require natural gas utilities to ensure its workforce perform specific pipeline safety tasks to meet qualification requirements that have been made more strict. The increased inspection requirements and data collection resulting from DIMP will increase the PUC's Gas Safety Division's inspection workdays by more than 100 days and appears to require sophisticated data collection systems. DIMP will likely be implemented sometime in late fall 2009.

Number of Licensed NGSs



Energy Price Forecast for March 2009

The Energy Information Agency's June 2009 *Short Term Energy Outlook* reports that oil prices rose for the third consecutive month in May 2009, likely due to expectations of a global economic recovery and associated increase in demand. Spot price of WTI crude oil is expected to average $67 per barrel for the second half of 2009.

Average U.S. price for regular-grade gasoline was at $2.62 per gallon on June 8. Average retail gasoline and diesel prices in 2009 are projected to be $2.33 and $2.67 per gallon, respectively. Annual average prices for both fuels are expected to rise in 2010 to $2.56 for gasoline and remain at $2.67 for diesel.

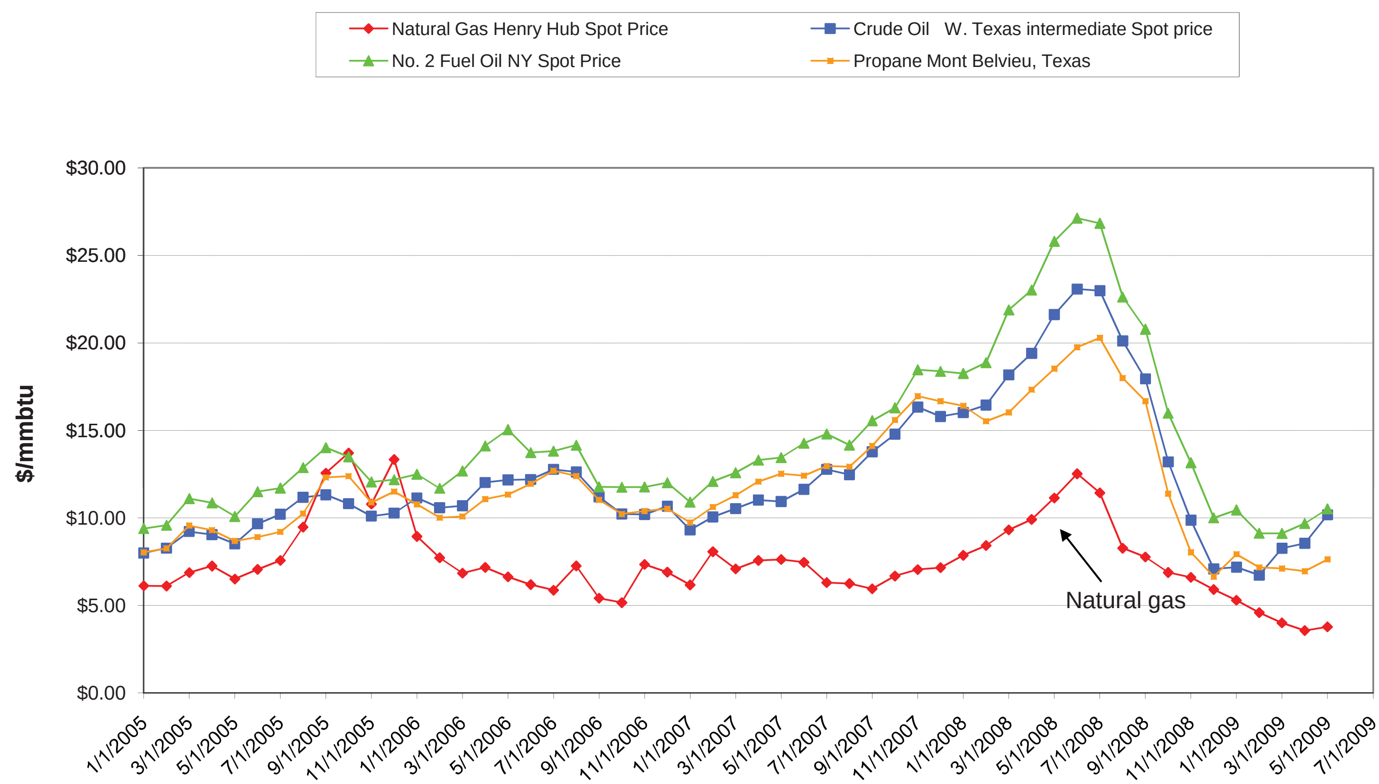
The monthly Henry Hub (Louisiana) wholesale natural gas price is expected to remain below $4 per thousand cubic feet (Mcf) until late in 2009. The average price in 2010 is expected to increase to $5.49 per Mcf as economic growth drives an increase in industrial demand.

