

Keystone Connection

Utility News
in Pennsylvania

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

Winter/Spring 2006

Commission's Interpretation of Act 201



On Nov. 30, 2004, Gov. Edward G. Rendell signed into law Senate Bill 677 now known as Act 201, that amended Title 66 by adding Chapter 14, Responsible Utility Customer Protection. This act went into effect on Dec. 14, 2004. The legislation is applicable to electric, water and larger gas distribution companies (those with an annual operating income in excess of \$6 million). Steam and wastewater utilities are not covered by Chapter 14.

To date, the Public Utility Commission (PUC) has convened three roundtable forums to identify and discuss implementation issues. In addition, the PUC has issued two Chapter 14 implementation orders addressing a wide variety of issues including winter termination rules, reconnection requirements, medical certificate procedures, liability and liens.

The second implementation order entered Sept. 12, 2005, included guidance as to the content of termination notices used by the utilities in the winter. Because the rules for winter termination changed significantly as a result of Chapter 14, the Commission ruled that the termination notices used by utilities in the winter had to be revised. The PUC no longer reviews every heat-related termination in the winter so it is vital that termination notices fully inform the customer of their eligibility for winter termination and what can be done to prevent termination. In October 2005, staff worked with the utilities and consumer groups to draft the new termination notices. The new notices now include poverty level charts so that consumers can determine for themselves if they qualify for wintertime termination. The notices also include information and telephone numbers for universal service programs offered by each utility. The new notices were distributed to utilities in November and are now in use.

After the second implementation order, Philadelphia Gas Works (PGW) filed two petitions requesting reconsideration of two of the matters addressed in the order. The first petition requested that the Commission clarify the legal status of the two implementation orders and also asked the Commission to revise the service reconnection requirements outlined in the order. At the Nov. 10 public meeting, the PUC refused to revise the reconnection guidance provided by the order and stated that the two implementation orders constitute policy statements setting forth how the Commission intends to interpret Chapter 14 in future adjudications and that any party that deviates from the guidance runs the risk of being in violation of Chapter 14. In response to the second petition filed by PGW, at the Dec. 1 public meeting, the PUC granted PGW's request

Connecting in Pennsylvania

Welcome to the third issue of *Keystone Connection*, a publication of the Pennsylvania Public Utility Commission (PUC) that gives a "snapshot" view of the utility markets under the jurisdiction of the Commission: electric, natural gas, transportation, telecommunications, water and the major issues that affect each industry.

The publication allows coverage of all utilities, including news on consumer issues and general information on PUC happenings.

The Commission ensures safe, reliable and reasonably priced electric, natural gas, water, telephone and transportation service for Pennsylvania consumers, by regulating public utilities and by serving as responsible stewards of competition. Industry monitoring is a crucial part of this mission.

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PECO-PSEG Merger

PECO Energy Company, a subsidiary of Exelon Corporation, provides electric and gas service in southeastern Pennsylvania. Public Service Enterprise Group Inc. (PSEG) is a New Jersey corporation that provides electric and natural gas service in New Jersey. At the public meeting of Jan. 27, the PUC unanimously approved the merger of Exelon Corporation with and into PSEG. The new entity will become Exelon Electric & Gas Corporation.

The terms of the merger resulted from a September 2005 settlement with various parties to the proceeding, including the Pennsylvania Department of Environmental Protection, Sen. Anthony Williams, the Office of Consumer Advocate, the Office of Small Business Advocate, the Philadelphia Area Industrial Energy Users Group, and Citizens for Pennsylvania's Future.

In their petition for settlement, PECO and PSEG stated the merger would bring local consumers \$120 million in rate discounts over four years, and that transmission and distribution rates would remain capped until Jan. 1, 2011. PECO pledged substantial funding for alternative energy and environmental projects, including: a \$12 million commitment to the Pennsylvania Energy Development Authority (PEDA) for funding renewable energy, energy efficiency, and energy conservation projects; an additional \$8 million to PEDA to be used for energy-related economic development projects; and continued funding for the Sustainable Development Fund.

The merger will also enhance PECO's Customer Assistance Program with a higher usage discount level and provide outreach funding to community-based organizations that serve low-income customers. The company committed to improving customer service and reliability, keeping its headquarters in Philadelphia at least through the end of 2010, continuing its charitable giving, and maintaining its field force employment levels through 2010. To ensure that wholesale electric power markets remain competitive, Exelon plans to divest 6,600 MW of generating capacity in the Mid-Atlantic Region.

PECO also agreed to support a PUC-sponsored investigation into whether any benefits are likely to be achieved from a consolidation of Philadelphia Gas Works into the new Exelon Electric & Gas.

The merger is expected to close midyear 2006, assuming approvals from the New Jersey Board of Public Utilities and the Department of Justice.

Two Companies Propose Interstate Transmission Lines

Two companies, American Electric Power (AEP) and Allegheny Power, have proposed transmission lines that will pass through Pennsylvania.

AEP, headquartered in Columbus, Ohio, has proposed to build a 765 kV interstate transmission line from West Virginia to New Jersey. A portion of the 550-mile line is expected to traverse through Southeastern Pennsylvania. The projected in-service date is 2014 assuming three years to site the line and acquire rights-of-way, and five years for construction. It will cost an estimated \$3 billion.

Allegheny Power, with headquarters in Greensburg, Pennsylvania, proposed building a 330-mile transmission line from West Virginia's northern panhandle, through Southwest Pennsylvania and ending in central Maryland. The project is expected to begin with engineering and planning work in 2007, and the line's first segment in place by 2013. Allegheny proposes the cost for the line to be \$1.4 billion.

Both projects are expected to provide transmission congestion relief for some areas within PJM Interconnection. The line would increase Midwest-to-East transfer capability. Congestion occurs when least-cost available energy cannot be delivered to all loads because of limited transmission capabilities. Higher cost units must be dispatched in the constrained area to meet the load, resulting in higher prices for energy.

The PUC is monitoring these projects, which are in the early stages, and may become involved with any siting applications for determination of need and the potential impacts on the environment. In addition, the PUC may evaluate the costs and benefits of the proposals and the allocation of project costs among transmission owners and end-use consumers. AEP and Allegheny Power have yet to make a filing with the Commission regarding these projects.

Inspection and Maintenance Standards

The Commission is targeting April as the public meeting date to adopt a proposed rulemaking order. The order may set forth some proposed inspection and maintenance standards for the electric distribution companies. Once entered, the order will be published in the *Pennsylvania Bulletin* for comments.

Update on the Act 213 Implementation

The Commission continued its implementation of the Alternative Energy Portfolio Standards Act of 2004 in preparation for the first reporting year.

Proposed rulemaking orders for net metering and interconnection standards were published in the *Pennsylvania Bulletin* in February 2006. Interested parties may file comments to these proposed regulations. After reviewing the comments, the Commission will prepare final rulemaking orders to be submitted to the Independent Regulatory Review Commission for review and approval.

The Commission designated an alternative energy credit registry at the public meeting of Jan. 27, 2006. The Commission selected PJM-EIS's Generation Attribute Tracking System (GATS) to serve as the credits registry. The Commission will use GATS, an online information database, to track compliance with the Act.

The Commission issued a tentative order at the Jan. 27 public meeting proposing standards and processes for qualifying alternative energy systems and certifying alternative energy credits. After reviewing public comments filed in response to this tentative order, the Commission will issue a final order establishing standards for these matters.

The Commission and the Pennsylvania Department of Environmental Protection conducted an interim qualification process for alternative energy systems in January 2006, pending the adoption of final standards. This interim process allowed generators to earn alternative energy credits for qualified 2005 generation. Approximately 1 million Tier I and 25 million Tier II alternative energy credits resulted from this interim process.

PUC Staff Reports on Electric Reliability

In December 2005, the PUC released the report *Electric Service Reliability in Pennsylvania*, which discusses the reliability performance of electric distribution companies (EDCs) operating within the Commonwealth during the calendar year 2004.

The PUC measures reliability performance in terms of the average frequency and duration of electric service interruptions. Performance standards have been established that represent the minimal performance allowed for each EDC. The rolling 12-month standard is 120 percent of the historical benchmark for the major EDCs and 135 percent for the small EDCs. The rolling three-year standard is 110 percent of the benchmark for all EDCs.

The full report is available at the Commission's website under "Yearly Reports." In the future, the Commission will produce this report each year for public release.

Pike County Light & Power Investigation

The Commission initiated an investigation into competitive market conditions in the Pike County Light & Power Company service territory pursuant to a motion adopted at the Jan. 27 public meeting. Commission staff will conduct a 60-day investigation and prepare a report at the end of this period identifying findings and recommendations.

This investigation is a consequence of the rate increase resulting from the Pike County's recently implemented default service plan. The company filed a default service implementation plan with the Commission on May 31, 2005. The Commission approved the plan, with some modifications, on Sept. 23, 2005. Consistent with terms of the plan, Pike County conducted an auction to acquire generation supply for its customers for 2006. The rates resulting from the auction, effective Jan. 1, 2006, represented an approximately 73 percent increase in overall rates for the company's retail electric customers.

Duquesne Light Commercial and Industrial Fixed Price Extension

On Feb. 9, the Commission ruled on the proposed plan for extending a fixed price service offer (FPS) to large commercial and industrial customers of Duquesne Light Company. The proposed plan is for a request for proposal (RFP) to be issued for multiple suppliers to provide 16 megawatts of power to present FPS customers and potentially an additional 28 megawatts to hourly priced customers. More than 1,000 megawatts of commercial and industrial load is currently served under independent power supplier agreements.

A concern raised in the filing was whether the size of the RFP was too small to attract bidders and whether the FPS should be continued to be offered given the small load share and alternative suppliers available. The Commission elected not to disturb its prior determination to offer FPS to large customers.

A contingency offer is being requested from bidders to serve the whole FPS load rather than a portion of the load, in order to assure sufficient bids are received.

Bids to serve the load are due March 20, with service to begin June 1. The FPS is to be updated quarterly for new enrollees as it has over the last one and a half years.

Electric Supplier Licensing

Activity from Oct. 1, 2005 to Feb. 28, 2006.

