Annual Report

of the

Pennsylvania
Office of Consumer Advocate

Fiscal Year 2011-2012

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INTRODUCTION

The Office of Consumer Advocate (OCA) has served Pennsylvania utility consumers since its establishment by the General Assembly in 1976. The OCA is a statutorily independent office, administratively included within the Office of Attorney General. On June 29, 1990, the Senate of Pennsylvania confirmed the appointment of Sonny Popowsky as Consumer Advocate, and he has continued to serve in the position since that time.

The OCA represents Pennsylvania utility consumers in matters before the Pennsylvania Public Utility Commission (PUC) and other state and federal regulatory agencies and courts. The OCA participates before the PUC in all major rate cases, most small rate cases, and many non-rate proceedings that have a significant impact on consumers. OCA also participates in matters before the Federal Energy Regulatory Commission (FERC) and the Federal Communications Commission (FCC) that have a substantial impact on Pennsylvania consumers. The OCA also participates actively on policy-making committees of non-government organizations such as the PJM Interconnection, whose decisions have a critical impact on electric prices and service in Pennsylvania. Through our consumer education outreach, website, and toll-free call center, the OCA also seeks to ensure that consumers are informed regarding changes in their utility service. In recent years, the OCA has continued to work on proceedings resulting from major state and federal legislative changes impacting utility consumers, such as rulemakings and implementation orders regarding electric and natural gas restructuring, regulatory requirements for basic and advanced telecommunications services, and most recently the issues involving the implementation of Act 11 of 2012, which permits, among other things, a distribution system improvement surcharge for electric, natural gas, and wastewater utilities.

The OCA serves as the voice of Pennsylvania utility consumers as the utility industries continue to evolve from a fully regulated to a partially regulated, partially competitive structure. The OCA has evolved as well in order to ensure that Pennsylvania consumers receive the benefits – and avoid the potential harms – that these industry changes bring about.

In the electric industry, where rate caps that were put in place to protect Pennsylvania consumers during the transition from regulated to competitive generation markets have come to an end, the OCA has sought to ensure that customers continue to be protected through the development of stable, reasonably priced "default" service. Pursuant to Act 129 of 2008, the OCA continues to work to ensure that Pennsylvania electric utilities provide reliable default generation service to their customers at the lowest cost over time. The OCA continues to be active in Act 129 proceedings to ensure that the energy efficiency, demand response, and advanced metering programs developed by Pennsylvania electric utilities provide the greatest benefit to consumers at the lowest reasonable cost. At the same time, through our website and consumer outreach, OCA has been a leader in educating residential consumers on how to shop.
for competitive electric generation services if they choose to do so. Since much of the
decision-making that affects Pennsylvania electric consumers now occurs at the federal
and regional level, the OCA has expanded its participation in key electric proceedings
before the FERC and in the activities of the PJM Interconnection. In recognition of the
OCA's leadership role on these issues, Consumer Advocate Sonny Popowsky was
recently named Vice Chair of the United States Department of Energy’s Electricity
Advisory Committee. He was originally appointed to the Committee in 2010, and is the
first state consumer advocate to serve on the Committee.

In the natural gas industry, the OCA has participated in a number of base
rate cases as well as application cases involving natural gas utilities. The OCA also
continues to represent consumers across Pennsylvania in the annual PUC review of
every major natural gas distribution company's purchased gas costs. As in the electric
industry, the OCA seeks to ensure that natural gas consumers continue to have access
to the least cost "supplier of last resort" service from their regulated natural gas
distribution company while also educating residential consumers about how to choose
alternative natural gas suppliers. The natural gas industry in Pennsylvania has been
greatly affected in recent years by the dramatic developments in the Marcellus Shale,
and the OCA has been involved in a number of proceedings to ensure that
Pennsylvania consumers benefit from these developments. The OCA also participates
in proceedings at the FERC that involve the major interstate pipelines that serve
Pennsylvania’s retail natural gas distribution companies.

In telecommunications, the OCA has participated in cases involving
telephone competition, mergers, and basic service pricing in Pennsylvania, as well as
cases involving implementation of federal orders regarding access charges and
universal service funding. The OCA continues to focus on the goal of ensuring that
Pennsylvania maintains and enhances the provision of reliable and affordable universal
telephone service throughout the Commonwealth. This has included efforts to maintain
reasonable limits on basic telephone rates, particularly in rural areas, and to expand the
Lifeline telephone discount programs to low-income consumers who might otherwise
not be able to afford service. The OCA also participated in a number of service quality
cases to ensure customers are receiving reliable service. At the federal level, the OCA
works with the National Association of State Utility Consumer Advocates to provide the
consumers’ perspective in proceedings before the Federal Communications
Commission.

In the water and wastewater industries, the OCA continues to represent
consumers in base rate increase cases, acquisitions, and other application proceedings
involving both large and small utilities. As water and wastewater infrastructure expand
in order to meet the needs of Pennsylvania consumers for safe and adequate service,
the OCA has expanded its own efforts to ensure that rates are maintained at reasonable
and affordable levels. In addition, the OCA has participated in a number of service
quality cases to ensure that consumers are receiving safe and adequate water and
wastewater service, and has also worked to extend public water service at a reasonable cost to unserved areas.

In addition to its litigation activities, OCA participates on behalf of utility consumers in state and federal legislative and policy debates. The Consumer Advocate has been called on to present formal testimony in the Pennsylvania General Assembly and the Pennsylvania Public Utility Commission regarding critical utility issues that affect Pennsylvania consumers.

The OCA also responds to individual utility consumer complaints and inquiries. The OCA maintains a toll-free calling number (800-684-6560) which is staffed from 8 a.m. to 5 p.m. Monday through Friday. The OCA also devotes substantial resources to educating consumers about changes in the utility industry. The Consumer Advocate, Consumer Liaison, and other members of OCA staff have helped plan and participate in consumer presentations, roundtables, and forums across the Commonwealth to help educate consumers about changes in the utility industry and to advise them about cases that affect them. During the last fiscal year, the OCA participated in more than 80 consumer outreach events across Pennsylvania, many of which were sponsored by members of the General Assembly. In addition, the OCA keeps consumers and members of the General Assembly informed through regular letters and bulletins about upcoming cases and public hearings. The OCA also provides consumer information and education through its website at www.oca.state.pa.us. Among the most popular items on the OCA website are the OCA’s monthly shopping guides that provide “apples-to-apples” price comparisons for residential electric and natural gas customers who are looking for alternatives to their utility default service suppliers.

The OCA looks forward to continuing to meet its growing challenges on behalf of Pennsylvania utility consumers. The OCA believes that it has served Pennsylvania consumers well both with respect to its traditional regulatory responsibilities, as well as in its role in assisting consumers to obtain the benefits and avoid the pitfalls of the changing utility service markets. The OCA recognizes the importance of its role in advocating for the interests of Pennsylvania consumers and keeping consumers informed with respect to their utility services. Through this Annual Report, the OCA will summarize its activities in fulfilling its role in Fiscal Year 2011-2012.
Petition of Duquesne Light Company for Approval of its Default Service Plan for the Period June 1, 2013 through May 31, 2015, Docket No. P-2012-2301664. On April 27, 2012, Duquesne Light Company filed a Petition seeking approval of its next default service plan for the period June 1, 2013 through May 31, 2015. For residential customers, Duquesne proposed utilizing full requirements purchases and an annual default service rate for customers. Duquesne also proposed a number of competitive enhancement programs for the retail markets. The OCA witnesses provided testimony generally supportive of Duquesne’s proposals. The OCA witnesses recommended that the Company modify its procurement plan for residential customers so that the products purchased were broadened to include blocks of energy and spot market energy purchases. The OCA also recommended additional consumer protections to the competitive enhancement programs proposed by Duquesne. At the end of the Fiscal Year, this case was pending before the ALJ.

Petition for Modification of Energy Efficiency and Demand Response Plan, Docket No. M-2009-2093217. Duquesne Light Company filed a Petition seeking modifications to its Energy Efficiency and Demand Response Plan (EE&C/DR Plan). Specifically, Duquesne proposed to eliminate its residential and small commercial direct load control program because the costs of the program were higher than expected and the benefits were lower than expected. The changes in cost and benefits raised questions as to the continued cost-effectiveness of the program. In addition, participation in the program was limited, also raising questions as to whether the program could achieve the necessary savings. The Company did not have a specific proposal for replacing the program. The OCA filed an Answer stating its continued support for direct load control programs and raising questions as to some portions of the Company’s analysis. The OCA questioned whether the program should be eliminated when there was no proposal for new programs to provide the required savings. After the filing of the OCA’s Answer, the parties engaged in settlement negotiations to attempt to resolve the issues. A settlement was achieved. Under the settlement, the Company agreed to operate a limited direct load control program for residential and small commercial customers. The parties also agreed to transfer any unspent direct load control budget to other programs that would assist the Company in meeting its Act 129 goals. The settlement was approved by the ALJ and the Commission.
Application of DQE Holdings for Approval of A Transfer of Control, Docket No. A-2010-2213369. As discussed in last year’s Annual Report, DQE Holdings, the parent company of Duquesne Light Company, is owned by the MacQuarrie Infrastructure Management fund, a consortium of investors. One of the MacQuarrie investors, DUET, sought to sell its interest to Epsom Investment Pte Ltd, which is a subsidiary of the Government of Singapore Investment Corporation Pte Ltd, a company that is wholly owned by the Government of Singapore. Through this transaction, Epsom would hold a 28.95% equity interest in DQE. The OCA filed a Protest to ensure that this transaction was thoroughly investigated by the Commission and that all necessary protections for ratepayers were in place. In testimony, the OCA’s expert recommended that certain measures be put in place to ensure that customers are properly protected and continue to receive the benefits resulting from the ownership change of Duquesne. The measures included certain ratemaking protections, ring fencing measures, reporting requirements, reliability requirements, universal service commitments, and community commitments. The parties engaged in settlement discussions and a full settlement was reached. The settlement included ratemaking protections regarding the cost of the transaction, some additional ring fencing measures to address this change in control and some additional reporting requirements. The settlement also reaffirmed the reliability requirements, universal service commitments and community commitments promised by the Applicants. The ALJ and the Commission approved the settlement.