Residential propane prices are projected to average $2.31 this winter, a decrease of 21 percent from last winter. Residential heating oil retail prices this winter are projected to average $2.65 per gallon, a decrease of 23 cents from last winter's average.

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)*



FCC Highlights

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

Motion for Reconsideration of the Pennsylvania PUC on Petition of TracFone Wireless Inc. for Modification of PSAP Condition to Eligible Telecommunications Carrier (ETC) Designation; Virgin Mobile USA, LP's Petition for Forbearance and Designation as an ETC in the States of New York, Pennsylvania and Virginia, Docket No. 96-45.

In April 2009, the FCC issued an opinion and order allowing TracFone Wireless, a provider of wireless Lifeline service, to "self-certify" that customer calls from TracFone will reach a public safety answering point (PSAP) in Pennsylvania if the PSAP operator does not state within 90 days of being asked that those calls will reach the PSAP. The FCC also granted similar relief to Virgin Mobile, another wireless Lifeline provider, and also granted Virgin Mobile forbearance from the statutory obligation to own facilities, a requirement to be eligible to receive federal universal service fund support. The PUC requested reconsideration of those decisions based on concerns with the legality and practicality of not requiring carriers to own facilities and of allowing carriers to use federal funds to provide substantially reduced local telecommunications service to Lifeline customers compared to other service providers. The FCC issued a national notice of the PUC's motion on May 6, and set comment and reply comment deadlines of June 5, and June 22 respectively. The City of Philadelphia filed in support of the PUC, and TracFone Wireless filed in opposition. The FCC has made no decision to date.

Petition of TracFone Wireless Inc. for Modification of Conditions Adopted in the FCC's Order Granting TracFone Forbearance From ETC Requirements, CC Docket No. 96-45.

On April 27, TracFone filed a petition with the FCC asking for special treatment on compliance with an annual verification requirement imposed when the FCC granted forbearance in 2005. The FCC required TracFone to verify that each of its Lifeline customers has annually self-certified that the customer is the head of their household and that the customer receives Lifeline-supported service only from TracFone. TracFone now is asking to be allowed to make this annual verification through a statistically valid sample of its customers. The PUC is reviewing the filing given the PUC's prior filings that expressed concerns with TracFone's continuing requests for special accommodations to comply with federal requirements compared to other carriers that are also providing Lifeline service. The FCC established comment and reply comment deadlines of July 6 and July 20.

Core Communications Inc. v. Federal Communications Commission, USDC DC CV No. 08-1365.

In November 2008, the FCC issued a decision in the In re: Intercarrier Compensation proceeding at Docket No. 01-92 that announced a new and broad interpretation of its federal legal authority to establish dial-up internet compensation rates that also extends to compensation rates for intrastate long-distance and local calling as well. The PUC is a party to the appeal challenging that new legal interpretation. Briefs and reply briefs were filed in June 2009. There has been no date set for oral argument.

