



A HISTORY OF THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION

Celebrating 75 Years of Service

1937-2012

In Memoriam



William R. ("Bill") Shane

Oct. 1, 1935 - Oct. 4, 2012

Service

PA House of Representatives

1971-76

PA Public Utility Commission

1984-90, 2005-06



The PUC Today

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

The roles and responsibilities of the Pennsylvania Public Utility Commission have continued to evolve over the years as legislators amended the Public Utility Code, and as the utility marketplace and technology evolved. The PUC oversees nearly 7,000 entities furnishing the following in-state services: electricity; natural gas; telephone; water and wastewater collection and disposal; steam heat; transportation of passengers and property by motor coach, truck and taxicab; pipeline transmission of natural gas and hazardous materials; and public highway-railroad crossings.

The evolution of the role the PUC plays in Pennsylvania continues with the implementation of new laws dealing with pipeline safety, an unconventional well impact fee, and utility infrastructure improvements.



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



- The PUC works to ensure and promote the safety of the state's natural gas pipelines, regulates natural gas distribution company rates and service, investigates gas cost rates, and encourages the development of competitive supply markets. The PUC also is responsible for collecting and distributing more than \$200 million generated by the state's unconventional gas well fee.



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

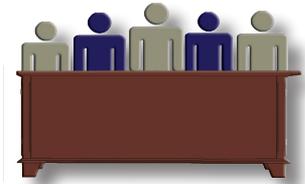


- The PUC regulates motor carriers that transport property, passengers and household goods, and conducts motor vehicle, and railroad facility and track inspections.



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

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



The Commission has evolved over the past 75 years, becoming more accessible to the public while balancing the needs of both consumers and utilities.

A Legacy of Balance

In 1907, the state General Assembly created the Pennsylvania State Railroad Commission, the Commonwealth's first public utility regulatory agency. It held jurisdiction over railroad, streetcar and telegraph corporations. Upon its creation, the Railroad Commission immediately set about investigating and arbitrating complaints and railroad accidents, proposing new statutes, working to establish a list of common carriers operating in the Commonwealth and generally organizing the Commission itself. States, including Pennsylvania, quickly moved to broaden the scope and authority of these early regulatory commissions.



Streetcars on Market Street in Philadelphia, September 1920.

The Railroad Commission was abolished and replaced in 1913 with the seven-member Pennsylvania Public Service Commission (PSC), which was given the authority to regulate all public utilities. The PSC became operational in 1914 and began the legacy of balancing the interests of public service companies and the welfare of the public. The original intent of creating the PSC was to serve as an arbitrator of these conflicting demands, a primary purpose that continues to this day. The PSC held jurisdiction over utility rates; issuance of stocks, debt and securities; the fair value of utility property; a proper system of accounting; auditing the utilities; and subpoenaing and examining

witnesses. These functions would survive and expand as utility regulation continued to evolve in Pennsylvania.

With Act 43 of 1937, the General Assembly replaced the Public Service Commission with the Public Utility Commission, to better “supervise and regulate” all public utilities doing business in the Commonwealth. The Act created the position of Secretary, which also existed at the Railroad Commission and the PSC. Act 186 of 1937 created the Public Utility Law to guide the actions of the new five-member Commission with statutory authority, among other things, to control market entry and exit; to approve mergers and acquisitions; to establish just and reasonable rates; to maintain safe, adequate and reasonably priced service; to examine transactions between utilities and their affiliates; to register securities; to inspect records and facilities; to impose civil penalties; and to assess utilities for regulatory costs.

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



In the decades that followed, the PUC dealt with the development of nuclear electricity generation; electric price escalation in the 1970s driven by federal legislation and inflation, which affected all materials used to build new plants; “stagflation” as well as inflation; federal wage and price controls in the early ‘70s that barred rate increases at a time of major construction; and the oil embargo. This high volume of activity changed the role of Commissioners, who could no longer preside over each hearing themselves. This high volume also led to additional PUC staff who quickly outgrew the Commission’s original office space in the Capitol Complex’s North Office Building, which was built by 1929 for the PSC.



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

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

- Moving Commissioners from part-time to full-time positions and placing an emphasis on Commissioners' accountability to both the utilities and ratepayers.
- Establishing that a majority of Commissioners now constituted a quorum, so that pending rate requests and investigations were not delayed if vacancies existed.
- Upgrading Commission staff through employment of engineers, statisticians, accountants, inspectors and other experts, and appropriate compensation for expert staff.
- Creating the Law Bureau as a multi-functioning legal staff, as well as the (now former) Bureau of Conservation, Economics and Energy Planning (CEEP), and the Bureau of Consumer Services (BCS).
- Forming the Office of Administrative Law Judge (OALJ) and beginning the process of ALJ public hearings and ALJs submitting initial decisions to the Commission as a foundation for final orders. Prior to the creation of the ALJs, Hearing Officers (and before that Commissioners themselves) presided over cases.
- Creating a new Code of Ethics for Commissioners, Administrative Law Judges and employees, including a prohibition on ex parte communications on issues presently before the Commission.