FirstEnergy Companies:

Metropolitan Edison, Pennsylvania Electric, Pennsylvania Power, West Penn Power

Joint Petition for Approval of Default Service Plans for 2013-2015, Docket Nos. P-2011-2273650, P-2011-2273668, P-2011-2273669, P-2011-2273670. FirstEnergy filed for approval of its Default Service Plans for its four operating subsidiaries for the years 2013 through 2015. The Companies proposed a comprehensive plan for procuring default service supply in this time period as well as a plan to introduce certain competitive enhancements for the retail electricity market. Some of the competitive enhancements proposed by the Companies include a retail opt-in auction and a customer referral program. The Companies also proposed an additional charge - the Market Adjustment Clause (MAC) that would add 0.5 cents per kilowatt hour to the rates charged to all residential and small business customers. The OCA filed an Answer to the Joint Petition. The OCA filed the direct, rebuttal and surrebuttal testimonies of OCA witnesses Barbara Alexander and Matt Kahal. On April 4 and 5, 2012, the OCA participated in full evidentiary hearings in this matter. The OCA also submitted its main and reply briefs to the Administrative Law Judge in this matter. In its testimony and briefs the OCA opposed the Companies’ proposed MAC, which the OCA calculated would increase default service rates by as much as $190 million. The ALJ issued a Recommended Decision in the proceeding. In the R.D., the ALJ generally adopted the
Companies’ procurement proposals but did include some of the consumer protections regarding the competitive enhancement programs sought by the OCA. The ALJ also adopted the position of the OCA and other consumer representatives in rejecting the Companies’ proposed MAC. Exceptions to the ALJ’s Recommended Decision were filed by nearly all parties and the matter was pending before the PUC as of the end of the Fiscal Year.

FirstEnergy Universal Service and Energy Conservation Plan, Docket Nos. M-2011-2231012, M-2011-2231018, M-2011-2231038. FirstEnergy filed for approval of its Three-Year Universal Service and Energy Conservation Plan in accordance with the Commission regulations. The filing was for all of the FirstEnergy operating subsidiaries. In its filing, FirstEnergy proposed a change in the method of calculating the “asked-to-pay” amount of a customer’s bill participating in a Customer Assistance Program (CAP) to address a change in the policy of the Department of Public Welfare as to how the LIHEAP grant is applied to a CAP customer’s bill. The Company also proposed some changes in the eligibility guidelines for the program, and the verification process for the program. The Commission issued a Tentative Order seeking comments on the changes. The OCA filed comments supporting the Companies’ proposed method for calculating the asked-to-pay amount and proposing some alternatives to the verification process. The OCA did not support FirstEnergy’s proposal to expand the eligibility for the program as it was inconsistent with the Commission regulations and orders and had the potential to substantially increase the cost of the program paid by non-CAP residential customers, many of whom are low income customers. On March 1, 2012, the Commission entered its Final Order. In the Final Order, the Commission adopted certain Company proposals consistent with the recommendations of the OCA.

Petition of FirstEnergy to Delay Filing of Smart Meter Implementation Plan, Docket No. M-2009-2123950. FirstEnergy, on behalf of its operating subsidiaries Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company filed a request to delay the filing of their Smart Meter Implementation Plan. The Plan was to be filed in June of 2012 and was to present a plan for the full deployment of smart meters throughout the service territory in accordance with the requirements of Act 129 of 2008. The Companies sought the extension due to the need to further test new technology that had recently been provided to the Company. The new technology, if able to be used in the service territory, has the potential to reduce the cost of full deployment. The OCA did not object to the request.

FirstEnergy Request to Amend Energy Efficiency and Demand Response Plans, Docket Nos. M-2009-2092222, M-2009-2112952, M-2009-2112956. As discussed in last year’s Annual Report, three FirstEnergy Companies (Met-Ed, Penelec and Penn Power) filed a Petition with the Commission seeking to amend their approved energy efficiency and conservation/demand response Plans (EE&C Plans). These Plans were filed pursuant to Act 129 of 2008 to meet the requirement that each electric distribution company
(EDC) reduce energy usage and peak demand within their service territory by specified percentages and by certain dates. As the Companies implemented their plans, they determined that certain modifications were needed to adjust underperforming programs and to further fund well-performing programs that had expended all allotted funding. The Companies also determined that these adjustments were necessary to achieve the statutory requirements for energy and demand reductions. The Companies also proposed certain changes to the Plan that would allow them to make modifications to the plans, such as modifying incentive payments and rebates, without a lengthy review and approval process by the PUC. The OCA filed an Answer to the Petition, generally supporting the modifications, but calling for a more detailed review as the plan moved forward. The Commission assigned the matter to an ALJ for expedited hearing. Hearings concluded and the parties filed briefs. The ALJ issued his Recommended Decision approving the plan modifications and the Companies’ proposed incentive ranges for use in the rebate program. The ALJ specifically adopted the OCA’s recommendation regarding the process to modify incentive payments and rebates. The Commission adopted the Recommended Decision.

West Penn Power Time of Use Filing and Dynamic Pricing Filing, Docket No. P-2010-221611, P-2011-2218683. In accordance with Act 129, West Penn Power Company filed its proposed time of use rates to be offered to customers who have a smart meter. Subsequently, West Penn filed a Dynamic Pricing Plan as part of its Energy Efficiency Plan and to meet the requirements of the smart metering provisions of Act 129. For the residential customer class, West Penn’s Dynamic Pricing Plan called for the implementation of a Critical Peak Rebate Program. Both rate plans are to be available to customers with smart meters. The Plans provided different pricing structures to reflect the price of electricity at the time of its use and provide incentives to customers to shift usage to lower priced periods. The OCA filed an Answer to West Penn’s Petitions and filed expert testimony in both proceedings. As to the time-of-use plan, the OCA raised numerous concerns about the design of the plan, the need for additional consumer protections, and the cost recovery mechanism. As to the Critical Peak Rebate program, the OCA identified some limited concerns with the design and implementation of the program, as well as the cost recovery mechanism. Following the filing of testimony, the parties engaged in settlement negotiations. A settlement in principle was first reached on the residential program design, consumer protections and cost recovery, but litigation continued on other elements of the plans. Under the settlement on residential program design, it was agreed that the Critical Peak Rebate program would be implemented, subject to certain consumer protections advanced by the OCA, and that the time-of-use rates would be withdrawn. Subsequently, a settlement was reached regarding the plan for the commercial customer class. Under the settlement, a Critical Peak Pricing Plan will be implemented for commercial customers. The settlements were approved by the ALJ. The Commission approved the residential dynamic pricing plan but required an additional modification in the compliance phase for the commercial rate plan. The parties reviewed the modification in the compliance phase and determined that they were acceptable.
Metropolitan Edison Company Audit of NUG Accounting Procedures, Docket No. D-2009-2093381. As discussed in last year’s Annual Report, on June 30, 2009, the Commission’s Bureau of Audits issued its Report on Met-Ed and Penelec’s accounting for its stranded costs related to non-utility generation (NUG) costs. In that Report, the Bureau of Audits identified a line item adjustment implemented by Met Ed that resulted in an increase to the NUG stranded cost that must be paid by ratepayers of $14.7 million. The Commission then requested comments on this adjustment. The OCA filed Comments objecting to the line item adjustment made by Met-Ed. The OCA argued that the line item adjustment, which increased the NUG stranded cost balance, was not in accordance with the methodology specified in the 1998 Restructuring Settlement or prior Commission Orders. On June 30, 2010, the Bureau of Audits filed its Report for the 2009-2010 year. The Bureau of Audits again noted that Met Ed had increased its stranded cost by the $14.7 million in the prior year, an issue that remains unresolved. The OCA made a filing with the Commission noting its continuing objection. At the end of the Fiscal Year, this issue was pending before the PUC.

**PECO Energy**

Petition of PECO Energy Company for Approval of Default Service Plan II, Docket No. P-2012-2283641. PECO filed its second default service plan to cover the period 2013-2015. PECO proposed a comprehensive plan to procure supply to meet its default service obligation. Also as part of this filing, PECO proposed a number of competitive enhancements for the residential retail market. These programs include a residential retail opt in auction and a customer referral program. The OCA’s two witnesses, Richard Hahn and Barbara Alexander, submitted written testimony wherein the OCA made several recommendations to improve the Company’s proposed plan. Hearings were conducted and briefs submitted to the ALJ. At the end of the Fiscal Year, this matter was pending before the ALJ.