FERC Highlights

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

RPM Auction Results for 2012-2013 Delivery Year

On May 15, 2009, PJM reported on the results of its RPM base capacity auction for the 2012-2013 delivery year. The highest capacity prices posted were in the Delmarva Peninsula region ($222.30), and the lowest prices were in the PJM RTO region roughly west of Pennsylvania, Maryland and Virginia ($16.46). Capacity prices in most of Pennsylvania for the 2012-13 delivery year cleared at $133.37 per MW. Last year's auction cleared at a uniform $110. Capacity clearing price differences are mainly due to differences in transmission line congestion and ancillary services revenue offsets. Prices were generally down from last year, partially due to the regional economic slowdown as well as the effect of an increase in available capacity offered by demand responders bidding load into the capacity market.

Offsetting that was a 56 percent increase in the calculated "Cost of New Entry," a PJM administratively determined estimate of the cost to build a new gas-fired peak generation facility in the delivery year. The reserve margin also increased over last year going from 18.1 percent to 20.9 percent. Increases in capacity reserve margin tend to lower capacity auction clearing prices. The RPM capacity auctions are intended by PJM and FERC to supply an economic signal for investment in new capacity where it is needed, and to provide compensation to infrequently run generators that serve as peak demand generating capacity resources. Retail customers do not pay capacity prices directly. Their electric generation supplier is required to buy sufficient capacity to cover their total estimated obligation for the delivery year. Effects on Pennsylvania residential customers are likely to be 1–2 cents per kWh of consumption at average consumption levels.

***FERC HIghlights** Continued on Page 19.*

FERC Highlights

Continued from Page 18.

PJM Order 719 Compliance Filing

PJM made its filing in compliance with FERC's *Order 719* in a rulemaking that prescribed new requirements for Regional Transmission Organizations (RTOs) with regard to demand response, scarcity pricing, market monitoring and RTO structure and responsiveness. The PUC and the Organization of PJM States protested PJM's market monitoring filing, which was asserted to be in violation of a 2007 settlement of several complaints against PJM management alleging that PJM was intruding on the independence of the PJM market monitoring unit (MMU) by attempting to exercise management control over MMU findings, reports and operations. The settlement recast the MMU as an independent market monitor (IMM). The settlement was alleged to have been violated by PJM's request for tariff approval to reassert control over MMU functions. FERC will issue an order later this year, accepting, rejecting or ordering a modification of the PJM compliance filing.

DC Circuit Decision – FERC Jurisdiction over Capacity Adequacy

The Connecticut PUC's challenge of FERC's statutory authority to regulate (or to direct RTOs to regulate) regional generation capacity targets was turned away by the United States Court of Appeals, District of Columbia, in an opinion holding that, although FERC is prohibited from directly regulating the construction of generation facilities, its regulation of regional capacity targets was sufficiently attenuated from that to pass statutory muster. (*Connecticut Department of Public Utility Control v. FERC*, Docket Nos. 07-1375, 07-1460 and 08-1175 (June 23, 2009)). The decision gives both FERC and RTOs full authority to set generation capacity goals in a region without need for consultation or agreement by state utility commissions or energy offices.

DOE Convenes Interconnection Planning Summit

The United States Department of Energy, acting on the appropriation of $80 million by Congress for the development of regional and interconnection-wide transmission planning processes, convened a June 29-30 meeting of state utility and energy officials within the Eastern Interconnection. The Eastern Interconnection is the 40-state transmission alternating current grid in the Eastern United States.

Chapter 56 Rulemaking

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

Twenty-four parties submitted comments on the proposed regulations by the April 20, 2009, deadline. The comments, along with the proposed regulations, are available on the Commission's website under "Consumer Education," at Docket No. L-00060182. Upon review of the comments and input from the General Assembly oversight committees, the Office of Attorney General and the Independent Regulatory Review Commission (IRRC), the Commission will publish final regulations.