With Act 114 of 1986, the General Assembly again made structural changes to the PUC, creating the Office of Trial Staff from the Law Bureau Rates Division attorneys to represent the public interest in all electric, natural gas, telephone, water and other fixed utility rate cases.

Act 114 also codified in law the prior creation of the Office of Special Assistants (OSA), to assist in the preparation of Commission orders and other advisory work, as well



as the position of Director of Operations, responsible for administration.

In the past several decades, the PUC faced changes and opportunities:

- Helen B. O'Bannon became the first female Commissioner in 1975.
- In 1976, the PUC formed the Bureau of Audits by transferring auditors from the state Office of Auditor General, and from the PUC rates and research staff.
- In 1977, the Commission created the Consumer Advisory Council to advise the PUC on utility issues important to consumers.
- Act 116 of 1978 created the Public Utility Code as the primary source of the PUC's power and authority.
- The Commission began implementing cogeneration and small power production under the federal Public Utility Regulatory Policies Act of 1978 (PURPA).
- In 1979, the Three Mile Island (TMI) nuclear power plant experienced a partial reactor meltdown. The state House passed Resolution 55, resolving "that the Pennsylvania Public Utility Commission take such action as may be necessary to prevent the shifting of the cost of the accident at Three Mile Island from those responsible to consumers or the taxpayers."
- From 1979 to 1985, the Commission dealt with the aftermath of the TMI accident while facing large rate increase requests, soaring inflation, high interest rates and the electric utilities' requests for a return on their investment in completed nuclear power plants.
- In 1980, Susan M. Shanaman became the first female Chairman of the PUC.



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



As part of the Commission's 65th Anniversary event in 2001, the Commission (Chairman Glen R. Thomas, Vice Chairman Robert K. Bloom and Commissioner Terrance J. Fitzpatrick, pictured) honored employees with service milestones.



Daniel H. Huyett III,
Chairman George
I. Bloom and Louis
J. Sparvero circa
1969.



Commissioners Michael
Johnson, W. Wilson
Goode and Helen B.
O'Bannon, Chairman
Louis J. Carter, and
Commissioner Robert K.
Bloom.



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



Commissioner Frank Fischl, Chairman Linda C. Taliaferro and Commissioner William R. Shane.



Commissioners Linda C. Taliaferro and Frank Fischl, Chairman William R. Shane, and Commissioners William H. Smith and Joseph Rhodes Jr.



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



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



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



Commissioner Aaron Wilson Jr., Chairman John M. Quain, Vice Chairman Robert K. Bloom, and Commissioners Nora Mead Brownell and Terrance J. Fitzpatrick.



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



Commissioner Kim Pizzigrilli, Vice Chairman Robert K. Bloom, Chairman Wendell F. Holland, Commissioner Glen R. Thomas and Punxsutawney Phil, who the Commission partnered with to educate electric and natural gas customers to "Prepare Now" for higher winter energy prices.



In 2005, three former Commissioners return: Terrance J. Fitzpatrick, James H. Cawley and William R. Shane. Also pictured: Commissioner Kim Pizzingrilli.



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



Commissioner Robert F. Powelson. Chairman James H. Cawley, Commissioner Kim Pizzingrilli, Vice Chairman Tyrone J. Christy and Commissioner Wayne E. Gardner.

- Act 234 of 1984 provided for management audits of electric, natural gas, telephone and water utilities, and use of independent consulting firms.
- The Commission oversaw the associated cases and access charge proceedings needed to implement the federal breakup of AT&T in 1984.
- In 1985, there was a major outbreak of giardiasis in the water supply affecting a half-million people in Northeastern Pennsylvania, which brought to light the need to filter all surface water sources to safeguard the population.
- In 1985, the Commission on a case-by-case basis began to open up the natural gas industry to direct sales by producers to industrial customers.
- In 1990, the PUC implemented the Telecommunications Relay Service, which allows people who are deaf, hard of hearing or speech disabled to communicate with anyone using a regular telephone. Pennsylvania was one of the first states to offer this service and acted prior to the passage of the federal Americans with Disabilities Act.
- In 1993, the PUC conducted the Pennsylvania Telecommunications Infrastructure Study that led to the original Chapter 30 and set out the first goals for providing broadband to all Pennsylvanians.
- In 1994, the PUC instituted a formal investigation and collaborative to examine the structure, performance and role of retail competition in Pennsylvania's electric utility industry.



- The Commission prepared the Report and Recommendation on Electric Competition, which helped to lead to the creation of the 1996 Electricity Generation Customer Choice and Competition Act.
- The Commission created the (now former) Bureau of Fixed Utility Services in 1995 with technical staff from OSA.
- In 1995, the PUC combined the Bureau of Transportation, and the Bureau of Safety and Compliance into the (now former) Bureau of Transportation & Safety.
- Also in the midst of implementing changes to Pennsylvania's utility marketplace, the PUC merged its public information personnel with BCS staff specializing in consumer education to create the Office of Communications. During this same period, the Office of Intergovernmental Affairs became the Office of Legislative Affairs. These changes aimed at making the Commission more transparent and accessible to all ratepayers, and those who inform and represent consumers.
- In 1997, the General Assembly enacted the Distribution System Improvement Charge (DSIC) to allow water companies to use a PUC-approved surcharge on customers' bills to fund more upgrades of aging infrastructure than would otherwise be feasible at a reasonable rate for customers.