42 Active Licenses

- 1 license canceled
- 1 license approved
- 2 applications pending

Wind Energy Development



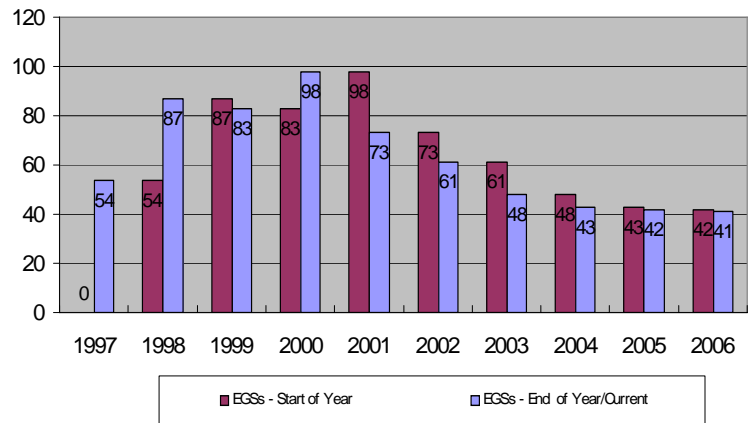
New Wind Energy's simulation of the Bear Creek Wind Power Project. The wind energy project will be located in the Pocono Mountain Region, less than 10 miles southeast of Wilkes-Barre by the town of Bear Creek.

In Pennsylvania, there are six utility scale generating wind farms - large, high-tech turbines, grouped in wind power plants with generating capacity that ranges from a few megawatts to hundreds of megawatts. These wind farms were built over the last six years, with a potential of 129 Mw of capacity.

Annually, the wind farms produce enough electricity to serve approximately 45,000 average Pennsylvanian homes. Five more wind farms are being built or are planned in the near future with capacity ratings of over 210 Mw. Two of the planned wind farms are to be built in Elk County.

Additionally, a smaller wind farm is planned for Saint Francis in Cambria County. It is hoped that Pennsylvania consumers will benefit from having more alternate energy choices, including wind energy, in the future.

Number of Licensed EGSs



PUC Seeks Comments on Electric Choice Activity Reports

On Feb. 9, 2006, the PUC voted to seek comments on the appropriate content of reporting requirements by electric distribution companies (EDCs) and electric generation suppliers (EGSs) regarding retail electric choice activity. This information is necessary to track the development of competitive retail markets in Pennsylvania in the post-transition period.

In launching this inquiry, the PUC determined that reports are needed to provide the measurement tools necessary to monitor which markets and which customer classes are participating in retail markets. Through the information supplied in the reports, the PUC should be able to identify whether EDC or PUC policies and practices are fostering or hindering the development of competitive markets.

Some specific questions posed to interested parties include whether this Commission should implement reporting requirements similar to those that are in place in Maryland to monitor competitive market developments, and what reporting frequency is optimal for EDCs and EGSs. Comments are also sought on how to group classes of customers together for reporting purposes and whether all information may be made publicly available.

Initial comments are due 60 days after entry of the order, which is expected to occur shortly, with reply comments due 90 days after that. The PUC's Bureau of Conservation, Economics and Energy Planning is designated as the lead bureau to develop, track and produce the reports.

Rail Safety Division to Monitor Switching in Accordance with FRA Emergency Order

On Oct. 19, 2005, the Federal Railroad Administration (FRA) issued an emergency order (EO) requiring railroads to modify their operating rules and take certain actions to ensure that switches are restored to their normal position after use. The EO became effective on Nov. 22, 2005. Railroad companies and their employees may be subject to monetary penalties for violations of the order. The FRA is authorized to issue emergency orders where an unsafe condition or practice "causes an emergency situation involving a hazard of death or personal injury."

In 2004 and 2005, there was an increase in the frequency and severity of collisions resulting from improperly lined main track switches. The increase in accidents caused by switching errors was mainly seen in the South and West. The most serious accident resulting from a switching failure occurred on Jan. 6, 2005, in Graniteville, South Carolina. This catastrophic accident occurred when a Norfolk Southern train was unexpectedly diverted from the main track onto an industrial siding, colliding with a standing train. The collision resulted in the rupture of a tank car containing chlorine. The consequences of this preventable accident were nine fatalities, 630 injuries and the evacuation of 5,400 local residents.

The accidents have occurred when railroad employees were working in areas that were not equipped with remote electronic signal monitors (i.e. train dispatchers are unable to monitor switch positions), and failed to follow track-switching procedures. In each accident, the failure to reset the hand-operated switches has led to trains running onto the wrong tracks resulting in a derailment or collision with another train.

The emergency order mandates that railroads retrain and periodically test employees on switch operating procedures, and ensure that the position of the switches is communicated between crew members. Specifically, employees must receive instruction on the use of switches, communication procedures, and the completion of documentation for every switching action.

The Bureau of Transportation and Safety's rail safety inspectors are actively enforcing this emergency order. They are ensuring railroad employees are:

- 1) Receiving training in the operation of hand operated switches in non-signaled territory;
- 2) Conducting job briefings;
- 3) Properly communicating switching actions with other employees; and
- 4) Timely completing the Switch Position Awareness Form.

The compliance and enforcement of this emergency order will provide a safer and more efficient rail system for railroad employees and Pennsylvania citizens.

Motor Carrier to Implement Electronic Filing of Insurance

At the public meeting held on Feb. 9, 2006, the Commission approved a Bureau of Transportation & Safety (BTS)/Law Bureau recommendation to waive the Commission's regulation at 52 Pa. Code §32.2(c), which requires motor carriers to file a hard copy of insurance information. This action will permit insurance companies to electronically file insurance information on behalf of motor carriers that have been issued a certificate of public convenience and are required to maintain evidence of insurance coverage with the Commission.

The Commission's order established a one-year pilot program that permits motor carriers to obtain the waiver from the regulations if its insurance company files its insurance information electronically. This pilot program is voluntary, and insurers may continue to file hard copies of insurance information if they desire. During the one-year pilot program, staff will evaluate electronic filing to determine whether a regulation revision is appropriate.

This program is possible because National Online Registries (NOR) provides a system for insurance companies to electronically file insurance information with states. NOR acts as a conduit between the states and the insurance companies. Insurers will make the insurance filings on behalf of their insured carriers with NOR's electronic repository, and NOR will make the repository available to the Commission via the Internet at no charge.

The Commission believes that electronic filing will permit more timely filings by insurance companies on behalf of the motor carrier, thereby avoiding unnecessary suspensions and possibly cancellations of the motor carrier's certificate of public convenience. Electronic filing should provide a degree of cost savings for participating insurance companies, and at the same time provide improved efficiency for the BTS staff in its insurance oversight responsibilities.

Ultimately, it is hoped that this method of electronic filing of insurance information will provide for a transition to electronic filing where insurers will electronically file insurance information directly with the PUC. The Commission's InfoMAP project may help facilitate this transition.

Investigation of Fluoride Spill at Pennsylvania American Water Company Treatment Plant



The Commission, at the public meeting of Dec. 15, 2005, instituted an investigation of the Dec. 10 chemical spill at Pennsylvania-American's Yellow Breeches Water Treatment Plant in Fairview Township in Cumberland County. The spill released excess levels of fluoride into the drinking water, affecting 34,000 customers in Cumberland and York counties. The cause was determined to be operator error. The investigation also included a review and evaluation of the PUC's existing regulations. The Department of Environmental Protection and the Office of Consumer Advocate conducted investigations in conjunction with the Commission.

Upon discovery of the spill, the utility took action to notify officials. After appropriate testing, a "Do Not Consume" advisory was issued to the public. The company has since taken steps to correct the various problems discovered.

The investigative report was approved at the public meeting of March 2, 2006, and made public. The report revealed that the:

- Company's Emergency Response Plans are outdated;
- Public was not properly notified;
- Population at risk was not properly identified;
- Company website was not used for notification; and
- Commission was not properly notified.

The investigation order puts water utilities across the state on notice to implement better consumer notification procedures and update their emergency response plans. Upon entry, the order was served on all water utilities. A policy statement on public notice standards relating to unscheduled service interruptions will also be issued.

Penn Estates and Utilities Inc. Change of Control Applications to be Revisited

At the Public Meeting of March 16, 2006, the Commission voted to reconsider an initial decision that transferred control of the water utilities to affiliates of AIG, the potential equity investor. AIG is a multinational insurance and financial services conglomerate. The Commission voiced concern over matters of corporate governance, the potential short term nature of the ownership, utility managerial experience, the capital to be allocated for operating and maintenance, and the complex nature and objectives of the affiliated relationships.

The Office of Trial Staff was directed to intervene in the matter, as the case is now being reconsidered on the further review of the merits.

Low-Income Programs for Water Consumers

Aqua Pennsylvania, Pennsylvania American Water Company (PAWC), United Water Company and York Water Company administer programs to assist low-income customers to maintain utility service. These utilities voluntarily initiated the programs in response to an apparent need of their low-income customers.

Aqua's program, A Helping Hand, offers a water usage audit that includes conservation education and plumbing repairs not to exceed \$100. Aqua forgives a percentage of a participant's arrearage if the participant makes regular monthly payments.

PAWC offers two programs: Low-Income Rate and H2O – Help to Others. The Low-Income Rate provides a 50 percent discount on the service charge to low-income customers who are current with their bills. The H2O – Help to Others is administered by the \$1 Energy Fund and provides cash assistance for low-income customers to help pay water bills.

At the end of 2005, United Water implemented a new program called UW Cares. UW Cares is a hardship fund program that will provide cash grants up to \$100 to help low-income customers pay their water bills. To be eligible for a grant, a customer's household income must be below 100 percent of the federal poverty guidelines, and the customer must have made a payment of at least \$20 in the last 180 days.

The York Water Company implemented a pilot program that offers a water usage audit that includes conservation education and provides minor plumbing repairs. Each year, the company will forgive arrearages up to \$120 if the participant makes regular monthly payments.