The PUC strives to implement Chapter 14 in a manner that will allow it to achieve the policy goals of increasing utility account collections and eliminating the subsidization of bad debt costs by paying customers while also being as fair as possible and ensuring that service remains available to all customers on reasonable terms and conditions. The Commission is dedicated to using a collaborative process that takes into account the perspectives and needs of both utilities and consumers, and providing all parties an opportunity to participate in these efforts.

Feedback

PENNSYLVANIA PUC PUBLIC UTILITY COMMISSION

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

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

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

Electronic Billing

On March 31, the Commission issued a Secretarial Letter directing those utilities that have already adopted electronic billing programs to file comments regarding the successes and failures of their individual electronic billing programs by April 20. These comments will aid in the move toward greater technology use, offering consumers the option to benefit from electronic billing with adequate safeguards, and establishing best practices and guidance. This information is critically important as the Commission develops the final regulations. It also can serve as a basis to consider granting a blanket waiver until such time final regulations are promulgated.

The PUC has proposed revisions to its Chapter 56 regulations to facilitate the use of electronic billing while safeguarding the interests of electric, natural gas, water and wastewater customers. The proposed regulation expressly authorizes a utility to provide electronic billing in lieu of mailing a paper copy of the bill to a customer. It provides for voluntary participation, so customers may revert to regular mail bill receipt and that the electronic bill will contain all of the typical paper bill information. There appear to be many benefits to paperless billing, including both significant environmental benefits and savings for customers.

The filed comments addressed the scope and description of current electronic billing programs, current levels of participation, any changes to tariffs to implement electronic billing, information for bill inserts and other communications to customers explaining electronic billing, and any other electronic billing concerns the PUC should consider.

Commission staff will review the comments at Docket No. L-00060182, and provide recommendations to the Commission on whether the Commission should issue guidance and a blanket waiver permitting electronic billing pending final disposition of the rulemaking.

MCImetro-Verizon Migration

On June 1, MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services (MCImetro) filed an application to abandon the provision of local exchange service and bundled long-distance service to residential and small business customers and to transfer its existing base of residential and small business customers to its affiliate, Verizon Pennsylvania Inc.

MCImetro desires to cease serving residential and small business customers, as the same services are available from its affiliate Verizon PA. The affected customers will be migrated to Verizon PA, or will be migrated to the local service or interexchange providers of their choice. The migration will begin on July 16. Notices were mailed to customers on May 11. In addition, on June 1, and July 1, customers who have not confirmed their migration to Verizon PA or selected another LSP (local service provider) will receive an automated telephone message. The message will advise the customers that if they do not select a LSP by July 16, their service will automatically be migrated to Verizon PA.

The Commission's Bureau of Consumer Services and Law Bureau will monitor the progress of this migration.

Susan Pickford vs. Pennsylvania-American Water

In August 2007, the Pennsylvania-American Water Company (PAWC) announced that it was changing its water treatment from chlorine to chloramine at its West Shore Regional and Silver Springs water treatment plants. Twenty-four formal complaints were filed with the Commission in response to PAWC's announcement. The complaints referred to alleged adverse health effects of using chloraminated water and requested that the Commission prevent PAWC from proceeding with its program until the health issues are addressed.

In its March 20, 2008, order at Docket No. C-20078029, the Commission determined that, while water quality issues were within the Department of Environmental Protection's (DEP) jurisdiction, the complaints raised some issues regarding water service that were within the Commission's jurisdiction. The Office of Consumer Advocate (OCA) and the DEP intervened in the proceeding. After hearing the complainants' case during hearings held in October 2008, a PUC administrative law judge (ALJ) found that the complainants had failed to meet their burden of proving that PAWC had violated the Public Utility Code or any Commission regulations.

The OCA and PAWC submitted a joint petition for settlement that contained conditions requiring an extended notice period before the implementation of chloramine treatment and broader, specific system monitoring, and more effective customer education and employee training on chloramine-related issues. The ALJ dismissed the formal complaints but recommended approval of the settlement. At its public meeting of May 14, the Commission adopted the ALJ's initial decision and approved the joint petition for settlement. On June 15, the complainants filed a petition for review of the Commission's order with Commonwealth Court.