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



- In 2000, the PUC moved its offices from the Capitol Complex’s North Office Building (and other buildings where Audits, BCS and other personnel were based) to the new Commonwealth Keystone Building. The Commissioners began holding Public Meetings in a new Hearing Room 1 in the new building.



- In 2002, in the wake of the Enron collapse, the PUC reviewed current corporate governance controls and auditing practices of the 27 major Pennsylvania utilities.
- In 2002, the Commission launched its successful “Prepare Now” campaign that became a template for other agencies in preparing consumers for higher winter energy prices.
- During late 2004, the General Assembly passed three major new comprehensive laws bringing significant changes and challenges to PUC. The acts represented sweeping changes to the way energy and water utilities terminate consumers (Act 201 of 2004); the way electric utilities and their consumers embrace the use of alternative energy sources for generation (Act 213 of 2004); and the way telephone companies are regulated and deploy high-speed Internet services across Pennsylvania by 2015, through a new Chapter 30 (Act 183 of 2004).
- In 2007, the General Assembly again reviewed the Commission, through a performance audit by the Legislative Budget and Finance Committee, which found, among other things, that the PUC has made “significant regulatory changes” to maintain electric reliability; has ensured at least 58 percent of Pennsylvania telephone access lines were broadband capable as of 2004, substantially ahead of the aggregate goal of 45 percent to be compliant with Chapter 30; has made “good progress” in implementing the Alternative Energy Portfolio Standards Act; and is successfully partnering with the State Police to handle the Motor Carrier Safety Enforcement Program.



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



- In 2008, the Commission launched an extensive “rate-mitigation” effort aimed at preparing consumers for the removal of electricity rate caps in 2010 and 2011. The effort included a comprehensive consumer-education effort.
- In 2008, the General Assembly significantly changed the electric market in Pennsylvania (Act 129). Act 129 required electric distribution companies (EDCs) to meet consumption reduction benchmarks in order to reduce the cost of electric in Pennsylvania.
- Act 129 of 2008 also eliminated a statutory requirement for specific offices and bureaus, and retains their powers and duties with the Commission. The law granted the PUC flexibility to make major structural changes within the agency for the first time in decades, realigning the agency to meet its new responsibilities and changes in the utility industry and society. A new Executive Director was hired to incorporate strategy and planning functions. Administrative and personnel functions realigned under the Director of Administration. Bureaus with regulatory functions realigned under the Director of Regulatory Operations. The PUC created the new bureaus of Technical Utility Services, and Investigation and Enforcement using personnel from the Law Bureau, and the former bureaus of FUS, CEEP and Transportation & Safety.
- In 2009, the Commission created the Small Gas Task Force, which utilizes representatives from across the Commission to help small gas utilities to navigate the Commission’s myriad compliance and reporting requirements.
- In 2010, the Commission launched PAPowerSwitch.com to allow electric customers to choose an electric supplier by entering in their zip code.



- In 2011, the PUC created its Emerging Leaders Program as one way to address succession planning and identify the Commission's next wave of leadership.
- The PUC is implementing the Gas and Hazardous Liquids Pipelines Act (Act 127 of 2011), which expands the Commission's authority to enforce the federal pipeline safety laws as they relate to those pipelines and facilities.
- The PUC is implementing Act 11 of 2012, signed into law on Feb. 14, 2012, which provides for a DSIC for electric, natural gas, water and wastewater utilities, and builds on the Commission's past success with a water DSIC.
- On Feb. 14, 2012, Act 13 of 2012, the Unconventional Gas Well Impact Fee Act, became law and made the PUC responsible for implementing the imposition, collection and distribution of an unconventional gas well fee (also called a drilling impact fee).



- The PUC held an historic forum in May 2012 to examine the increased use of alternative fuel vehicles, specifically electric and natural gas.
- Building on the success of InfoMAP, the PUC in fall 2012 eliminated requirements for parties to submit multiple paper copies of documents, beyond a signed original, filed with the PUC. The PUC also ceased the internal distribution of paper copies of filed documents.
- Electric shopping increased to 1.85 million Pennsylvania customers who switched to a supplier by the end of September 2012. The PUC took major steps to enhance the competitive electricity market through its Retail Markets Investigation.



- In 2012, the PUC launched a new consumer-oriented website that included a PAGasSwitch shopping tool; began posting video of its public meetings online; and convened a working group to recommend whether the Commission develop a social media presence.



- Over the past several years, the PUC has instituted several numbering conservation efforts to slow the proliferation of area codes in Pennsylvania. These efforts have resulted in conserving over millions of telephone numbers throughout the state, and prevented the need for additional area code relief for the 717 and 814 area codes.



In 2002, the PUC celebrate its 65th anniversary with a panel of past (and future) chairs on the history of the Commission. From left are: Susan M. Shanaman; Linda C. Taliaferro; James H. Cawley; moderator Roni Smith, PUC Executive Director; Glen R. Thomas; John M. Quain; and Clifford L. Jones (now deceased).