Water and Wastewater Rate Increases

Rate Increase Request Summary

August 1, 2005, to March 31, 2006

Utility Name	Amount (\$) Requested	Action	Action Date
Jackson Sewer Company - Treatment Surcharge Adj.	N/A	Approved	1/12/06
DuBois-City Water Dept.	129,349	Investigation	12/15/05
Glendale Yearound Sewer Company	90,302	Investigation	8/25/05
Pocono Waterworks Company Inc.	18,371	Investigation	8/25/05
Bethlehem Water Department	2,362,509	Investigation	8/25/05
Mesco Inc. - Wastewater	48,300	Investigation	8/25/05
Wonderview Water Company	13,745	Investigation	9/29/05
Meadows Sewer Company	55,472	Investigation	9/29/05
Marietta Gravity Water Company	114,000	Investigation	9/29/05
C.M.V. Sewerage Company Inc.	81,771	Investigation	10/27/05
Aqua Pennsylvania Inc.	38,800,000	Investigation	12/15/05
City of Lancaster - Wastewater	650,465	Investigation	8/31/05
City of Lancaster - Water	999,995	Investigation	1/12/06
Exit II WWTP	91,950	Alternative	3/16/06
Can-Do Inc. - Wastewater	93,325	Approved	1/27/06

Three Major Water Companies File for Rate Increases

Three major water companies recently filed for rate increases with the Public Utility Commission.

Aqua Pennsylvania filed a tariff proposing an annual increase in rates of \$38,000,000 (14.4 percent) to become effective Jan. 18, 2006. At the public meeting held on Dec. 15, 2005, the Commission suspended this filing for investigation until Aug. 18, 2006, unless permitted by order to become effective at an earlier date. Aqua states that "this rate increase is the result of the company's investment of \$274.5 million. On Nov. 18, 2005, Aqua Pennsylvania Inc. filed supplement No. 61 to improve water quality, service and reliability for the nearly 400,000 customers throughout Pennsylvania since the last rate increase."

On Jan. 30, United Water Pennsylvania Inc. filed a tariff proposing an annual increase in rates of \$7,541,005 (32.4 percent) to become effective March 30, 2006. At the public meeting of March 16, the Commission suspended this filing for investigation until Oct. 30, 2006, unless permitted by order to become effective at an earlier date. United said that "a significant factor in the erosion of the rate of return is the substantial capital cost required by the construction of the Sixth Street and Hummelstown treatment plants." United currently serves 54,000 customers located in Columbia, Cumberland, Dauphin, Luzerne, Schuylkill, Wyoming and York counties.

York Water Company plans to file a general rate increase in late spring 2006. York Water mainly serves York County and parts of Adams County.

Update on Chapter 30 Proceedings

Network Modernization Plans (NMPs)

By order entered Feb. 10, 2006, the Commission approved Commonwealth Telephone Company's Revised Amended Final Alternative Regulation Plan that made four changes to the company's existing plan. Two of the changes were previously requested by Commission staff to make the plan's language consistent with specific language in Chapter 30. Two additional changes relating to extended area service (EAS) cost recovery and rate change consideration period (from 105 days to 60 days) were proposed by Commonwealth Telephone to make its plan consistent with the other plans already approved by the Commission.

Current Rate Changes

The Commission is currently reviewing price cap company filings that permit rates to be adjusted based on an inflation formula. Under Act 183's alternative forms of regulation, 18 incumbent local exchange carriers subscribe to price caps for adjusting rates of noncompetitive services. Since September 2005, companies filing for rate increases are as follows: Verizon PA - \$15.5 million; Verizon North -\$3.2 million; Sprint/United - \$2 million; and Commonwealth - \$4.1 million. All four companies elected to "bank" the remainder of their allowed increase, meaning the money is set aside to be utilized in the future, possibly for more rate increases. Complaints and intervention filed by the Office of Small Business Advocate and Office of Consumer Advocate resulted in a settlement for Sprint/United.

On March 2, 2006, the Commission approved Verizon PA's \$15.5 million rate change with modifications. Verizon North's and Commonwealth's filings remain pending before the Commission at this time.

Local Exchange Companies' Reporting Requirements

In implementing Section 3015(e) of Chapter 30, the Commission entered a final implementation order on Oct. 5, 2005, that eliminated or modified certain reporting requirements for local exchange carriers (LECs) operating in Pennsylvania. In addition, the

Chapter 30 Continued on Page 19.

Consolidated Interconnection Arbitration Proceeding

On Feb. 21, 2006, the PUC entered its final order in its proceeding addressing the Verizon Companies' (Verizon PA and Verizon North) petition, filed at Docket No. P-00042092, in which they sought a consolidated Commission arbitration of an amendment to existing interconnection agreements with competitive local exchange carriers (CLECs) and commercial mobile radio service (CMRS). This action is pursuant to the "change-of-law" provisions in existing agreements so that all agreements are brought into compliance with Section 252 of the Communications Act of 1934, as amended, and the Federal Communications Commission's (FCC's) *Triennial Review Order* (TRO) and *Triennial Review Remand Order* (TRRO).

The PUC's order made final determinations on more than 25 unresolved issues including, but not limited to the following:

- Concludes that universal language for one master amendment should not be applicable to all parties;
- Directs that Verizon's unbundling obligation not be specifically limited in the amended agreements to a reference of the obligations under Section 251(c) of the Telecom Act of 1996 (TA-96);
- Rejects Verizon's position that changes in the federal unbundling requirements that eliminate network elements would be self-actualizing;
- Establishes March 11, 2005, as the date to use to define a CLEC's embedded customer base;
- Directs that Verizon does not have to provide unbundled packet switching on a technology-neutral basis;
- Requires Verizon to permit CLECs, who sign a non-disclosure agreement to obtain the necessary proprietary information needed for CLEC self-certification to obtain access to high capacity loops;
- Establishes a six-month transition period in future instances where Verizon determines that additional wire centers meet the FCC's exemption requirements for high capacity loops during the first two years from March 11, 2005, and a three-month transition period thereafter;
- Establishes conditions under which Verizon is permitted to re-price existing arrangements no longer subject under federal law;
- Concludes that Verizon does not have to provide notice of discontinuance for those items defined as a "discontinued facility;"
- Concludes that Verizon is not permitted to assess non-recurring charges when it changes an unbundled network elements (UNE) arrangement to an alternative service;
- Addresses the appropriate definitions that should be included in the Amendments' Definitions Section;
- Determines how the interconnection agreements should be amended with regard to commingling of UNEs with wholesale services, enhanced extended links (EELs) and other combinations; and
- Rejects Verizon's assessment of engineering query charge, construction charges, and cancellation charges on CLECs until Verizon proves such charges are recoverable and TELRIC (total element long run incremental cost) compliant.

Telecommunication Mergers

Verizon-MCI Merger Approved

In an order entered Jan. 11, 2006, at Docket Nos. A-310580F0009, *et al.*, the Commission approved the merger of Verizon Communications Inc., a regional Bell operating company, with MCI Inc., a traditional long distance provider, with no further conditions beyond those required as a result of the federal proceedings at the Federal Communications Commission and the United States Department of Justice, Antitrust Division.

Under the merger, MCI will become a wholly owned subsidiary of Verizon. In approving the merger, the Commission engaged in a modified application of the traditional merger guidelines standards in the context of the telecommunications market and was persuaded that the merger would provide for viable technological substitutes for voice service, including Voice over Internet Protocol, and the increased public reliance on wireless technology. The Commission determined that the joint applicants met their burden of proof that the merger is in the public interest and that the merger will affirmatively promote competition by the applicants, including, but not limited to:

- A commitment to a one-time recalculation to exclude fiber-based collocation arrangements established by MCI in Verizon's region in identifying wire centers in which SBC or Verizon claim there is no impairment pursuant to the unbundled network elements triggers in the Triennial Review Remand Order so that dedicated transport and/or high-capacity loops need not be unbundled;
- A commitment for 30 months, not to increase the rates paid by existing in-region customers of MCI in Verizon's region for wholesale DS1 and DS3 local private line services;
- A commitment to settlement-free Internet peering arrangements for three years and posting their peering policies on publicly accessible websites for two years. Settlement-free peering is an agreement enabling Internet backbones to exchange traffic with one another at no cost; and
- A commitment to provide, within 12 months of the merger closing dates, DSL (digital subscriber line) service to in-region customers without requiring them to also purchase circuit-switched voice telephone service. The companies are to make the offering for two years from the time it is made available in Pennsylvania.

On Feb. 9, 2006, the Office of Consumer Advocate (OCA) filed a petition for review of the PUC's Jan. 11, 2006, order with the Commonwealth Court of Pennsylvania. In

its petition, the OCA contends that insufficient evidence existed upon which the Commission was able to determine that the joint applicants have satisfied all applicable standards governing mergers of utilities in Pennsylvania and that certain aspects of the order (*i.e.*, approval of the merger without conditions and the stated affirmative benefits to Pennsylvania consumers and the public) should be reversed and remanded to the PUC. The Commission's Law Bureau will seek to successfully defend the PUC's order.

PUC Investigates Newly Merged AT&T/SBC Job Layoffs

At the public meeting of March 16, 2006, the PUC directed its staff to investigate AT&T's recent workforce reductions in Pennsylvania — and their impact on service quality and the Telecommunications Relay Service (TRS) call center that handles calls between people who are deaf, hard of hearing and speech disabled, and the hearing public.

The Commission approved the merger of AT&T Corporation and SBC Communications in October 2005. In its merger application, AT&T made assurances that the merger would not adversely affect the continuity of Pennsylvania TRS service and that it would lead to job growth and be able to meet its regulatory obligations and commitments as TRS provider. Six months after the closing of its merger, AT&T announced its intention to reduce its workforce by more than 200 employees in Western Pennsylvania. It was also reported that AT&T would eliminate approximately 50 out of 200 positions at another call center in New Castle, Lawrence County, which serves TRS customers in Pennsylvania.

The informal investigation will allow PUC staff to examine the issue related to service quality. If no adverse effect is apparent, no further action would be taken. If service quality is adversely affected, staff would file a formal complaint, which only then would initiate a formal proceeding before a PUC administrative law judge.