Office of Small Business Advocate’s Complaint Pursuant to Sections 2811 and 2209 for Investigation of the Proposed Merger of Exelon Corporation and Constellation Energy Group, Docket No. P-2011-2247936. The OSBA filed a complaint and petition seeking an investigation of the proposed merger of Exelon Corporation and Constellation Energy Group under Sections 2811 and 2209 of the Public Utility Code. Under these Sections, the Commission may investigate the proper functioning of the competitive retail markets for electricity and natural gas service, including the effects of mergers on these markets. If as a result of the investigation, the Commission has reason to believe that anticompetitive or discriminatory conduct, including the unlawful exercise of market power, is preventing retail electricity customers from obtaining the benefits of a properly functioning and workably competitive retail market, it is required to refer its findings to the Attorney General, the United States Department of Justice, the Securities and Exchange Commission, or the Federal Energy Regulatory Commission. The
Commission granted the Petition and established an investigation. The OCA provided the testimony of its expert witness addressing the market power issues presented by the proposed merger and the impact on both the wholesale and retail default service market if the market power is not adequately mitigated. On February 17, 2012, the Maryland Public Service Commission issued its Order in this matter, pertaining to the effects of the proposed merger in Maryland, and approved the merger. On March 9, 2012, the Federal Energy Regulatory Commission issued its Order in this matter, approving the merger without any further conditions. On April 6, 2012, after several rounds of negotiation, the OCA and Exelon agreed to a stipulation whereby Exelon would provide on-going reporting as to competitive issues that could affect Pennsylvania ratepayers. At the end of the Fiscal Year, the stipulation and final determination of this matter were pending before the Administrative Law Judge.

Petition of PECO Energy Company for Expedited Approval of its Dynamic Pricing Plan Vendor Selection and Dynamic Pricing Plan Supplement, Docket No. P-2012-2297304. On April 15, 2011, the Commission approved a Dynamic Pricing Plan for PECO that included several pilot programs designed to test customer acceptance of time-of-use pricing and critical peak pricing. The pilot program was designed to test rate design, marketing, education strategies, and technologies for such programs. The Plan included numerous consumer protections so that consumers volunteering for the pilots would not jeopardize their electric service. Prior to the implementation of the pilot program, the Commission entered an Intermediate Work Plan Order in its Retail Market Investigation. As part of that Order, the Commission recommended that EDCs consider a competitive bid to solicit an alternative electric generation supplier to provide the time of use supply and price. In furtherance of that recommendation, PECO proposed a modification to its Dynamic Pricing Plan to include a competitive bid process for a time of use supply vendor. The solicitation was conducted and Reliant Energy Northeast was selected as the winning bidder for the supply portion of the Plan. Following its selection as the winning bidder for supply, Reliant filed an Opposition to the Dynamic Pricing Plan requesting changes to certain aspects of the Dynamic Pricing Plan. The OCA filed a response to the opposition urging the Commission to reject any changes in the Plan at this time. At the end of the Fiscal Year, this matter was pending before the Commission.

Pike County Light & Power

Petition of Pike County for Approval of its Default Service Plan for 2012-2014, Docket No. P-2011-2252042. Pike County filed a Petition seeking approval of its Default Service Plan for 2012-2014. Pike proposed to continue its current purchasing strategy which entailed spot market purchases from the New York ISO wholesale markets. Pike is unique among Pennsylvania default service providers in that it is located in the New York ISO rather than PJM, and it has a very small number of default service customers due to a Retail Aggregation Program that was implemented in its service territory in
2006 to help address the significant price spikes that occurred that year for Pike's customers. The aggregation program has now come to an end, and Pike is again fully serving the role of default service provider for its service territory. The OCA presented expert testimony in the proceeding proposing some modifications to Pike’s plan in order to bring more stable default service rates to Pike’s customers. Hearings were held and the matter was briefed.

On February 14, 2012, the ALJ issued her Recommended Decision. In that decision, the ALJ approved the modifications to the Company’s plan set forth in the OCA’s testimony. Specifically, the ALJ required the Company to include an on-peak fixed hedged-price contract. The Commission subsequently issued a final decision in the matter. In its decision, the Commission did not adopt the recommendation of the ALJ or the OCA. The Commission concluded that procurement of spot market supply only was consistent with the law and would provide least cost supply over time to Pike default service customers. The OCA filed an appeal with Commonwealth Court. At the end of the Fiscal Year, this case was pending before Commonwealth Court.

**PPL Electric**

**PPL Base Rate Case**, Docket No. R-2012-2290597. On March 30, 2012, PPL filed a base rate case seeking a distribution-only revenue increase of $104.6 million per year. The Company proposed to allocate nearly 100% of the increase to the residential classes. Specifically, for residential customers in Rate Class RS, the Company’s proposed increase represents a 6.5% increase on a total bill basis. The base rate case is driven by the Company’s continued investment in infrastructure, lower customer usage and a proposed return on equity of 11.25%. In testimony, the OCA recommended that the Company receive an increase of no more than $41.7 million with a return on equity of 9%. The OCA also recommended that the Company’s proposal to allocate nearly all of the rate increase to residential customers be rejected and that a more modest rate increase be borne by the residential class. Hearings were held and briefs prepared for the ALJ. At the end of the Fiscal Year, this case was pending.

**PPL Base Rate Remand, Donsco Complaint**, Docket No. R-2010-2161694. At the request of Donsco, an industrial customer of PPL, the Commission remanded various issues from PPL’s 2010 distribution base rate case to the ALJ for further consideration. Specifically, the Commission remanded the question of whether Donsco, a customer on rate LP-4, should be permitted to take service on a different rate schedule or provided with a different rate design to lower the costs of electric distribution service to Donsco. The Commission also sought information on the cost to other LP-4 ratepayers if the amount that Donsco was required to pay was reduced. The OCA continued its participation in the case. In response to Donsco testimony that suggested that any costs associated with Donsco receiving lower charges could be borne by other classes of customers other than LP-4, the OCA filed testimony countering this position. As the
OCA pointed out, the Commission had already assigned 100% of the rate increase to the residential class and to assign any more cost responsibility to the residential class could not be justified. The ALJ issued her Recommended Decision rejecting the relief requested by Donsco. At the end of the Fiscal Year, the matter was pending before the Commission.

PPL Petition for Approval of its Default Service Plan, Docket No. P-2012-2302074. On May 1, 2012, PPL filed a Petition requesting approval of its next default service plan for the Period June 1, 2013 through May 31, 2015. For residential customers, PPL proposed to procure full requirements contracts to provide its default service supply. PPL also proposed various competitive enhancement programs for the retail markets. In testimony, the OCA recommended modifications to PPL’s proposed procurement plan for residential customers and its competitive enhancement programs. As to the procurement plan, the OCA recommended that PPL include block energy products and spot market energy purchases in its supply mix to provide more diversity and better achieve the goals of Act 129. Regarding the competitive enhancement programs, the OCA recommended that the programs be better aligned with customer interest in savings and to include consumer protections. At the end of the Fiscal Year, this case was pending before the Commission.

PPL Electric's Reconciliation of Its Time-Of-Use Rates, Docket Nos. M-2011-2258733, C-2011-2259375. PPL filed for approval of time-of-use rates that included reconciliation of a significant undercollection from the prior period. As filed, PPL’s rates would have increased dramatically, with on-peak rates of 33¢/kwh and off-peak rates of 29.9¢/kwh. The OCA filed a complaint against these rates. The Commission suspended the tariff filing so that the rates would not go into effect and directed PPL to make a filing within 30 days to develop a new time of use rate design. The Company made that filing and the matter of the time of use rates will be addressed in that docket.

Petition of PPL Electric to Establish New Time-Of-Use Rates, Docket No. R-2011-2264771. PPL Electric filed a proposal to establish its time-of-use rates pursuant to the requirements of Section 2807(f) of the Public Utility Code. PPL has made two prior filings that have encountered significant implementation problems due to the method of procuring default service supply used by PPL. In this filing, PPL proposed an alternative rate design to attempt to address some of the implementation issues. The OCA filed the Direct Testimony and Surrebuttal Testimony of its expert witness recommending a specific rate design for the residential time of use rates. The parties filed briefs and the ALJ issued her Recommended Decision. In her decision, the ALJ recommended that the proposed TOU program be rejected and that the existing program continue until June 1, 2013. The OCA filed Exceptions to the R.D. At the end of the Fiscal Year, the matter remains pending before the Commission.

against PPL’s reconciliation of its default service costs. PPL’s method of accounting for, and reconciling, over and under recoveries of default service costs has resulted in wide swings in the default service price for commercial customers. The OCA intervened in the proceeding and has been monitoring the proceeding. On April 4, 2012, the ALJ issued her Recommended Decision, in which she recommended that the Commission conduct an Audit of PPL’s accounting procedures for default service in the January 2010 period, among other recommendations. At the end of the Fiscal Year, this case was pending before the Commission.

Petition of PPL Electric Utilities for Approval to Modify its Smart Meter Technology Procurement and Installation Plan and to Extend its Grace Period, Docket No. M-2009-2123945. On May 4, 2012, PPL filed a Petition seeking to modify its approved Smart Meter Technology Procurement and Installation Plan. PPL proposed to implement eight new programs to test various smart meter functionalities, modify some existing programs and extend its “grace period” so that it can further test and evaluate the most cost-effective ways to meet the Act 129 smart meter requirements. PPL has already deployed smart meters throughout its service territory and has upgraded its meter data management systems to store and retrieve the more detailed customer usage data. The OCA did not oppose PPL’s proposal. The OCA recommended that the Commission continue to require PPL to file its reports and meet with its stakeholders on a regular basis as it conducts its evaluations.

Petitions of PPL Electric for Authorization to Defer for Accounting Purposes Certain Unanticipated Expenses For Storm Damage, Docket Nos. P-2011-2270396, P-2011-2274073. PPL filed two petitions seeking authority to defer expenses incurred as a result of storm damage from Hurricane Irene and the October 2011 snow storm. PPL sought to defer these expenses so that it can claim recovery of these expenses in its next distribution base rate case. PPL did not seek any guarantee of recovery, only the opportunity to seek recovery in its next case. The OCA filed an Answer recommending that certain conditions be imposed if the Commission determines to grant the Petitions. On December 15, 2011, the Commission entered an Order granting the Company’s petitions and stating that nothing in this opinion and order limits the ability of any party to a future rate case to seek or oppose rate recovery of all or any part of the costs deferred pursuant to this authorization.