PUC Encourages Public Utilities to Seek Federal Stimulus Funds

Funding Opportunities

On April 15, the Commission issued a Secretarial Letter to fixed utilities and railroad companies encouraging them to take advantage of the funding opportunities made available by the American Recovery and Reinvestment Act (ARRA) of 2009. By this letter, the PUC formalized its commitment to making certain that the Commonwealth receives the maximum benefits afforded by ARRA and offered to write letters of support for those seeking federal stimulus funds to enhance utility infrastucture. Weatherization, smart grid applications, advanced battery technologies, railroad security and infrastructure are among the programs that could help Pennsylvania utility consumers.

PUC Requests Informational Filings

By Secretarial Letter issued July 10, the Commission requested fixed utilities, licensed energy suppliers and railroad companies to submit informational filings to the Commission of federal stimulus funds that are requested and received. These filings will enable the PUC to effectively monitor and track the receipt of these funds and timely respond to inquiries from the Governor's office. The Secretarial Letter may be accessed on the PUC's website through a search using docket number M-2009-2094772.

PUC Initiates Investigation

On April 16, the PUC initiated an investigation seeking input on actions that should be taken to ensure compliance with the provisions of ARRA that require consideration of rate-making policies that align utility financial incentives with helping their customers use energy more efficiently. The PUC received comments on July 6; reply comments are due on Aug. 5, after which a technical conference will be convened. More information is available through a search on the PUC's Web site using docket number I-2009-2099881.

PUC Reviewing Energy Grant Opportunities

The PUC is currently reviewing three grant programs being administered by the U.S. Department of Energy that may provide funding to Pennsylvania for energy matters. Specifically, the Commission may be eligible for a grant of $1.067 million for staff required due to ARRA initiatives related to electricity. Also, ARRA provides an opportunity for Pennsylvania to participate in a $60 million grant to 40 states under the guidance of the National Association of Regulatory Utility Commissioners for interconnection expansion. The third grant is for Pennsylvania's state energy office in the amount of $1.342 million and is designed to enhance state government energy assurance capabilities and planning for smart grid resiliency.

PUC Commissioners Testify to House Committees

Chairman James H. Cawley testified on behalf of himself and Commissioner Wayne E. Gardner before the House Consumer Affairs Committee on April 23 with their recommendations to House Bill 744. The bill creates a distribution system improvement charge (DSIC) for the natural gas distribution companies in Pennsylvania. Both answered questions from the Committee members. (See the article on Page 16 for more details.)

On May 27, Vice Chairman Tyrone J. Christy testified before the House Environmental Resources and Energy Committee about the need for a power authority to minimize the higher electric prices that Pennsylvania is facing as rate caps expire.

Commissioner Robert F. Powelson submitted written testimony to the same committee regarding a power authority. The Commissioner noted the importance of allowing the transition to a fully competitive marketplace before determining that the current strategies set forth in AEPS and Act 129 need to be significantly altered.

Vice Chairman Christy testified before the House Consumer Affairs Committee on June 4 regarding Act 129. The Vice Chairman updated the committee on the implementation of Act 129 in which the PUC is meeting the deadlines set forth in the Act. He also outlined the future action items as the Commission moves toward full implementation.

eFiling Available!

As reported in the last issue of *Keystone Connection*, the PUC's eFiling system went live on Feb. 17. More than 500 users have eFiled in excess of 1,000 documents. To begin eFiling, users only need to set up an account, which is simple and can be done by logging onto the PUC's website at http://www.puc.state.pa.us/efiling/default.aspx. Also, at that link, you can access information about the qualified documents that may be eFiled, the regulations that apply to eFilings, the steps that must be followed, and how to seek help with technical or procedural questions.