Alltel to Spin Off Wireline Operations

On Dec. 9, 2005, Alltel Corporation announced that it will spin off its local wireline operations and merge it with Valor Communications Group Inc. to enable it to expand its core wireless business. On Dec. 23, Alltel filed an application with the PUC for approval of the change of control of Alltel Pennsylvania Inc. and Alltel Communications Inc. (See Docket Nos. A-310325F0006 and A-312050F0006 and associated Security Certificate Approvals at Docket Nos. S-00061098 and S-00061099). The FCC approved the transaction on Jan. 25, 2006.

Notice of the application was published in the *Pennsylvania Bulletin* on Jan. 7, which included information on how interested parties may file formal protests and petitions to intervene. Protests were filed against the appli-

Telecommunications Mergers Continued on Page 20.

OCA Petition for Rulemaking on Chapter 63

By order entered Feb. 13, 2006, the Commission granted the Office of Consumer Advocate's (OCA) petition for a rulemaking to amend Chapter 63, subchapters A, B, and E. The petition was filed on Oct. 2, 2002, and was published on Nov. 2, 2002, at 32 Pa. B. 5416. *Petition of the Office of Consumer Advocate for a Rulemaking to Amend 52 Pa. Code Chapter 63 (relating to Telephone Service)*, Docket No. P-00021985.

Two significant events that affected the PUC's authority regarding the regulation of local service providers (LSPs) prompted the postponement of any immediate action on OCA's petition, specifically in regard to reporting requirements: 1) House Resolution 786 in June 2004 that directed the joint Legislative Budget and Finance Committee to study and report on LSP filing and reporting requirements with the subsequent issuance of the *LB&FC Report* in November 2004; and 2) the enactment of Act 183 that substantially amended Chapter 30 of the Public Utility Code relating to alternative forms of regulation for LSPs.

Because of the lapse of time since the OCA petition was filed, the PUC directed that its Feb. 13, 2006, order and Attachment A, a summary section of OCA's petition, be published in the *Pennsylvania Bulletin* for public comment. The order and attachment were published on March 4, making comments due no later than April 18, and reply comments due no later than June 2.

The Commission's order also sought comments on whether to continue, revise or abolish the Standard Service Surveillance Level Report, as required by 52 Pa. Code § 63.53 and § 63.55.

Recommended Decision Issued in Remanded Verizon Access Charge Investigation

On Dec. 7, 2005, the recommended decision on remand of an administrative law judge was issued at Docket No. C-20027195, with regard to Phase II of Verizon PA's and Verizon North's access charge investigation. The recommended decision addresses issues that were not previously considered in Phase I of this investigation. Those issues include further access charge reductions, the removal of implicit subsidies from access charges and the reduction of the carrier charge, as well as what impact any Federal Communications Commission action in its intercarrier compensation proceeding might have on the PUC's jurisdictional responsibilities. Exceptions to the recommended decision were filed by Verizon, AT&T, Qwest, the Office of Consumer Advocate, the Office of Small Business Advocate and the PUC's Office of Trial Staff. The PUC is expected to address these exceptions during the second quarter of this year.

PUC Asks for Commitment Letter from Sprint & Nextel on Any Planned Job Cuts

On March 16, 2006, the PUC voted to seek a commitment letter about whether any job cuts are planned before giving final approval to a settlement to separate the newly merged Sprint Nextel's wireline local telephone service business - United Telephone Company of Pennsylvania - into an independent, stand alone company apart from its wireless company.

The action relates to the proposed transfer of United PA and LTD Long Distance to a new parent company for now known as LTD Holding Company, which will become the largest independent local telephone company in the United States, with 2004 annual revenues exceeding \$6 billion. The new company would operate independently of Sprint and have its own managers and board of directors.

On Nov. 30, 2005, Sprint, the Office of Consumer Advocate (OCA), Office of Small Business Advocate (OSBA) and the PUC's Office of Trial Staff filed a joint petition for settlement seeking resolution of a number of contested issues related to this "spin off." The parties reached agreement on a multi-year rate freeze, broadband availability, capital structure, dividend issuances, external debt and service-quality reporting.

In the event that the parties reject the PUC's conditioned approval of the joint settlement within 10 days, the proceeding will be remanded to a PUC ALJ for further action as appropriate.

On Feb. 15, 2006, a PUC administrative law judge (ALJ) issued a recommended decision at Docket Nos. A-313200F0007 and A-311379F0002, regarding the joint application of The United Telephone Company of PA and Sprint Long Distance Inc. pertaining to changes of control between them as a result of Sprint Nextel Corporation's plans to separate, or "spin off," its wireline service operation into an independent, stand-alone operation from its wireless operations.

The settlement, if approved, contains a rate stability feature that would provide a cap on residential and business local service rates, not to exceed those rates in United's revised 2005 Annual Price Cap filing under its Amended Alternative Regulation Plan, through June 30, 2009, with limited exceptions. It also contains provisions which guarantee that United will continue to comply with the PUC's quality of service regulations and will also alert the OCA and the OSBA if certain quality of service thresholds are not met. Approval of the settlement would also set restrictions on cash transfers, loans, debt leverage and capital structure and debt issuances that expire on Dec. 31, 2007. (*See related article on Page 20.*)

Lifeline In-line with FCC Program Guidelines

On May 23, 2005, the Commission entered a final order at Docket No. M-00051871, adopting participation in the National School Lunch Free Lunch Program and income-based criterion at or below 135 percent of the federal poverty guidelines as additional criteria for Pennsylvania's Lifeline/Link-Up program eligibility. This change makes Pennsylvania's programs consistent with the Federal Communications Commission's (FCC) default Lifeline/Link-Up programs as announced on April 29, 2004 (*Report and Order and Further Notice of Proposed Rulemaking in the Matter of Lifeline and Link-Up*, CC Docket No. 04-87, WC Docket No. 03-109).

Implementation of the Commission's final order has taken place. Approximately 200,000 PUC brochures reflecting the recent changes to Pennsylvania's Lifeline/Link-Up program qualifications, etc., have been distributed. The Pennsylvania Department of Public Welfare is including Lifeline/Link-Up subscription forms in its mailings notifying clients that they are eligible for other qualifying social assistance programs. Verizon and other telephone companies have developed company specific Lifeline/Link-Up brochures which detail the specific credit dollar amounts their respective customers are entitled to in accordance with the PUC's final order.

Pennsylvania Universal Service Fund Update

The Pennsylvania Universal Service Fund (PaUSF or Fund) was established in March 2000, to facilitate reductions in access charges and intraLATA toll rates for Pennsylvania's telephone customers. The Fund, initially set at \$32 million annually, is meant to encourage greater toll competition while enabling rural carriers to preserve the affordability of local service rates in Pennsylvania.

The Administrator of the Fund, NECA Services Inc., changed its name on Nov. 11, 2005, to Solix Inc. Their contract with the Commission is set to expire on Dec. 31, 2006.

On Nov. 10, 2005, at Docket No. M-00001337, the Commission adopted Solix Inc.'s proposal to increase the contribution rate from .99 percent of 2003 average monthly intrastate end-user retail telecommunications revenue to 1.3 percent of 2004 average monthly intrastate end-user retail telecommunications revenue. This increase will cover the projected expenses for the PaUSF for calendar year 2006.

Abandonment Regulations Implemented

In an effort to ensure that no customer would be left without local telephone service, the PUC's Bureau of Consumer Services (BCS) took steps recently to remind several competitive local exchange carriers (CLECs) of their obligations under the Commission's new abandonment regulations to notify the PUC and customers if they planned to abandon the market in Pennsylvania.

This action by BCS was prompted by information from Verizon advising BCS that Verizon had notified 15 CLECs that if they did not make new arrangements with Verizon to lease Verizon equipment, Verizon would cease providing service to the CLECs on or after March 11, 2006. This meant that the CLECs would no longer be able to provide telephone service to their customers. Verizon records showed that the 15 CLECs served over 20,000 customers using equipment leased from Verizon under prior arrangements. As of Feb. 23, 2006, only one CLEC indicated that it will abandon local service and comply with the Commission's abandonment notification rules. Two other CLECs have arranged to transfer their customers to another CLEC. The remaining 12 CLECs have made arrangements to continue to lease equipment from Verizon PA.

Implementation of Changing Local Service Providers (LSPs) Regulations

The Commission's website has a new addition. In compliance with 52 Pa. Code Chapter 63.201(f), the Commission posted the website addresses of Pennsylvania's local service providers (LSPs) on its own website. The Commission expects that these listings will provide LSPs with valuable contact information should they encounter problems migrating service between their company and another LSP operating in Pennsylvania.

The company website addresses link to the company's contact person responsible for the migration process. The list of companies and the web addresses is available by clicking "Telecommunications" near the top of the Commission's website and then selecting "Local Service Migration."

PUC Investigates Community Central Energy's Operations

On Feb. 6, 2006, the Commission issued its first emergency order mandating the continuation of natural gas service to Community Central Energy Corporation (CCEC), a steam heat public utility serving in Scranton. CCEC's natural gas supplier had terminated service to CCEC. The emergency order required PG Energy Inc., the local natural gas distribution utility, to provide continuous natural gas service to CCEC so it could continue to supply heat to its customers.

Community Central Energy provides steam heat service to about 30 industrial, commercial, institutional and residential entities. The company uses natural gas to generate steam for its heating customers. On Jan. 27, 2006, the PUC approved an increase for the company's steam cost rates from \$39.63 to \$56.01 per thousand pounds of steam or 41.3 percent.

At its public meeting on Feb. 9, the Commission ratified the emergency order. In its ratification order, the Commission voted unanimously to have staff conduct an expedited investigation into the operations of the company and the options for consumers because the loss of contracted natural gas supply services affected CCEC's ability to ensure reliable service to its customers. The investigation will be conducted jointly by the Bureaus of Audits, Fixed Utility Services and Law.

The investigation will include the following:

- The alleged failure of Community Central Energy to pay its contracted natural gas supplier, Amerada Hess;
- The ability of Community Central Energy to pay its natural gas bills from existing revenues;
- The ability and cost to consumers to switch to another utility service for heat and the ability to complete any switch prior to the next heating season;
- The status of any current plans for conversion by any existing customers; and
- Whether, given its existing operational constraints, customer base and cost structure, Community Central Energy can continue to meet its financial obligations.