PPL Transmission Service Charge Proceedings, Docket Nos. M-2010-2213754, M-2011-2239714. PPL collects the transmission charges that it incurs from its default service customers through a reconcilable adjustment clause. When PPL filed its reconciliation statement following the first full year of retail choice, issues arose as to the appropriate method to reconcile past period over and under collections in light of wide spread switching to alternative suppliers in some customer classes. Customers who have switched no longer pay the transmission service charge or the reconciliation. In addition, the load associated with customers who have switched is no longer included in the allocation factors used to assign the costs to the customer classes. Under PPL’s
method, it is possible that there is a misalignment between costs and customers causing the costs resulting in inter-class subsidies. The Commission requested comments on these issues. The OCA filed comments in each docket. In general, the OCA supported a change to PPL’s methodology on a going forward basis to address the changes in cost assignment that result from customer shopping. As to the reconciliation for the past year, however, the OCA took the position that PPL’s methodology had to be followed since this methodology was included in PPL’s tariff and had been agreed to in a settlement. At the end of the Fiscal Year, the Comments were pending before the Commission.

PPL Petition for a Reconciliation Rider and a Competitive Transition Rider, Docket No. P-2011-2256365. PPL filed a petition seeking to establish two riders related to its default service. The first rider is a competitive transition rider designed to collect from all customers certain unrecovered historic costs related to PPL’s default service procurements and time-of-use rates. The underrecovery resulted from the initial implementation of PPL’s default service rates which was followed by substantial numbers of customers switching away from PPL’s default service and the implementation of its time of use rates which resulted in large numbers of customers moving on and off of those rates. The reconciliation rider is designed to address over and under recoveries in default service rates on a going forward basis. The reconciliation rider is designed to effectuate recovery on an annual basis which will provide more price stability to the default service rate. It is also designed to apply to customers who switch suppliers so that customers do not leave behind costs for which they are responsible. The OCA filed a complaint and participated in the proceeding. The OCA filed testimony of its expert witness supporting the competitive transition rider but opposed the feature of the reconciliation rider that would apply the rider to customers who have left PPL’s default service. On April 4, the ALJ issued her Recommended Decision, in which she recommended approval of the Reconciliation Rider and rejection of the Competitive Transition Rider. In addition, the ALJ recommended that the Company modify its rate design such that reconciliations be calculated on an annual basis, rather than in its current quarterly reconciliation. At the end of the Fiscal Year, the case was pending before the Commission.

Gall v. PPL, Docket No. C-2011-2256356. Ms. Gall alleged that her electric distribution company was not properly crediting her bill for excess electricity generated by her home’s private 9.6 kW solar photovoltaic system. The Complainant stated that from September 2010 through July 2011, while she was a customer of an alternative electric generation supplier, she received no financial compensation from PPL for excess electricity that was generated by her system. In addition, the Complainant stated that after contacting PPL, she was informed that she cannot be paid for the excess energy her system is generating unless PPL is both her electric distribution company and her electric generation supplier. Complainant stated that this information is not readily available to the public and wants more transparency so that customers are able to make more informed decisions. The OCA intervened in this proceeding in the interest of the
Complainant and similarly situated customers and to try to ensure that shopping customers with their own generation are aware of all of the facts prior to switching suppliers. The OCA presented a settlement proposal to PPL and the Complaint has now been satisfied.

**Citizens’ Electric, Wellsboro Electric**

Petition of Citizens’ Electric and Wellsboro Electric for approval of Default Service Plans, Docket Nos. P-2012-2307827, P-2012-2307931. Citizens’ and Wellsboro filed for approval of their next default service plan. Citizens’ and Wellsboro proposed to continue their existing managed portfolio approach to procuring supply for their default service customers. The OCA’s Direct Testimony generally supported the Companies’ proposed stratified procurement plan. At the end of the Fiscal Year, these cases were pending before the Commission.

**UGI Electric**

UGI Utilities-Electric Division, Energy Efficiency and Conservation Plan, Docket No. M-2010-2210316. UGI-Electric filed its proposed energy efficiency and conservation plan. The OCA filed expert testimony of its witness addressing numerous aspects of UGI-Electric’s program design and budgets and made several recommendations for improvement to the energy efficiency and conservation plan. The ALJ issued a decision adopting many of the recommendations of the OCA. The Commission then issued its final decision. In its decision, the Commission adopted the OCA’s position that the Company’s claim for lost revenues associated with its EE&C plan should be rejected. The Commission also adopted several of the recommended modifications proposed by the OCA to the Company’s plan.

Petition of UGI-Electric for Authorization to Defer, for Accounting Purposes, Certain Unanticipated Storm Expenses, Docket No. P-2011-2269911. UGI-Electric filed a petition seeking authority to defer expenses incurred as a result of storm damage from Hurricane Irene. UGI-Electric sought to defer these expenses so that it can claim recovery of these expenses in its next distribution base rate case. UGI-Electric did not seek any guarantee of recovery, only the opportunity to seek recovery in its next case. The OCA filed an Answer recommending that certain conditions be imposed if the Commission granted the Petition. On December 15, 2011, the Commission granted the Company’s petitions and stated that nothing in the order limits the ability of any party to a future rate case to seek or oppose rate recovery of all or any part of the costs deferred pursuant to this authorization.
Electric Generation Suppliers

Application of J. Andrews and Associates, Docket No. A-2011-2241747. J. Andrews and Associates filed an Application with the Public Utility Commission seeking a license to serve as an electric generation supplier in Pennsylvania. A Protest was filed to the Application by a former employee challenging the financial and technical fitness of the Applicant. The Protestant also alleged that there were inaccuracies and incorrect statements in the Application. The OCA intervened in the matter to investigate the allegations. Testimony was served by the Applicant, the Protestant and the Bureau of Investigation and Enforcement. The OCA filed its Brief with the ALJ raising its concerns with the completeness and accuracy of the Application. The ALJ issued her Recommended Decision finding that the Applicant was not financially or technically fit to obtain a license in Pennsylvania. The matter will now be considered by the Commission.

Generic Policy Cases

Energy Efficiency and Conservation Programs, Phase II, Docket Nos. M-2012-2289411, M-2008-2069887. On May 11, 2012, the Commission entered a Tentative Implementation Order regarding the continuation of the energy efficiency and conservation plans implemented in 2009 pursuant to Act 129 of 2008. Through the Tentative Implementation Order, the Commission proposed new parameters for the development of energy efficiency plans for the period beginning June 1, 2013. As part of the Tentative Implementation Order, the Commission proposed a three-year length for the programs, established energy savings targets, established specific energy savings targets for the low income customer sector as well as the government and non-profit sector, and set forth the evaluation protocols for the plans. The Commission also determined that it would not establish peak demand reduction program requirements for the Phase II programs and would defer all demand response to a Phase III program. The OCA provided comments on the Tentative Order. In its Comments, the OCA urged the Commission to establish a program length of four years and to allow for the continuation of demand response programs in Phase II. The OCA also supported the Commission’s proposal that a certain percentage of the savings be achieved through low income programs and government/educational/non-profit programs. The Commission issued its Final Implementation Order retaining the three year program length and the sector carve outs. The Commission also upheld its determination that it would not include demand response programs in Phase II. Several Petitions for Reconsideration and Petitions for Evidentiary hearings were filed and are pending before the PUC.
Proposed Rulemaking Re: Marketing and Sales Practices for the Retail Residential Energy Market, Docket No. L-2010-2208332. The Commission began a rulemaking governing marketing and sales activities of electric generation suppliers and natural gas suppliers. The proposed regulations were based on the interim guidelines related to door-to-door marketing that the OCA previously worked on through the CHARGE working group. In the CHARGE process, the OCA joined with AARP and Dominion Retail to file comments recommending numerous consumer protections. In the proposed rulemaking, the Commission adopted many of the recommendations of the OCA/AARP/Dominion Retail comments. The OCA and AARP filed further Comments in December 2011 supporting the proposed regulations and recommending some clarifications and modifications to strengthen the consumer protections. The proposed rulemaking order was entered by the Commission on February 14, 2012.

Statewide Investigation Into the Competitive Electricity Retail Market, Docket No. I-2011-2237952. As discussed in last year's Annual Report, on April 28, 2011, the Commission launched an investigation into the competitive retail electric market in Pennsylvania. Through this investigation, the Commission sought to assess the status of the retail market and to make necessary improvements and adjustments designed to improve the functioning of the markets. At the heart of the Commission inquiry is the provision of default service under Pennsylvania law and whether the provision of default service erects barriers to retail competition. The Commission issued an Order seeking comments on a number of specific questions and established an en banc hearing procedure where the Commissioners would question various selected witnesses. The OCA filed extensive comments in the investigation. Through its comments, the OCA supported Pennsylvania's requirement that default service be provided to customers at least cost over time. The OCA found that no barriers to the retail market were erected by the current default service model, but the OCA identified certain procedures that could be further improved to facilitate retail competition. At the en banc hearing on June 8, 2011, the Consumer Advocate appeared and provided testimony. The Commission next intends to establish a series of workshops to consider various issues and recommendations. The OCA will participate in these workshops. The OCA has been participating in various subgroups and on the weekly conference calls to discuss the issues presented by the investigation. The Commission issued a Tentative Order on a number of topics and the OCA filed Comments regarding the issues in the Tentative Order on November 3, 2011. On November 10, 2011, the OCA presented testimony at an en banc hearing regarding several issues from the investigation. Specifically, the OCA presented testimony on consumer education, accelerated switching time frames, retail opt-in auctions, customer referral programs, and default service plans for 2013-2015.