Budget Approval Pending

The PUC's budget for fiscal year 2009-10 (House Bill 1423) is pending in the House Appropriations Committee and awaiting approval by the General Assembly and the Governor's Office. HB 1423 provides for $52,581,000 in state funds and $3,389,000 in federal funds for motor carrier enforcement and gas safety efforts and supports a total complement of 499. The PUC had originally requested $54,585,000 in state funds, and the roughly $2 million reduction reflects the elimination of twenty positions from our previously-approved complement of 519. With HB 1423 awaiting passage, PUC employees received a paycheck on July 17 for only 7 of the 10 days worked and are facing a payless payday on July 31.

PUC Chairman James Cawley, on behalf of his colleagues, sent a letter to Representative Dwight Evans, Chair of the House Appropriation's Committee, urging passage since the PUC's budget is funded by assessments on utilities rather than by tax dollars coming from the general fund and is not affected by the negotiations involving the Commonwealth's overall budget. As a result of the PUC's hiring delays, travel restrictions and other cost-savings measures during fiscal year 2008-09, approximately $3 million will be available to offset the assessments on public utilities to fund the 2009-10 budget when it is approved.

Access Charge Investigation

Verizon Pennsylvania filed a formal complaint in 2006 against Penn Telecom and in 2007 against CTSI, stating that both companies were violating 66 PA C.S. 3017(C), which forbids competitive local exchange carriers from charging intrastate switch access rates that are higher than those of the incumbent local exchange carrier in the corresponding service area.

The CTSI/Verizon matter at Docket No. C-20077332 settled using mediation to resolve the issue. Verizon filed a petition to withdraw the matter in May 2009.

The Penn Telecom Inc. portion, at Docket No. C-20066987, also has been settled using mediation.

Electric Competition Speech

PUC Chairman James H. Cawley spoke about electric competition and choice as the keynote speaker at the first PPL Electric Utilities ePower Electric Choice Conference held at the Holiday Inn Harrisburg-Hershey in Grantville on Tuesday, July 7, 2009. Attendees included commercial and industrial customers, as well as alternative electric generation suppliers.

Susquehanna Roseland Transmission Line Update

Currently in hearings before the Office of Administrative Law Judge is a PPL application, filed on Jan. 6, 2009, to construct a new 500 kV transmission line. Known as the Susquehanna-Roseland project, the proposed line is about 101 miles long and travels through portions of Lackawanna, Luzerne, Monroe, Pike and Wayne counties. PPL also requested authorization to construct a new substation in Blakely Borough, Lackawanna County, to connect the 500 kV line to the regional transmission system in that area. Four public input hearings have been held in Bushkill and Clarks Summit and site views have been conducted. Evidentiary hearings are currently scheduled for September.

Assessment Audits

Commission staff recently initiated an Assessment Report Review Program designed to verify gross intrastate operating revenue of randomly selected fixed utilities and motor carriers. The fixed utility group's reviews will consist of a randomly selected sample (e.g., 21 companies will be reviewed during 2009) of telecommunications, electric, natural gas, pipeline and water companies. The review process for the fixed utilities will be a desk review of documents designed to reconcile any difference between intrastate revenue reported for PUC assessment purposes and that reported in the company's annual report. If any of the fixed utilities' revenue is over/under-reported for PUC assessment purposes, adjustments will be made prior to the calculation of industry assessments to be paid in the upcoming fiscal year.

Staff's review of the motor carrier companies includes an on-site visit to inspect the company's books of original entry, as well as any contracts between the company and its clients. Under certain circumstances, motor carrier companies are permitted to exclude revenue from identified sources when filing their annual assessment report. The purpose of staff's review is to verify gross intrastate operating revenues and any exclusion claimed on the annual assessment report. If it is determined that a company has improperly reported gross intrastate operating revenues or improperly excluded revenue subject to PUC assessment, an adjustment may be reflected in future assessment billings.