PG Energy stepped in as a natural gas supplier for Community Central Energy on Feb. 1, 2006, after Amerada Hess discontinued service for alleged lack of payment. CCEC's back-up oil facility was not operable. Through its emergency order, the Commission provided important assurances to PG Energy that it will be allowed to file for cost recovery for the natural gas supplied to Community Central Energy.

During the course of its investigation, PUC staff found that the company had an unregistered loan with an area bank. Under the terms of the loan, the company was using customer payments to pay off loans from the First National Community Bank of Dunmore instead of paying its natural gas bills. The PUC issued a second emergency order on March 28, directing the company to use customer payments to pay down natural gas bills from PG Energy. Community Central owes PG Energy \$241,767 for natural gas supplies used in February.

UGI Seeks to Purchase PG Energy Assets

On Jan. 27, UGI Corporation and Southern Union Company announced that they had signed a definitive agreement whereby UGI Corporation will acquire the natural gas utility assets of PG Energy from Southern Union Company for approximately \$580 million. Southern Union Company also announced that it would be moving its corporate operations from Scranton, Pennsylvania to Houston, Texas and that a portion of the sale proceeds would be used to offset the cost of its previously announced \$1.6 billion purchase of Sid Richardson Energy Services Company.

Southern Union Company, headquartered in Scranton, is primarily engaged in the transportation, storage and distribution of natural gas. Southern Union is the nation's second-largest interstate natural gas pipeline company behind Houston-based El Paso Corporation in terms of mileage and has some 18,000 miles of interstate pipeline that extend throughout the country. Its local distribution companies include Missouri Gas Energy, PG Energy and New England Gas serve customers in Missouri, Pennsylvania, Rhode Island and Massachusetts.

PG Energy, headquartered in Wilkes-Barre, serves approximately 158,000 customers in 13 counties located in northeastern and central Pennsylvania, including the cities of Scranton, Wilkes-Barre and Williamsport.

UGI Corporation is a holding company with propane marketing, utility and energy marketing subsidiaries. UGI Utilities Inc. is a wholly-owned subsidiary of UGI Corporation that operates a gas and electric utility division.

The gas division of UGI Utilities Inc. provides natural gas service, equipment installations, and service contracts to homes and businesses in eastern and central Pennsylvania including Harrisburg, Lancaster, Reading, the Lehigh Valley and their surrounding suburbs.

The gas division serves approximately 307,000 customers. UGI Utilities Inc., Electric Division provides electric service to approximately 62,000 customers in portions of Luzerne and Wyoming counties in Northeastern Pennsylvania.

At a future public meeting, the Commission will take action on UGI's acquisition of PG Energy's assets.

Natural Gas Stakeholders Group to Meet on March 30, 2006

In its *Report to the General Assembly* regarding competition in Pennsylvania's retail natural gas supply services market, the Commission determined that there is not "effective competition" in this market on a statewide basis at this time. (*Investigation into the Natural Gas Supply Market: Investigatory Order and Report to the General Assembly*, order entered Oct. 6, 2005, at Docket No. I-00040103.) As required by the law, the Commission took steps to convene the natural gas stakeholders to explore avenues, including legislative, to increase competition.

On Dec. 30, 2005, the Commission issued a secretarial letter that established a tentative date for the initial stakeholders meeting and previewed a plan to manage the Stakeholder Working Group meetings. The plan was to use smaller working subgroups to study related issues.

On Jan. 20, 2006, the PUC issued a notice scheduling the initial Stakeholders Meeting for March 30, in Harrisburg. (*Natural Gas Stakeholders Working Group; Natural Gas Choice and Competition Act*, Docket No. I-00040103F0002.) The notice also named the proposed subgroups and the issues that were tentatively assigned to each subgroup. These subgroups are the Inter-Company Activity (IA) subgroup; the Customer Interface (CI) subgroup; and the Cost of Service (CS) subgroup.

The notice requested comment on the issue assignments and asked for volunteers to participate in each subgroup by Feb. 17. Thirty-one parties filed notices to participate or comments.

Because the Commissioners and their assistants would be actively participating in the working subgroup, Stakeholders were requested to disclose their involvement in all litigation pending before the Commission, or in which the Commission is a party in order to avoid *ex parte* communications. Stakeholders were also requested to sign a waiver to objections to the subsequent deliberation and vote on issues, subsequent petitions, settlements and other related proceedings that result from the Stakeholder Working Group process by specific Commissioners and Commission staff members who were active participants.

A staff notice issued on March 16 confirmed the above-named subgroups and announced a fourth subgroup: Competition Monitoring. That notice contained a tentative agenda for the March 30 meeting.

Gas Safety Division to Host NAPSRS Eastern Region Meeting

The Bureau of Transportation and Safety's (BTS) Gas Safety Division will host the National Association of Pipeline Safety Representatives (NAPSRS) Eastern Region meeting from June 27-29, at the Antique Automobile Club of America Museum located in Hershey. Paul Metro, Chief of BTS' Gas Safety Division is the current Eastern Region Chairman and is also a member of the NAPSRS's national board of directors. The agenda for the meeting will include a discussion of current pipeline safety issues, the establishment of communication protocols within the region, and the improvement of communications with government agencies that have responsibilities related to pipeline safety. The Eastern Region is comprised of 12 states and the District of Columbia. There are five NAPSRS regions nationwide.

The NAPSRS mission is to strengthen state pipeline safety programs through the promotion of improved pipeline safety standards, education, training and technology. The NAPSRS association supports, encourages, develops and enhances pipeline safety through the federal and state pipeline safety programs. The objectives of the association are to be achieved through the review of inspection/enforcement procedures, a consideration of regulation revision or the recommendation for new regulations, the conduct of safety training, and the maintenance of constructive relationships with other government agencies, pipeline industry representatives and related associations, and the United States Congress.

Pennsylvania has not hosted the Eastern Region meeting since 1989. Approximately 40 people from the region will attend the meeting including the state program managers, representatives from the Federal Pipeline and Hazardous Material Safety Administration (PHMSA), and an American Gas Association delegate.

Specific issues that will be discussed at this year's meeting will include damage prevention/line hits, gas inspections and risk assessment, and distribution integrity management.

Natural Gas Supplier Licensing

Activity from Oct. 1, 2005 to Feb. 28, 2006.

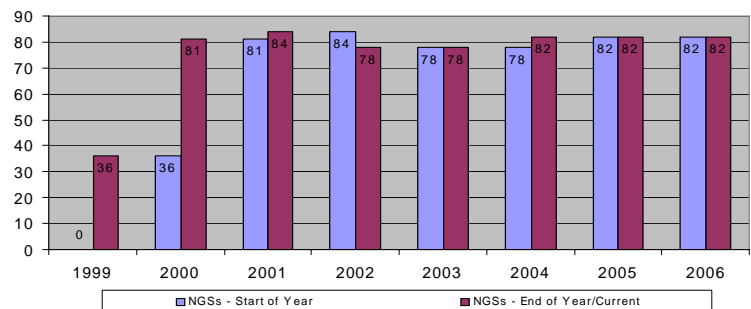
83 Active Licenses

0 licenses canceled

1 license approved

3 applications pending

Number of Licensed NGSS



Energy Price Forecast for March 2006

The Energy Information Agency's (EIA's) March 2006 *Short Term Energy Forecast* shows a downward trend in heating oil and natural gas prices compared to December prices. An unusually warm January pushed prices down, but prices are still higher than last winter.

West Texas Intermediate crude oil (WTI) is the benchmark crude oil in the United States. WTI crude oil is expected to average \$64 per barrel in 2006 and \$61 per barrel in 2007.

As winter is ending, EIA estimates that average United States households heating with natural gas will end up spending 17 percent more for fuel this winter than last winter. Households heating with heating oil can expect to pay 16 percent more this winter than last. Households heating primarily with propane can expect to pay 12 percent more this winter.

EIA shows that Henry Hub (Louisiana) wholesale natural gas prices averaged \$6.06 per thousand cubic