The Commission issued further Orders in December of 2011 regarding default service plans for the post-2013 period. In first Order, the Commission recommended that default service plans be limited to two years and that the contracts purchased during this time frame not extended beyond June of 2015. In the second Order, the
Commission set forth further details of a retail opt-in auction and a customer referral program for implementation during the 2013-2015 default service plan period. The OCA filed extensive comments on these Orders in January 2012. The OCA also continued its participation in the Working Group and filed its discussion paper outlining the OCA’s view of default service for the period 2015 and beyond.

On March 2, 2012, the Commission issued a Secretarial Letter scheduling an En Banc hearing and subsequent Comment period. The En Banc hearing was held on March 21, 2012, and Sonny Popowsky testified to the consumer perspective on the “End State” of default service in the Commonwealth. Also, on March 2, 2012, the Commission issued an Order (Intermediate Work Plan Order) offering guidance for the implementation of certain retail market enhancement programs to be implemented in the Default Service period from June 2013 to May 2015. In the Intermediate Work Plan Order, the Commission set forth recommendations and guidance regarding 1) the expansion of consumer education; 2) the acceleration of the switching timeframe when a customer shops for an alternative supplier; 3) the initiation of a customer referral program; 4) the initiation of a retail opt-in auction program; 5) the inclusion of the default service price to compare on customer bills, and 6) the increase in coordination between electric distribution companies and electric generation suppliers. On April 4, 2012, the OCA filed its Comments regarding the end state of default service as well as customer education initiatives. At the end of the Fiscal Year, the OCA was participating in the default service proceedings of the electric distribution companies where these recommendations were being considered for implementation.

Eligible Customer List Order, Docket No. M-2010-2183412. As discussed in last year’s Annual Report, on November 12, 2010, the Commission issued its Final Order setting forth guidelines for the provision of certain information on an electric distribution company’s customers to licensed electric generation suppliers. The purpose of the “eligible customer lists” is to provide information to licensed EGSs for the purposes of marketing generation service and making specific offers to customers. The eligible customer list is to include such information as name, mailing address, service address, telephone number, account number, usage data and other information related to the customer’s electric service. Under the Commission’s Final Order, customers were provided the opportunity through an “opt-out” process to restrict access only to their service address, telephone number and historic usage information. Victims of domestic violence or customers who are similarly endangered would be permitted to restrict access to all of their customer information. The OCA had opposed the Commission’s proposal, arguing that all customers should be able to restrict access to all customer information. The OCA filed an appeal of the Commission’s Order. Additionally, the Pennsylvania Coalition Against Domestic Violence (PCADV) filed an appeal and requested a stay of the Commission’s Order. The OCA filed an Answer in support of the stay request and participated in oral argument in support of the PCADV stay request. The stay was granted at oral argument. The Commission filed a Motion to Quash both appeals and the OCA filed an Answer opposing the Motion. Subsequently,
the Commission filed an Application for Remand of the proceeding so that the Commission could address certain issues raised by its Order. The Court granted the Commission’s Application for Remand. The Commission sought further comments from the stakeholders on the Eligible Customer List procedures.

The OCA filed Comments on July 13, 2011 setting forth its position that an opt-out procedure could be utilized if the information to be released was limited, there was appropriate consumer education and there was an easy method to opt out. The OCA also reiterated its position that for any release of smart meter data, affirmative customer consent is required. The Commission issued its Final Order in this matter. In the Final Order, the Commission adopted the position of the OCA that customers be permitted to opt out of having any of their information provided on the eligible Customer List. The Commission also agreed with the OCA that no telephone numbers be provided on the Eligible Customer List. As to smart meter data, the Commission stated that it would take up that matter in a separate proceeding. The Commission also directed that consumer education and notification procedures be developed to inform customers of the eligible customer list, the information that will be included on the list, and the methods of opting out of the list. The OCA will continue to work with the Commission and EDCs in the development of these notices.

Proposed Revisions to Policy Statement On Customer Assistance Programs, Docket No. M-00072036. As discussed in last year’s Annual Report, following the Commission’s Final Investigatory Order regarding the design, availability of and funding of customer assistance programs under the Electric Choice Act and the Natural Gas Choice Act, the Commission issued proposed revisions to its Policy Statement to implement necessary revisions. Areas where the Commission sought to revise or clarify its regulations included CAP development, expansion and revision; scope and funding; and design elements. Of particular concern to the OCA were the Commission’s proposed design changes to allow for the benefit provided to low income customers to more closely track the actual energy prices paid by the customer, the modifications to the percentage of each customer’s income that is to be paid toward the utility bill, improvements in the arrearage forgiveness program, and the addition of a program to phase a customer out of the CAP when their income increases. The OCA filed comments. Prior to issuing a decision, the Commission sought further comments related to a proposed policy change by the Department of Public Welfare (DPW) related to the application of the LIHEAP benefit to a CAP customer’s bill. The OCA filed supplemental comments with the Commission addressing necessary program design changes that may be needed if DPW adopts its proposed policy change. The OCA also filed comments with DPW regarding this change in the LIHEAP State Plan. In its comments to DPW, the OCA urged DPW to reconsider this change in policy as it was not legally required and disrupted decades of program integration between LIHEAP and CAP. At its Public Meeting of May 10, 2012, the Commission withdrew the proposed revisions to the Policy Statement.
Default Service and Retail Electric Markets Policy Statement, Docket No. L-2009-2095604. On May 1, 2010, the Commission’s Proposed Rulemaking Order Regarding Implementation of Act 129: Default Service was published in the Pennsylvania Bulletin. In the proposed Rulemaking Order, the Commission proposed amendments to its default service regulations as required by the enactment of Act 129 of 2008 in order to make those regulations consistent with the Act. As the Commission noted, Act 129 revised the default service requirements contained in Chapter 28 of the Public Utility Code. Among its requirements, Act 129 specifically revised the Default Service Providers’ (DSPs) obligation so that the DSP must provide default service at the least cost to customers over time. The OCA submitted Comments on the Commission’s proposed revisions and in response to questions posed by the Commission regarding the implementation of Act 129. In its Comments of June 1, 2010, the OCA noted that the design of default service was one of the most critical tasks facing the Commission. The OCA pointed out in its Comments that at its core, Act 129 affirms and strengthens the obligation of Default Service Providers to bring the benefits of competitive prices in the wholesale market to all customers – including those who remain on default service through the procurement of generation supply at the least cost to customers over time. The OCA recommended that Default Service Providers develop a procurement approach that secures a prudent mix of resources as set forth in Act 129 to affirmatively meet its obligations. The OCA made some specific recommendations to the proposed regulations to better achieve the goals of Act 129.

On October 4, 2011, the Commission entered its Final Rulemaking Order. In its Order, the Commission adopted modifications to its regulations to bring those regulations into conformity with Act 129. In reaching its determination, the Commission agreed with the OCA that the least cost over time standard of Act 129 necessitates the changing of the DSP role from a purchaser of default supplies at market prices to one of an affirmative obligation to assess which products will provide the lowest cost to customers over the term of the plan and beyond. The Commission also agreed with the OCA that Act 129 necessitates a prudent mix of supply resources to achieve its goals and not sole reliance on a single type of purchase. The regulations were published as final in the Pennsylvania Bulletin on January 27, 2012.

Proposed Rulemaking on Service Outage Response Time, Docket No. L-2009-2104274. On November 6, 2009, the Commission issued a proposed rulemaking order seeking comments on the Commission’s current regulations regarding service outages and reportable accidents. The Commission’s consideration of these regulations arose from a Commission investigation into the utility response to Hurricane Ike which swept through Pennsylvania in September, 2008, interrupting service to over 450,000 customers. The Commission had conducted an investigation and held two public input hearings to solicit information regarding current and past storm preparation and response practices. A Report of the investigation was provided to the Commission making several key recommendations. Specifically, the Report recommended that utilities: 1) apply the principles of the National Incident Management System and
Incident Command System when managing widespread outages, including the development of a written crisis communication plan; and 2) provide a greater level of detail in their written reports to the Commission. The Report also recommended that the Commission establish a more uniform approach to reportable accidents. The Commission then proposed regulations to implement these recommendations for the electric, gas and water industries. The OCA filed Comments on the proposed regulations seeking to clarify the reporting requirements. The Commission issued a Final Rulemaking Order on September 23, 2011 adopting some of the OCA’s proposed clarifications.

Policy Statement Regarding Utility Service Outage Public Notification Guidelines, Docket No. M-2008-2065532. On November 10, 2009, the Commission entered a proposed Policy Statement regarding utility service outage public notification guidelines. The proposed Policy Statement added a section for electric distribution companies to the Commission’s current policy and sought comments on whether the policy should apply to natural gas utilities as well. The Commission’s consideration of these regulations arose from a Commission investigation into the utility response to Hurricane Ike which swept through Pennsylvania in September, 2008, interrupting service to over 450,000 customers. The Commission had conducted an investigation and held two public input hearings to solicit information regarding current and past storm preparation and response practices. The Commission found that many Pennsylvania residents were frustrated by the lack of adequate responses from their utilities regarding service restoration. The Commission also found that in some instances, customers may have received conflicting information. The Commission found that these problems reoccurred in the summer and early fall of 2011.

A Report of the investigation was provided to the Commission making several key recommendations. Specifically, the Report recommended that utilities: 1) apply the principles of the National Incident Management System and Incident Command System when managing widespread outages, including the development of a written crisis communication plan and establishment of a Joint Information System to coordinate responses when multiple utilities are affected; 2) communicate with the news media and public in a consistent fashion using talking points distributed to all utility employees who may have contact with the public and media, and 3) establish a schedule for the regular release of information; and strive to use the best available technology for sharing information.