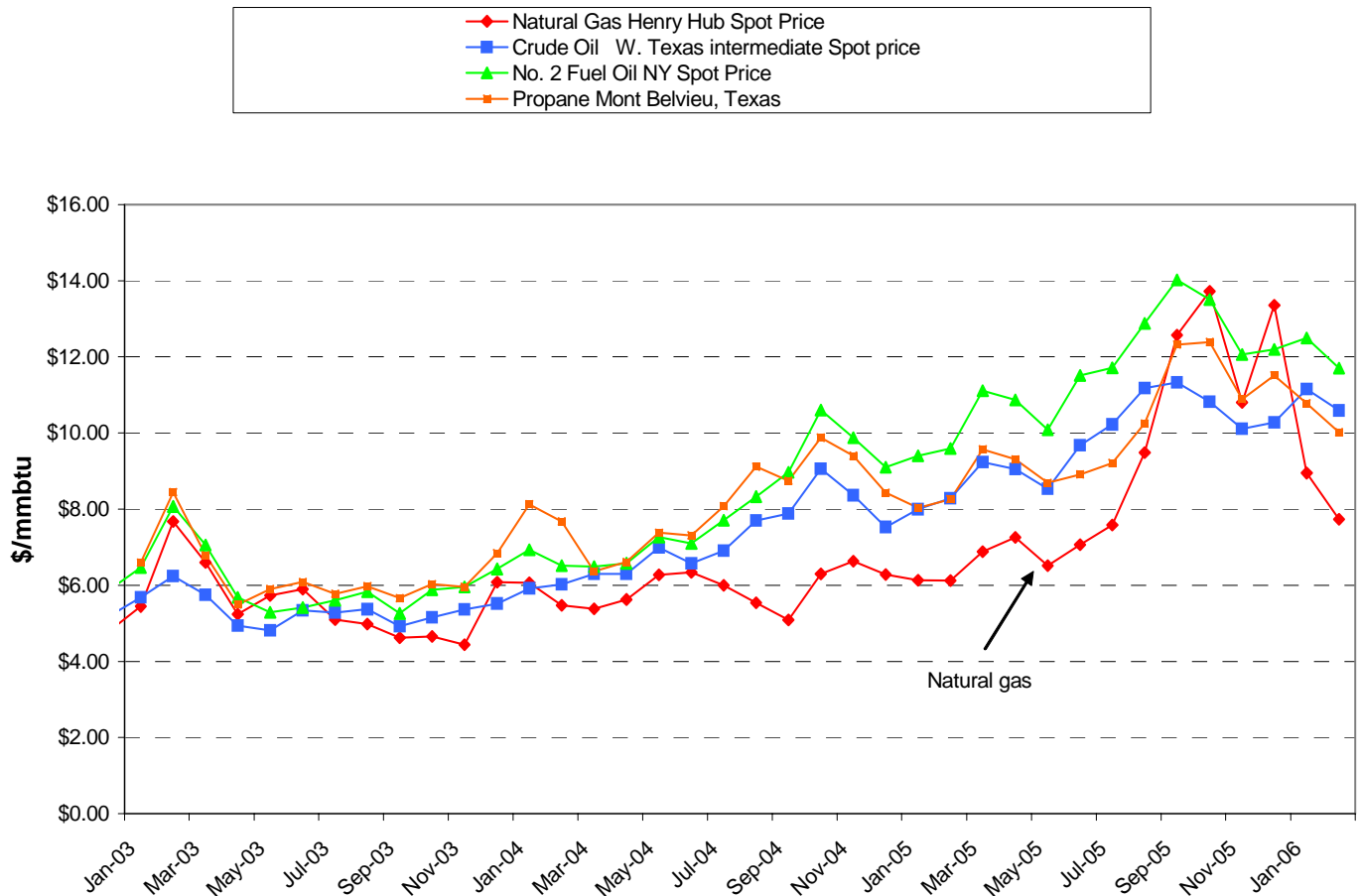
feet (Mcf) for 2004, \$9.00 per Mcf in 2005 and is projected to be \$8.11 per Mcf in 2006.

Retail regular gasoline prices are expected to average \$2.42 per gallon in 2006 and \$2.36 in 2007. Additional forecast details can be found at <http://www.eia.doe.gov/oiaf/forecasting.html>.

A previous EIA report noted: "Hurricanes Katrina and Rita damaged, set adrift, or sunk 192 oil and natural gas drilling rigs and producing platforms, the most significant blow to the United States petroleum and natural gas industries in recent memory." As of March 8, 23.2 percent of Gulf oil production remains shut in. Normal oil production is 1.5 million barrels per day. About 14 percent of Gulf gas production was still shut in. Normal production is 10 billion cubic feet per day. Additional hurricane damage and shut in information available at <http://www.mms.gov>.

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 orders that impact Pennsylvania.

Petition of the Verizon Telephone Companies for Forbearance from Title II and Computer Inquiry Rules with Respect to Their Broadband Services, WC Docket No. 04-440

In March 2006, Verizon's petition was deemed granted since the FCC did not rule on the matter by the established deadline. The FCC has permitted Verizon to have flexibility to deploy its broadband services and fiber facilities by eliminating common carrier regulation of Verizon's high capacity facilities. In December 2004, Verizon filed a petition requesting that the FCC forbear from applying Title II of the Act and the Computer Inquiry requirements for "all broadband services" that Verizon does or may offer. It also requests that the FCC forbear from applying these requirements for broadband services provided by other incumbent local exchange carriers (ILECs).

Time Warner Cable's Petition for Declaratory Ruling that Competitive Local Exchange Carriers May Obtain Interconnection to Provide Wholesale Telecommunications Services to VoIP Providers, WC Docket No. 06-55

In March 2006, the FCC requested comments on Time Warner Cable's petition for declaratory ruling regarding interconnection between competitive local exchange carriers (LECs) and incumbent LECs concerning Voice over Internet Protocol (VoIP) traffic. On March 1, 2006, Time Warner Cable petitioned the FCC to affirm that competitive LECs are entitled to interconnect with incumbent LECs for the purpose of exchanging traffic on behalf of VoIP-based providers. The FCC is requesting comments on the petition by April 11.

Customer Proprietary Network Information (CPNI) Proposed Rulemaking, WC Docket No. 96-115 and RM-11277, Comments due April 14, 2006 and reply comments due May 15, 2006

In February 2006, the FCC issued a Notice of Proposed Rulemaking (NPRM) to receive comments on a variety of issues to protect customer privacy. In the NPRM, the FCC seeks comment what security measures carriers currently have in place, what inadequacies exist in those measures, and what kind of security measures may be warranted to better protect consumers' privacy. The NPRM also seeks comment on security measures including customer set passwords, audits of when a customer's records have been accessed and by whom, encryption by carriers of stored CPNI data, data retention requirements and company notice to customers when security of CPNI may have been breached. The NPRM grants a petition for rulemaking filed by the Electronic

Privacy Information Center (EPIC) expressing concerns about whether carriers are adequately protecting customer call records and other customer proprietary network information.

Numbering Resource Optimization Order and Further Notice of Proposed Rulemaking, CC Docket No. 99-200, Comments due May 15, 2006 and reply comments due June 13, 2006

In February 2006, the FCC issued an order granting petitions for delegated authority to five states to implement mandatory thousands-block number pooling in rate centers located outside the top 100 Metropolitan Statistical Areas (MSAs), but in accordance with the national pooling framework. In the same order, the FCC issued a Further Notice of Proposed Rulemaking (FNPRM) requesting comment on whether it should delegate authority to all states to implement mandatory thousands-block number pooling consistent with the parameters set forth in the order rather than on a case-by-case basis. The FCC limited the FNPRM to the issue of extending mandatory thousands-block number pooling to NPAs out-side of the top 100 MSAs while clarifying that any such expansion of number pooling would be subject to the current numbering rules and number pooling guidelines.

Petition for Reconsideration and Clarification filed in the Communications Assistance for Law Enforcement Act (CALEA) and Broadband Access and Services Proceeding, ET Docket No. 04-295

In December 2005, the FCC issued a public notice indicating that the United States Telecommunications Association (USTA) filed a petition for reconsideration and clarification in the above-captioned proceeding. The USTA states that the FCC should link the 18-month CALEA compliance deadline with its forthcoming order on CALEA compatibility. In addition, the USTA is requesting the FCC to clarify the specific broadband access services that qualify as "newly covered services" under the CALEA applicability order. The FCC requested comments in January 2006, but has not ruled on this petition.

Universal Service Support Mechanisms for Non-rural Carriers, WC Docket No. 05-337, Comments were due March 27, 2006 and reply comments due May 26, 2006

In December 2005, the FCC requested comment on a number of issues remanded by a federal appeals court earlier this year regarding the mechanism for distributing universal service support for non-rural carriers serving high-cost areas. In this Notice of Proposed Rulemaking, the FCC seeks comment on how to reasonably define the statutory terms "sufficient" and "reasonably comparable" in light of the federal remand in *Qwest Corp. v. FCC*, 398 F. 3d 1222 (10th Cir. 2005). The Tenth Circuit directed the FCC to articulate a definition of "sufficient" that

FCC Highlights Continued on Page 16.

FCC Highlights

Continued from Page 15.

appropriately considers the range of principles in section 254(b) of the Communications Act of 1934, as amended - including affordability - and to define "reasonably comparable" in a manner that comports with the FCC's statutory duty to preserve and advance universal service. Also, since the court invalidated the high-cost support mechanism for non-rural carriers, the FCC is seeking comment on the appropriate design for a new mechanism, including whether to use a rate-based rather than a cost-based approach.

United Power Line Council's Petition for Declaratory Ruling Regarding the Classification of Broadband Over Power Line Internet Access Service as an Information Service, WC Docket No. 06-10

In December 2005, the United Power Line Council (UPLC) filed a petition for declaratory ruling requesting that the FCC issue a ruling that broadband over power line-enabled Internet access service (BPL) is an information service as defined in the Communications Act of 1934, as amended. In its petition, UPLC argues that BPL is like other broadband services, including cable modem service and Digital Subscriber Lines (DSL), that are classified as information services and thus BPL should be classified as an information service. Additionally, UPLC asserts that classifying BPL as an information service would serve the public interest because it would remove regulatory uncertainty and promote broadband access and competition. The FCC requested comments in February 2006, but has not ruled on this petition.

Petition for Rulemaking Filed To Mandate Captioned Telephone Relay Service (TRS) and Authorizing Internet Protocol Captioned Telephone Relay Service, CG Docket No. 03-123

In November 2005, the FCC requested comments on the above-captioned petition filed by 13 organizations generally representing consumer advocates and persons with hearing or speech disabilities. The petition requests a rulemaking mandating nationwide captioned TRS and authorizing Internet Protocol (IP) captioned TRS as eligible for compensation from the Interstate TRS Fund. The FCC defines captioned telephone service as a form of TRS that permits persons to simultaneously listen to what the other party is saying and read captions of what the other party is saying on the same device.

In January 2006, Ultratec Inc. filed a petition for clarification of the FCC's rules on TRS concerning the provision and reimbursement of IP captioned TRS that is provided partially or entirely over the Internet. At the present time, the FCC has not addressed the petitions.

Federal Legislation News

IP-Enabled Voice Communications and Public Safety Act of 2005, S.1063, Placed on Senate Calendar in December 2005

Senate Bill 1063 requires that the FCC revise its regulations concerning its VoIP E911 order to establish requirements that are technologically and operationally feasible for providers of IP-enabled voice services to ensure that 911 and E911 services are available to subscribers of IP-enabled voice services. The legislation requires interconnected VoIP providers to provide 911/E911 functionality, but with a waiver where it is not technically and operationally feasible. VoIP providers can elect to be treated as wireless carriers for access to facilities, including section 251/252 and state arbitration. The legislation also includes grants to the FCC to delegate to state commissions the enforcement of the regulations promulgated under this Act.

Digital Age Communications Act, S. 2113, Referred to Senate Committee on Commerce, Science and Transportation in December 2005

Senate Bill 2113 requires that communications networks be regulated at the federal level under a minimal regulatory scheme. The legislation replaces the 1934 Communications Act's public interest standard with an "unfair competition" standard. S. 2113 permits state regulation of rates for communications services for basic stand-alone service that is defined as universal service. Also, the legislation replaces the revenue-based universal service contribution mechanism with one based on telephone numbers and caps the fund at \$3.65 billion to be distributed as block grants to the states.

Internet and Universal Service Accountability and Stabilization Act, S. 2256, Referred to the Senate Committee on Commerce, Science and Transportation in February 2006

This legislation broadens the base of universal service contributors to include telecommunications broadband service and broadband voice service providers. Broadband service is defined as any service transmitting at a speed of 200 kbps or greater. Also, the bill requires the assessment of interstate and intrastate revenues for universal service purposes. In addition, the legislation expands Universal Service Fund eligibility to include broadband services, preserving access to basic telephone service and spurring investment in advanced communications infrastructure.

Prevention of Fraudulent Access to Phone Records Act, H. 4709 and S. 2178, Placed on House and Senate calendars in February 2006

Two companion bills have been introduced in Congress to criminalize the fraudulent sale or solicitation of

Federal Legislation Continued on Page 19.

PUC Procedures for General Rate Increase Cases

The procedure for reviewing general rate cases is set forth in Chapter 13 of the Public Utility Code. Additional details are included in the Commission's regulations. Under those rules, a utility requesting a general rate increase must file written notice of its intent to file for an increase with the Commission's Secretary's Bureau 30 days prior to the rate filing. Copies of this notice are served upon the Office of Consumer Advocate (OCA), Office of Small Business Advocate (OSBA) and the Commission's Office of Trial Staff (OTS). Notice of the proposed rate increase must also be provided to the public by posting notice in each office where payments are accepted, by written notice through separate mailing or bill insert and by news release.

Once the utility files its proposed rate increase, a customer may challenge the proposed increase by filing a formal complaint, testifying as a witness at a public input hearing or by sending a letter to the Commission objecting to the increase. Customers who file formal complaints become active parties to the proceeding and may participate in hearings regarding the rate increase. Public advocates such as the OCA and OSBA as well as OTS become parties to the proceeding by filing notices of intervention.

Feedback



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

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

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

General rate increases may be suspended by the Commission for a period of seven months to permit an investigation and evidentiary proceedings regarding the reasonableness of the proposed increase. The case is assigned to an administrative law judge (ALJ) who will conduct proceedings relative to the case. A prehearing conference is held, the active parties are identified, a discovery and litigation schedule is established and the need for a public input hearing is examined. Following the prehearing conference, a mediation session may be held to explore the possibility of settlement.

If public input hearings are scheduled they will be held in the filing utility's local service territory. These hearings will provide customers with the opportunity to present formal testimony, under oath and subject to cross examination, regarding the proposed rate increase. Customers may also provide off-the-record statements, but these will not be considered by the ALJ when preparing a recommended decision. Finally, customers may supply information to OTS, OCA and/or OSBA for use at evidentiary hearings. Public input hearings are generally attended by utility representatives as well as representatives from OTS, OCA, OSBA and the Commission.

At a hearing, the parties present evidence to the ALJ for consideration. After evidentiary hearings are held, the ALJ issues a recommended decision approving, denying or modifying the proposed rate increase.

Following an exception and reply exception period, the recommended decision is considered by the Commissioners, who will adopt, reverse or modify the ALJ's decision by voting on it at a public meeting. The Commission will then issue a final order adopting rates it deems reasonable and directing the utility to file a tariff containing rates consistent with the order. The Commission must enter an order approving, denying or modifying the rate increase prior to the end of the suspension period or the proposed rates will go into effect, subject to refund.

This procedure is designed to give all interested parties the opportunity to participate in the rate making process and results in reasonably priced utility service for Pennsylvania consumers.

Act 201

Continued from Page 1.

and agreed that PGW is not required to first establish an individual's household income prior to the issuance of any termination notices in the winter months.

Also at the Dec. 1 public meeting, the PUC ratified a settlement agreement where PECO is alleged to have violated Chapter 14 provisions regarding authorized termination. PECO sent 6,001 termination notices to low-income customers who had no overdue balance with the utility. PECO agreed to compensate each customer involved with a \$15 bill credit for a total credit amount of \$90,015.

Prepare Now to Pay Bills

In February, the PUC launched statewide radio ads to inform Pennsylvanians about customer assistance programs and changes in the law related to utility shutoffs.

“Some customers are receiving 60-day notices from their utilities in advance of April 1 terminations,” said Chairman Wendell F. Holland. “Dollars still remain in utility customer assistance programs that could help families as winter bills arrive in their mailboxes through the spring. We are enhancing the significant work already done to get the word out to consumers about high winter heating costs and their choices in preparing now.”

Utilities providing voluntary contributions to the \$340,000 campaign include: Allegheny Power, Columbia Gas, Duquesne Light, Equitable Gas, Met-Ed, PECO, Penelec, Penn Power, PG Energy, PPL and UGI.

The ads urge people having trouble paying bills not to wait until service is shut off, and to “Prepare Now” by calling their utility company today.

As part of Stay Warm PA, the Governor released \$19.3 million in state funds to supplement the federal Low Income Home Energy Assistance Program, to help keep seniors and vulnerable residents warm this winter. As a result of the new state funding and an increase in the income eligibility, more working households can apply for assistance.

Cold Weather Survey Results

As required by regulation, the electric distribution companies (EDCs) and the natural gas distribution companies (NGDCs) submitted the results of their surveys of residential properties where heat-related service was terminated and was not reconnected during 2005. The primary goal of the survey is to contact customers still residing at properties where service has been terminated and provide them with the opportunity to make payment arrangements to have service reconnected.

This year’s survey results showed that as of Dec. 15, the major companies reported 21,462 households entered the heating season without heat-related utility service.

The PUC’s Bureau of Consumer Services (BCS) requested all utilities that had more than 100 accounts without service on Dec. 15, to resurvey their accounts and report those results to BCS by Feb. 1, 2006. The utilities included in the resurvey effort include Duquesne, PECO, Columbia, Dominion

Peoples, Equitable, NFG, PGW, TW Phillips and UGI.

As of Dec. 15, the utilities affected by the resurvey reported that 20,408 households did not have utility service. As of Feb. 1, the total number of off accounts for those utilities decreased to 14,533 – a 29 percent decrease. Both surveys show that consumers are using potentially unsafe heating sources to heat their residences, such as kerosene heaters, kitchen stoves or ovens, electric space heaters, fireplaces and connecting extension cords to neighbors’ homes.

PUC Identifies Funds to Help Consumers

In addition to efforts as part of the “Prepare Now” and “Stay Warm PA” initiatives, the PUC has worked to identify new funding sources to direct to consumers who may be struggling to pay their higher-than-normal winter heating bills this year. The PUC:

- Authorized transfer of nearly \$15 million in unspent utility consumer-education funds to Consumer Assistance Programs (CAPs). CAPs allow low-income families to pay discounted bills.
- Directed financial settlements paid by utilities (\$600,000 to date) to resolve informal investigations to programs that help low-income families. This winter heating season, about \$250,000 was contributed to the \$1 Energy Fund, while \$100,000 was directed to the Penelec CAP and \$250,000 to the Duquesne Light customer assistance program.
- Directed PECO to provide \$15 credits to low-income customers in good standing who erroneously received termination notices due to a computer error.
- Approved Equitable Gas Company’s request to use \$7 million to expand Equitable’s CAP – money was from an anticipated federal refund.
- Urged electric and natural gas utilities to voluntarily contribute resources for a statewide consumer-education campaign on the availability of CAP programs and the changes in the law related to Chapter 14 with the input of the Commission’s Council for Utility Choice, which includes utility companies and advocates. The utilities contributed about \$340,000 including donations of radio air time.

Over 2 Million Customers Served

The Public Utility Commission recently announced that its Bureau of Consumer Services (BCS) has served 2 million customers since BCS was officially established in 1977. The 2 millionth complainant presented a challenging case that involved jurisdictional issues as well as water-quality issues. The PUC receives thousands of complaints and inquires annually regarding utility service. Consumers can call the complaint hotline, 1-800-782-1110, to file a complaint.

Call 8-1-1 Before You Dig

Pennsylvania is implementing the use of a new "Call Before You Dig" dialing code aimed specifically at protecting the state's underground utilities infrastructure from harm.

The Federal Communications Commission (FCC) ruled in March 2005 to assign the 8-1-1 number to the effort of utility infrastructure damage prevention, but left technical and operational issues of implementation to the states. The Call Before You Dig program is designed to encourage businesses and citizens to remember to call before engaging in excavation work. This new, user-friendly telephone number will encourage such action thereby helping to save lives and safeguard our valuable network of underground utilities.

At the PUC's public meeting of Oct. 27, 2005, the Commission approved a recommendation for an interim implementation order seeking comments from interested parties regarding implementation of the 8-1-1 dialing protocol. The order was entered on Oct. 31, at Docket No. M-00051921 and comments were due on Dec. 1. Currently the comments are being reviewed and a subsequent recommendation will be made to the Commission.

Since 1972, Pennsylvania law requires persons who plan to do excavation work to notify the Pennsylvania One Call System, a non-profit corporation whose mission is to process communications between operators of underground facilities and contractors who intend to excavate. In 1991, a toll-free number (800-242-1776) was established for contractors and landowners to call in advance of digging. The new abbreviated 8-1-1 number is intended to supplement the existing ten digit toll-free number.

Quality of Service Report

The Bureau of Consumer Services prepared the annual report on the customer service performance of the major electric and natural gas companies. The report presents company-reported performance data and customer survey results. Part one of the report presents data measuring telephone access, timeliness of meter reading and billing, and response time to customer disputes. Part two presents the results of uniform surveys of randomly selected customers. The surveys measure the degree of satisfaction with different aspects of customer service during company interactions.

This report will be issued in April and will be available on the Commission's website under Publications and Reports - Yearly Reports at http://www.puc.state.pa.us/general/publications_reports/publications_reports_yearly.aspx.