The OCA filed Comments supportive of the Commission’s efforts. The OCA recommended that the policy statement apply to all utilities, including natural gas, water, wastewater and telephone industries. The OCA was joined in this request by the Pennsylvania Emergency Management Agency (PEMA). The Commission agreed with the OCA and PEMA as to inclusion of the natural gas, water and wastewater industries but declined to extend this policy to the telephone industry. The OCA also made several recommendations for more frequent updates of information, the use of
technology to better communicate with customers, and the coordination and development of messages for consumers. The Commission accepted many of the OCA's recommendations. The Commission entered a Final Policy Statement on December 15, 2011.

Steam


OCA raised the following issues in the proceeding: (1) the appropriate type of and level of assistance the Company should provide to help impacted customers to transition to an alternative fuel source and (2) appropriate remedies and consumer protections to ensure that customers were not unfairly burdened by the process or costs of conversion to an alternative heating source. The OCA participated in extensive settlement negotiations with the Company and the impacted customers. The OCA met with the impacted customers on several occasions to discuss their concerns. The OCA also responded to customer questions and concerns received via e-mail and telephone calls. At the final customer meeting, the Company presented a Settlement proposal to the customers.

The OCA supported the proposed Settlement Agreement and believed that it was in the public interest. The Final Settlement Petition was filed with the ALJ on March 30, 2012. The OCA, the Commission’s Bureau of Investigation & Enforcement, the Company, and all of the Protestants signed Settlements. At the end of the Fiscal Year, this case was pending before the ALJ.

Federal and Regional

FERC Electric Cases

Exelon/Constellation Merger, EC11-83-000. On May 20, 2011, Exelon Corporation and Constellation Energy Group, Inc. (collectively, the Applicants) requested approval from FERC for a proposed merger and disposition of assets in which Exelon would acquire and combine with Constellation in a stock-for-stock transaction. Exelon is the parent company of PECO Energy Company. PECO serves over 1.6 million Pennsylvania
natural gas and electric utility customers. The proposed merger, if approved, could impact the level of service and potentially the rates of PECO’s consumers in the Commonwealth of Pennsylvania. The proposed merger would also have an impact on the competitive markets in Pennsylvania and Maryland for electric generation supply. On July 19, 2011, the OCA in conjunction with the Maryland Office of People’s Counsel filed a Protest and Request for Evidentiary Hearing in this matter. OCA/OPC’s expert witness testimony was filed at the FERC along with the OCA/OPC Protest. Subsequently, the Companies and the PJM Market Monitor filed a settlement that included additional conditions designed to address market power issues presented by the merger. The OCA and OPC filed comments to these additional conditions. On March 9, 2012, the FERC issued an Order authorizing the merger to proceed. The FERC held that the merger would pose no threat on the competitive markets for electricity in PJM. The merger was officially consummated on March 12, 2012.

Constellation Energy Commodities Group, Inc., IN12-7-000. On March 9, 2012, the Federal Energy Regulatory Commission issued a Stipulation and Consent Agreement disgorging Constellation Energy Commodities Group (CGC) of unjust profits and interest of $110,000,000 and in part, establishing a fund for the benefit of electric energy consumers in the affected states within the NYISO ($78,000,000), ISO-NE ($20,000,000) and PJM ($6,000,000) (the Fund). Part of the approved agreement creates a fund to be set up for the benefit of customers in the New England, New York, and PJM regions. The fund is to be apportioned among state agencies, including state consumer advocate offices, in those regions. The OCA is actively participating in this matter at FERC, and has joined with a coalition of representatives from the PJM region to make a proposal as to how the funds should be apportioned within PJM.

PJM Reliability Pricing Model Review and Modifications, ER12-513. On December 1, 2011, PJM filed tariff changes affecting its capacity market, also known as the Reliability Pricing Model (RPM). The changes stemmed from the performance of two mandated reviews – a triennial review of the parameters used to establish the RPM demand curve and a separate review of the overall performance of RPM since being implemented in 2007. Among the tariff changes proposed were changes to what is termed the Cost of New Entry and some of its elements, a change to determining the highest point on the RPM demand curve, and a change to limit the Short Term Resource Procurement Target (STRPT) to just one of the three types of customer demand response products. The OCA joined in two separate protests to the PJM filing. First, the OCA, along with five other state Consumer Advocate offices, filed a protest pointing out shortcomings in the RPM overall performance review and asking the FERC to encourage PJM to engage in stakeholder processes with respect to the matters identified in the protest. Second, the OCA joined with the same consumer advocate offices, as well as an ad hoc group of Demand Resource Supporters (DRS), to protest the change made to the STRPT. By Order issued January 30, 2012, the FERC accepted PJM’s proposal with respect to the STRPT. The FERC rejected the Consumer Advocates’ criticisms of the
RPM performance review, but supported further PJM stakeholder processes with respect to RPM.

PPL Electric Utilities Request for Incentive Rate Treatment for the North East Pocono Reliability Project, EL12-20-000. PPL Electric filed a request at FERC seeking incentive rate treatment for a 58-mile transmission line called the North East Pocono Reliability Project. The transmission line is a 230 KV line running through the Pocono region and connecting three new substations. PPL avers that the project is needed for reliability and meets FERC’s criteria for an award of incentives. PPL sought construction work in progress and a 100 basis point return on equity (ROE) adder. The OCA, joined by several other state consumer advocate offices, filed a Protest against PPL’s requests. The consumer advocates argued that the Company had not justified the need for incentive rate treatment nor the level of incentives requested. At the end of the Fiscal Year, the matter was pending before FERC.

PPL Formula Rate Case, ER08-1457. PPL filed a request with FERC to establish a formula rate for the recovery of the costs of its transmission system that is under FERC’s jurisdiction. The OCA, on behalf of a group of consumer advocates from other states, filed a Protest against PPL’s filing, particularly as it concerned PPL’s request for a base return on equity of 12.34% and the necessary protocols for review of any rate changes under the formula. To this base ROE, PPL proposed to add various incentives that have been, or will be, awarded by FERC for various transmission projects. FERC referred the matter to a settlement judge and the OCA actively participated in the settlement process. The settlement process resulted in a comprehensive settlement of all of the issues. As part of the settlement, the Company adopted the procedural protocols advanced by the consumer advocate group regarding the review of future filings under the formula rate. In addition, the parties agreed to a base ROE of 11.1% for the first year to 11.18% in the third year of the settlement. The settlement process continued on some disputed issues regarding depreciation. The settlement process continued on some disputed issues regarding depreciation. Those issues were ultimately resolved and the settlement was approved by FERC.

Notice of Inquiry Re: Promoting Transmission Investment Through Pricing Reform, RM11-26. In this Notice of Inquiry, the Federal Energy Regulatory Commission is seeking comments on the scope and implementation of its transmission incentives regulations and policies under Order No. 679. It has been nearly five years since the Commission promulgated rules to implement the directives of section 1241 of the Energy Policy Act of 2005 (EPAct 2005), which added a new section 219 to the Federal Power Act (FPA). In the past five years, the Commission has received over 75 applications for transmission incentives. These transmission incentives include higher returns on equity, accelerated depreciation, the use of formula rates, devices to alleviate the effects of regulatory lag as to the developer’s ability to receive a return of pre-construction costs, and a guarantee of cost recovery in the event the project is abandoned prior to completion. The OCA joined with a coalition of other state
consumer advocate offices, state regulatory commissions, public power associations and other concerned stakeholders in order to draft a set of comprehensive comments for the Commission’s review. On September 12, 2011, a comprehensive set of comments was filed at FERC by a broad, national coalition of concerned stakeholders. The OCA drafted several portions of those comments and is a signatory. At the end of the Fiscal Year, this case was pending before FERC.

Northampton Generating Company Request For Market-Based Rate Authority, ER12-281-000. The Northampton Generating Company owns and operates a generating facility in Pennsylvania that has a long term purchase power agreement with Metropolitan Edison Company. The facility is a qualifying facility under the federal Public Utilities Regulatory Policy Act (PURPA). Because of this status, Met-Ed was required to purchase the power from the facility at its avoided cost through a long term agreement, the costs of which are paid by Met-Ed ratepayers. Met-Ed takes delivery of the power and uses it to meet the electric needs of its customers. When Pennsylvania restructured its electric industry in 1996, a portion of the cost of this contract was deemed to be stranded cost. As stranded cost, Met-Ed was provided recovery of the costs through a non-bypassable rate mechanism. Met-Ed still receives the energy under the contract and uses this energy to offset the stranded cost associated with the contract. The OCA intervened in this request due to the potential impact on ratepayers if this approval impacts the underlying contract that now brings benefits to Met-Ed ratepayers. FERC issued its Order approving the request for Market-Based Rate Authority for any portion of the generating output that is not otherwise committed under contract to Met Ed.