Chapter 30

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Commission examined whether additional reports, the Lifeline tracking report and accident and service outage reports, could continue to be required under section 3015(f) of Chapter 30. On Dec. 15, 2005, the Commission approved a final order at Docket No. M-00051900 requiring that Lifeline tracking and service outage reports continue to be required in accordance with Section 3015(f) of Chapter 30. In that same order, the Commission determined that accident reports are no longer required to be filed by telecommunications carriers.

At the same time, in December 2005, the Commission issued a proposed rulemaking at Docket No. L-00050176 reflecting these proposed changes in its regulations.

Competitive Services

In accordance with section 3016, incumbent local exchange carriers (ILECs) have the opportunity to declare certain services competitive on one day's notice resulting in total pricing freedom for the services. Since the passage of Chapter 30, three ILECs have declared a total of 119 different services competitive through this streamlined process.



Federal Legislation

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confidential mobile phone or other telephone records. S. 2178 and H. 4709 have been considered by committees and are currently referred to the full House and Senate. S. 2389 and S. 2264 referred to Senate Commerce, Science and Transportation Committee in February and March 2006.

PUC Seeks Approval of 2006-07 Budget Request

The PUC has requested approval of an operating budget for Fiscal Year 2006-07 of \$53,252,000, including \$1,621,000 in expected federal funds. This request represents a decrease of 0.9 percent, or \$473,000 from the prior year's approved budget.

The Governor's Office of the Budget asked all Commonwealth agencies to submit zero growth budgets, which was particularly challenging in a year when significant contractually required salary increases must be funded. For the PUC, these increases were offset by two major factors. The second installment of funding requested for InfoMAP is \$1.1 million less than the initial level of funding received last year. Also, the PUC achieved substantial cost savings by resuming the in-house handling of all call center functions.

InfoMAP is Under Way

The PUC has partnered with Unisys, the successful contract bidder for InfoMAP, also known as Information Management and Access Project. In March, Unisys personnel began working on-site to get this important project underway.

InfoMAP will assist the PUC in keeping pace with growing and complex responsibilities by bringing our case management technology into the 21st century. Some important ways in which InfoMAP will enhance the PUC's operations include:

- Move from dependence on hard-copy files to electronic files;
- Improve the flow of documents throughout the PUC;
- Provide up-to-date case status information;
- Create efficient information exchange;
- Supersede redundant tracking systems;
- Accept and distribute documents electronically;
- Improve public access to information filed with and produced by the PUC; and
- Ultimately allow utilities to make online payments.

The General Assembly and the Governor approved the PUC's first installment of funding in July 2005 in the amount of \$3.85 million. Our pending budget request for Fiscal Year 2006-07 contains \$2.75 million, which is needed to complete the project. With

the Unisys bid and our projected software and hardware costs, we expect our original estimate of \$6.6 million to cover the expenses of implementing InfoMAP.

The request for proposals was issued on Sept. 16, and four proposals were submitted on Nov. 30. In addition to the four prime contractors, 17 subcontractors were included among those proposals.

The Evaluation Committee promptly evaluated the bids, scoring them on the basis of pre-determined criteria. The Commission approved the Committee's selection of Unisys on Jan. 12. Negotiations with Unisys began on Jan. 18, and successfully concluded with an agreement on Feb. 21, subject to completion of a standard Commonwealth signature process.

Notably, Unisys was determined by the Committee to be the most qualified vendor. Even before costs were considered, Unisys earned the highest number of points in the evaluation process. Among the four bidders, Unisys received the most points in key criteria, including understanding of the problem, vendor qualifications, soundness of approach, technical solution and overall presentation of proposal. In addition, Unisys submitted the lowest cost bid.

We anticipate completion of this project in the first quarter of 2008. Some features will be available sooner.

Updates will continue to be posted to the PUC's website at <http://www.puc.state.pa.us/general/infomap.aspx>. If you have any questions, concerns or suggestions about this project, please feel free to direct them to ra-infomap@state.pa.us.

Telecommunication Mergers

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cation and the matter was assigned to the Office of Administrative Law Judge for consideration and the scheduling of any hearings that may be deemed necessary.

EMBARQ is the New Name for Sprint Nextel's Local Wireline Company



Sprint Nextel announced in February that it has chosen to use the name EMBARQ for its local wireline communications operations,

which is expected to be officially separated from Sprint Nextel during the second quarter of 2006. In a press release dated Feb. 1, 2006, Sprint Nextel stated that it will begin using the new name in the marketplace on a limited basis prior to the separation, and more broadly after the separation. In conjunction with the new name, a new logo was also unveiled. A transitional logo incorporating both the old and new logos will be used by the company until the company's change of control is approved nationwide.

Spotlight on the Bureau of Administrative Services

The Bureau of Administrative Services, as the name suggests, provides administrative support functions to the Commission. This support is identified specifically in the following areas:

- **The Financial and Assessment Division:**
 - Bills all fixed utilities. Since the Commission is not funded by tax dollars this division collects the assessments required to ensure the financial self sustainability of the PUC;
 - Provides for the administration of contracts for services;
 - Prepares the Commission's annual budget, rebudget and legislative appropriation's committee hearing package;
 - Serves as the Commission's Purchasing Card Coordinator; and
 - Is responsible for all accounts receivable and accounts payable functions, including the funds collected from Commission fees and fines.
- **Management Information Services:**
 - Supports all technology projects;
 - Supports the Commission's technology network;
 - Supports development of applications, which creates and supports the systems requested by the bureaus within the Commission; and
 - Provides Help Desk technical support to all workstations, including hardware and software requirements.
- **The Office Services Division:**
 - Provides high speed copier and bindery services;
 - Provides automotive and fleet support;
 - Provides the procurement for goods and commodities;
 - Provides telecommunications and facilities services; and
 - Acquires and distributes office supplies.

One of the most recent additions to this bureau is the appointment of a new bureau director, Pete Dalina. Pete previously worked for several departments in his 26 years of experience with the state.

Most of his time was spent in the administrative/budget field, which gives him expertise in handling the Commission's \$52 million budget.

Currently, the Bureau is involved with several key projects, including the implementation of Commission initiated request for proposals (RFPs); defense of the Commission's budget through the Legislative Appropriation Hearing process; and the reengineering of the Commission's case management system via InfoMAP. The Bureau is constantly looking for new ways to assist the Commission in becoming more efficient, effective and economical.

PUC Revises Rules of Practice and Procedure

At Docket No. L-00020156 to Reflect the Changes in the Commission's Jurisdiction and Responsibilities

In December 2005, the Public Utility Commission adopted final revised rules of practice and procedure. The new rules address significant changes in the utility industry since the rules were revised 10 years ago. The Independent Regulatory Review Commission (IRRC) ratified the final rules on March 21, 2006.

The final rules sought to strike a balance between utilities, consumers and the public and to avoid unnecessary delays, burdens or costs. The rules also recognize differences between proceedings where the parties are represented by attorneys and proceedings where the parties, typically consumers, represent themselves.

First, the Commission developed new regulatory definitions for terms that were not defined in the past. These include electronic mail, formal and informal complaints, formal and informal investigations, mediation, mediator, Secretary of the Commission and faxes.

Second, the new rules allow the use of electronic communications like email to reduce the costs of providing copies to each other. However, the development of rules for making electronic filings with the Commission was deferred pending the implementation of InfoMAP.

Third, the Commission rejected a proposal to impose a \$25 filing fee on any party, including a consumer, who comes to the Commission. The Commission denied the request because such a charge could discourage the public from alerting the PUC to potential service problems. However, the final rules allow any party, including a utility, to challenge an informal decision of the Commission's staff with the Commissioners. This

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Management Audit Savings



In accordance with 66 PA C.S. §516, the Pennsylvania Public Utility Commission's Bureau of Audits performs periodic management and operations audits (MAs) of the major electric, gas and water utility company operating within the Commonwealth, and follow-up management efficiency investigations (MEIs) to review the utilities' progress in implementing recommendations made in the management audits. These audits are used to examine management effectiveness and operating efficiency at the companies. The end goal of these audits is to eliminate any weaknesses or deficiencies identified in order to make utility service more reliable, safer and cost-effective.

Over the past five fiscal years (July 2000 – June 2005), the Bureau of Audits has completed and released 13 MAs and 13 MEIs. These audits have identified up to \$168.1 million in potential annual or recurring savings and up to \$78.2 million in potential one-time savings. Further, the audits completed during the five-year period identified \$68.5 million in realized annual or recurring savings and up to \$33.8 million in realized one time savings from the companies' voluntary implementation of prior recommended improvements to operations, service reliability, safety etc. Additional savings may be realized in the future.

The savings realized by the utilities are the result of implementing management audit recommendations, such as:

- Consolidating corporate service functions;
- Improving affiliated interest cost allocation methodologies;
- Reducing information technology costs;
- Improving customer collections;
- Reducing average inventory levels and improving inventory turnover;
- Reducing procurement and warehouse costs;
- Implementing nationwide procurement contracts;

- Improving theft of service programs;
- Reducing meter reading costs;
- Instituting payroll cost-containment programs;
- Improving spans-of-control for management positions and decreasing the number of management positions;
- Initiating workforce operational changes to reduce workmen overtime;
- Reducing employee absenteeism;
- Reducing the cost of call center operations;
- Reducing gas distribution line hit damages; and
- Reductions in energy usage.

Rules and Procedures

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provides an inexpensive way to contest staff decisions without incurring unnecessary costs.

Fourth, the Commission's rules address environmental issues when a utility proposes to provide water or sewer service. The rules require a water or wastewater applicant to certify whether their proposed service meets Department of Environmental Protection, county and local planning or zoning requirements. The Commission also created a formal process for consulting with the public, utilities and other governmental entities when the Commission develops any forms for seeking Commission authority.

Finally, the rules continue to allow the filing of a complaint against proposed rates and also create protest periods that reflect the complexity of Commission matters. This includes a 60-day protest period for complex matters. The Office of Consumer Advocate, the Office of Small Business Advocate and the PUC's Office of Trial Staff, as statutory advocates of the public interest, have the right to intervene at any time in Commission proceedings.