Northeast Transmission Development, LLC, EL11-33-000. As discussed in last year's Annual Report, on April 6, 2011, Northeast Transmission Development, LLC filed a petition for declaratory order. Petitioner sought certain incentive rate treatments for two proposed transmission line projects. At a projected total cost for both transmission projects of between $300 million and $490 million dollars, the rate treatment of these projects is a potential concern to all utility ratepayers that receive service from within the PJM footprint. In addition, the ultimate decision as to the proper ratemaking treatment for these proposed market efficiency projects within PJM entails broad public policy issues that are of concern to all PJM ratepayers. On May 6, 2011, the OCA, joined by the Maryland Office of People’s Counsel, the New Jersey Division of Rate Counsel, the West Virginia Consumer Advocate Division, the Delaware Division of the Public Advocate and the Virginia Division of Consumer Counsel (Collectively, the Joint Consumer Advocates) filed a Motion to Intervene and Comments in this matter. The Joint Consumer Advocates intervened in this proceeding in order to ensure that any incentives or other rate treatments that were authorized by the FERC would result in just and reasonable rates. On June 16, 2011, the FERC issued its order in this matter. FERC granted the creation of a regulatory asset for pre-commercial expenses; abandonment recovery; a 50 basis point adder for Regional Transmission Organizational membership; and the use of a 30-year depreciation schedule. On July
18, 2011, a group of PJM Transmission Owners (PJM TOs) sought clarification of FERC’s Order. In their request for clarification, the PJM TOs asked FERC to confirm that it did not find that economic RTEP projects inherently face a greater general risk of delay or cancellation than other baseline RTEP projects for purposes of qualifying for incentive treatment, and also asked FERC to clarify that the specific risks, including “changing load forecasts and fuel prices,” regulatory review by federal, state, and local authorities, and “a variety of construction and environmental approvals” cited in the June 16 Order are not distinguishable from the risks that may be faced by other baseline RTEP projects that may be eligible for transmission rate incentives. They stated that these types of specific risks are also faced by reliability RTEP projects and are not unique to economic projects. On November 17, 2011, FERC answered the Request for Clarification. The November 17 Order provided that economic projects did face the same general risks as other baseline RTEP projects, but as to specific risks, economic projects faced greater risk of cancellation than non-economic RTEP projects. The November 17, 2011 Order concluded this matter.

Request of Atlantic Wind Companies For Incentive Rates, EL11-13. As discussed in last year’s Annual Report, on January 31, 2011, the OCA joined with two other Consumer Advocate offices to file a Joint Consumer Advocates (JCA) protest in a case filed by a group of companies called the Atlantic Wind Companies (AWC). AWC proposed to construct undersea transmission lines intended to deliver the energy produced by wind generators located off the shore of New Jersey, Maryland, Delaware and Virginia, to the onshore electric grid. AWC sought an order from the FERC declaring that the companies would be eligible for various incentive rate treatments pursuant to certain sections of the Federal Power Act designed to encourage electric transmission development. The JCA protest argued that the AWC filing should be rejected as premature because development of the project remains speculative in that it depends on the construction of offshore wind generation, which itself is not certain. Nor has the project been submitted for review as part of the PJM Regional Transmission Expansion Plan process. The JCA protest further argued that if the FERC does not reject the petition outright, it should deny the various incentives sought by AWC as unsupported and unreasonable. The FERC issued an Order granting the rate incentives sought by AWC, but conditioning that grant on the AWC project being incorporated into the Regional Transmission Expansion Plan.

Potomac-Appalachian Transmission Highline Co. (PATH), ER08-386. As discussed in last year’s Annual Report, the PATH project is a proposed high voltage transmission line project that is seeking formula rates and incentive rate treatment at FERC. The OCA joined with a group of state consumer advocates in the PJM region to intervene in the proceeding. The consumer advocate group specifically objected to PATH’s request for a return on equity of 14.3% when the 200 basis points of incentive adders are taken into account. FERC ruled on the matter without setting it for hearings. In its Order, FERC approved the 14.3% return on equity for the company. On March 31, 2008, the OCA joined with a group of state consumer advocates in filing a Request for Rehearing
of this FERC Order. In November of 2010, FERC granted the Request for Rehearing filed by the OCA and other state consumer advocates. FERC agreed with the consumer advocate position that further hearings were necessary to determine a reasonable base return on equity. FERC assigned the matter to a settlement judge. On October 27, 2011 a settlement was achieved in this matter and forwarded to FERC for approval. On February 16, 2012, FERC approved the settlement in its entirety. Subsequently, the Company issued a one-time refund of approximately $2.7 million to customers within the PJM region. The settlement included a provision whereby the original 14.3% return on equity would be reduced to 12.4%.

Compliance with FERC Order 719, ER09-1063. As discussed in last year's Annual Report, on October 17, 2008, the FERC issued Order 719 which, among other things, required that independent system operators and regional transmission organizations (RTO), including PJM, submit a compliance filing that modifies and improves the operation of wholesale electric markets in the substantive areas of demand response, RTO responsiveness, long term power contracting and market monitoring policies to the extent necessary to comply with the mandates and recommendations of the order. Also included in Order 719 was a directive to RTOs to modify their market rules, as necessary, to allow the market-clearing price, during periods of operating reserve shortage, to reach a level that rebalances supply and demand so as to maintain reliability while providing sufficient provisions for mitigating market power. Pricing under such conditions is generally referred to as “scarcity pricing.” The OCA has been involved in three aspects of PJM's Order 719 compliance. First, with respect to market monitoring policies, in June of 2009 the OCA filed a protest to PJM's compliance filing asserting that the tariff revisions filed by PJM would weaken and circumscribe the role of the Market Monitor in the performance of many of its core functions. Specifically, the OCA disagreed with PJM's interpretation of the Market Monitor's role in what was termed “tariff administration.” In December of 2009, FERC issued an order rejecting the arguments of the OCA and others and accepting PJM's market monitoring changes and PJM's position of the role of the Market Monitor in tariff administration. The OCA, in conjunction with other Consumer Advocate offices within PJM, also participated in FERC's technical conference addressing the issue of RTO responsiveness to its stakeholders. At that conference, the PJM Consumer Advocate offices advocated for additional funding to enable them to more fully participate in the PJM stakeholder process. In September 2010, the PJM Consumer Advocate Offices presented to the PJM Members Committee a formal proposal for a member-funded Consumer Advocate organization within PJM. That proposal garnered majority support of the Members Committee, but failed to achieve the two-thirds majority needed to move the matter forward within PJM. The PJM Consumer Advocate Offices appealed to the PJM Board to make a filing with FERC establishing the proposed Consumer Advocate organization. By way of a letter dated April 11, 2011, PJM's President and CEO advised the PJM Consumer Advocate Offices that the PJM Board had determined not to submit the Consumer Advocate organization proposal to FERC. The Board’s reasoning was that it was willing to seek to override decisions of the Members Committee only on issues
involving system reliability or the competitiveness of the PJM markets. Since it viewed the Consumer Advocates’ proposal as one related strictly to governance, it declined to supersede the Members Committee vote. The PJM Consumer Advocate Offices continue to pursue this matter through PJM. Finally, in June of 2010, PJM made its compliance filing on the issue of scarcity pricing. The OCA joined with 16 other parties to file a Protest against PJM’s scarcity pricing proposal. The thrust of the protest is that PJM’s proposal goes far beyond what is necessary to achieve compliance with Order 719. Of particular concern is the portion of the proposal that would allow electricity prices during periods of operating reserve shortages to rise to $2700 per MWh. The OCA and its fellow protestants supported a proposal of the Market Monitor that would allow prices under shortage conditions to go no higher than the current market price cap of $1000 per MWh. In an Order issued in April 2012, FERC approved PJM’s scarcity pricing proposal and in so doing, rejected the proposal of the Market Monitor.

Remand of Transmission Cost Allocation in PJM, EL05-121. As discussed in last year’s Annual Report, FERC had considered the allocation of the cost of transmission facilities in PJM. As part of its determination, FERC directed that the costs of transmission facilities at or above 500 KV be allocated to customers on a postage stamp basis, i.e., that all customer share equally in the costs of these facilities. The matter was appealed, and the Seventh Circuit reversed FERC’s ruling and remanded that matter for further consideration by FERC. On January 21, 2010, FERC issued an Order establishing a paper hearing procedure for further consideration of the issue. FERC directed PJM to provide certain data, and then directed PJM and the parties to provide comments on the data and specific questions within 45 days of the filing. The OCA prepared and filed comments on the matters set by FERC. In its comments, the OCA presented a hybrid approach to cost allocation for transmission facilities at or above 500 Kv. The OCA recommended that a beneficiary pays approach be utilized for the first few years of asset life with a gradual transition to a postage stamp allocation basis. On March 30, 2012, FERC issued its Order in this matter. FERC essentially upheld its postage stamp allocation methodology, but left it up to PJM to institute that approach within the general guidelines of FERC’s recently issued Order 1000. Commissioner LaFleur provided a dissent, in which she provided support for the hybrid cost allocation proposal submitted by the OCA.

**PJM**

As noted above, the OCA either individually or in a coalition with other state consumer advocates and parties representing the interests of electricity consumers, participated in a number of Federal Energy Regulatory Commission proceedings arising out of filings made by PJM or by PJM members regarding wholesale market issues. In addition to the proceedings described above, the OCA participates in the following PJM Committees, Working Groups and User Groups:
• Members Committee (MC) – This is the governing authority of the PJM stakeholder process. PJM's members have substantial authority over the FERC-approved PJM Operating Agreement. All Committees, Subcommittees and Task Forces fall under the authority of the Members Committee. The OCA is a voting member of PJM but a special section of the Operating Agreement exempts the OCA and other state advocate offices from the financial liability shared by all other members.

• Markets and Reliability Committee (MRC) – This committee is responsible for developing and forwarding to the Members Committee all proposals falling under either the Tariff or the Operating Agreement. The work is done through the Market Implementation Committee, Planning Committee and Operating Committee. The MRC also resolves significant disagreements that cannot be handled through the subsidiary committees. Finally, the MRC is responsible for final approval of detailed, operational Business Rules that specifically implement provisions of the Tariff and Operating Agreement.

• Market Implementation Committee (MIC) – The MIC is responsible for developing policies and solutions related to PJM’s markets. Development is frequently done by working groups created by the MIC. Preparation of final recommendations for the MRC is done by the MIC.

• Transmission Expansion Advisory Committee (TEAC) – The TEAC reviews the current state of transmission expansion for reliability and economics. The TEAC is responsible for providing comments to the Board regarding the impacts and advisability of transmission projects.

• Public Interest / Environmental Organizations Users Group (PIEOUG) – The PIEOUG consists of state consumer advocates and environmental organizations. The PIEOUG exists to convey the specific concerns of its members to the PJM Board and to PJM’s senior management. The PIEOUG meets annually with the PJM Board to present concerns and discuss the Board’s plans. There are periodic meetings with PJM management designed to inform the PIEOUG members about current issues.

• Regional Planning Process Working Group (RPPTF) – The RPPTF evaluates the need to expand the transmission planning criteria to include a broader range of assumptions. The RPPTF will also develop the process that PJM will use to designate an entity other than the incumbent transmission owner to build and own baseline transmission upgrades.

• Liaison Committee – This committee serves to foster better communications between the PJM Board of Managers and PJM Members. Meetings are held three to four times per year and are attended by the full PJM Board and by representatives
of each of PJM’s five sectors. The OCA participates periodically as a representative of the End Use Customer Sector.
NATURAL GAS

Pennsylvania

Columbia Gas

Columbia Base Rate Case, Docket No. R-2010-2215623. As discussed in last year’s Annual Report, on January 14, 2011, Columbia Gas filed for an increase of $37.8 million in its distribution rates. On a total bill basis, the Company’s requested increase was 7.67%. As part of its filing, the Company requested an 11.6% return on equity. The Company’s request was largely due to a distribution line replacement program. As part of this request, the Company proposed a levelized distribution charge where it would recover 100% of its distribution costs through a single monthly charge. For residential customers, the monthly charge would be $36.88. The Company’s case also included funding for new assistance programs for senior citizens and a request for a Distribution System Investment Charge (DSIC). The OCA filed its Direct Testimony and recommended a number of adjustments to the Company’s claims. The OCA’s recommendations were based on providing the Company an opportunity to earn a return on equity of 8.25% as compared to the Company’s requested 11.6% return on equity. The OCA also opposed the Company’s request for a distribution system improvement charge and its fixed monthly customer charge of $36.88. The OCA made other recommendations regarding the allocation of any rate increase or rate decrease that might result from this proceeding, the senior programs, and the design of the Company’s rates. During the course of the proceeding, settlement negotiations were conducted by the parties. The parties were able to achieve a settlement of many of the key issues in the case but were unable to resolve issues regarding the residential customer charge and the proper design of Columbia’s Customer Assistance Program (CAP) in light of a new directive by the Department of Public Welfare regarding Low Income Home Energy Assistance (LIHEAP) grants.

Under the settlement, Columbia will be permitted to increase its annual rates by $17 million rather than the $37.8 million that it requested. In addition, Columbia agreed to change its billing methodology to reflect the heat content (BTU content) of the natural gas that it receives in its system. Columbia will bill in Dekatherms (Dth) rather than in hundreds of cubic feet (CCF). This process resolved the consolidated case and reflects the introduction of high BTU content Marcellus Shale gas into certain portions of the Columbia system. Also through the settlement, Columbia agreed to increase its spending on its Low Income Weatherization program and it agreed to certain tariff modifications to better enable alternative natural gas suppliers to participate in retail choice on its system. The parties filed briefs on the remaining contested issues and received a decision by the ALJ on the case. Following Exceptions and Reply
Exceptions, the Commission ruled on the matter. As to the rate design, the Commission determined to increase the residential customer charge, but only to a level of $18.73, rather than the $36.88 proposed by the Company. The Commission also determined to hold in abeyance any decision on the CAP-Plus issue.

Petition of Columbia Gas for Authority to Defer, For Accounting Purposes, Certain Costs Associated with a Regulatory Asset Related to Post-Retirement Benefits Provided by NiSource, Docket No. P-2011-2275383. On November 29, 2011, Columbia filed a Petition seeking authority to defer, for accounting purposes, certain costs related to its other post-retirement benefits. Columbia began incurring these expenses as a result of a change by its affiliate, NiSource, related to billing OPEB costs on a claims paid basis to an accrual method. Columbia was not seeking recovery of these costs through this Petition. The OCA filed an Answer to the Petition requesting that the Commission impose certain conditions. On May 24, 2012, the Commission entered its Order adopting the conditions recommended by the OCA.

Application for Approval to Abandon Service to Eight Natural Gas Customers In Greene County, Docket No. A-2011-2250138. Columbia was serving eight natural gas customers off of a small pipeline owned by its affiliate. The affiliate determined to sell the pipeline to an unaffiliated company. The new owner determined that it would no longer allow the pipeline to be used to serve distribution level customers so Columbia sought permission to abandon its service to these customers. The OCA intervened in the proceeding to ensure that customer issues were fairly and properly addressed in the abandonment process. Subsequently, the OCA participated in a series of face-to-face meetings in southwestern Pennsylvania, in attempts to aid the affected customers that were the subject of this proceeding. On December 14, 2011, after successfully reaching agreement with all affected customers, Columbia filed an amended application with the Commission. The ALJ, after consultation with the parties, referred this matter to the Commission’s Bureau of Technical Utility Services for further inquiry and a final disposition. At the end of the Fiscal Year, the matter was pending at the Commission.

**Equitable Gas**

Equitable Universal Service and Energy Conservation Plan Filing, Docket No. M-2009-211130. As discussed in last year’s Annual Report, Equitable filed its Universal Service and Energy Conservation Plan for review by the Commission. Following a change in policy by the Department of Public Welfare regarding the integration of the LIHEAP grant with the utility universal service programs, Equitable filed an amendment to the program to implement a CAP Plus program to achieve the integration. The OCA recommended the use of a CAP Plus program in several proceedings before the Commission. The Commission issued a Tentative Order approving this approach but calling for comment by the interested parties. The OCA filed Comments in support of Equitable’s proposal in January 2011. The Commission approved Equitable’s plan.
Equitable Tariff Supplements Re: BTU Adjustments, Docket Nos. R-2012-2304727, R-
2012-2304731, R-2012-2304735. Equitable Gas Company filed three tariff 
supplements proposing different options for adjusting its rates to reflect changes in the 
BTU content of the natural gas that is used to serve its system. In the western portion 
of Pennsylvania in particular, there is an increased delivery of Marcellus Shale gas into 
the pipelines from which customers are served. Marcellus Shale gas has a higher BTU 
content meaning that fewer MCF of gas is needed to deliver the same amount of heat. 
By way of example, a residential customer could heat their home to the same 
temperature using less gas if the gas has a higher BTU content. Equitable was seeking 
a mechanism to adjust its sales and rates in between base rate cases to address this 
effect. The Company also proposed a Purchase of Receivables program for Natural 
Gas Supplier billing. The OCA filed complaints against these tariff supplements. In 
testimony regarding the BTU adjustment, the OCA witness objected to the adjustment 
between base rate cases for one item of the ratemaking equation without consideration 
of all other aspects of rates. As to the POR program, the OCA witness recommended 
additional consumer protections and made recommendations regarding the timing of the 
implementation of the program. At the end of the Fiscal Year, this matter was pending 
before the ALJ.

Peoples Natural Gas

Peoples Natural Gas Base Rate Proceeding, Docket No. R-2012-2285985. On
February 28, 2012, Peoples filed a request to increase its base rates to produce 
additional annual operating revenues of $28.4 million, or an overall increase of 7.5% in 
total annual revenues. The Company’s request was based on a requested return on 
equity of 11.25%. For residential customers, the Company proposed an overall annual 
increase in rates of approximately 9.3%. Under the Company’s proposal, a residential 
customer using an average of 92 Mcf annually would see their average monthly bill rise 
from $79.60 to $87.02, or by approximately $7.42. As part of this increase, the 
Company proposed to increase the residential fixed monthly customer charge from 
$13.75 to $20.00. The OCA filed its direct testimony recommending that the Company 
receive an increase of its distribution rates of $3,080,625. The OCA’s recommendation 
was based on a return on equity of 9.7%. The OCA also challenged the Company’s 
proposal to increase the residential customers charge and its proposed allocation of the 
rate increase among the customer classes. At the end of the Fiscal Year, the case was 
pending before the ALJ.

Peoples Natural Gas Company Distribution Base Rate Case, Docket No. R-2010-
2201702. As discussed in last year’s Annual Report, in 2010, Peoples filed to increase 
its distribution rates for the first time in many years. Peoples requested an increase of 
$70.2 million, which represents an increase of 21.4% of its total revenues. For the 
average residential customer, total bills would increase by about 25%. As part of the
residential increase, the Company proposed to increase the monthly customer charge from $11.00 to $16.00. Peoples requested a return on common equity of 11.5% as part of its case, and proposed a series of adjustable Riders for the recovery of certain costs. The filing also included a Purchase of Receivables Program to assist alternative natural gas suppliers. The OCA filed a formal complaint and presented its Direct Testimony addressing various aspects of the Company's request. The OCA recommended an increase of $33.1 million, which reflected a return on equity of 8.5%. The OCA's recommendation was amended upward in the surrebuttal phase of the proceeding. The OCA also proposed a lower increase to the residential customer class than People's proposed and recommended that the residential monthly customer charge remain at $11.00. The parties engaged in settlement negotiations and achieved a full settlement. The settlement called for a $53 million rate increase rather than the $70.2 million requested by the Company. The settlement mitigated the amount of the rate increase assigned to the residential class and held the residential customers charge at $13.75 per month. The settlement also called for the addition of consumer protections in the purchase of receivables program. The Company also agreed to certain modifications to its universal service programs and recovery mechanisms for the benefit of customers. The settlement was approved by the ALJ and the Commission.

**Philadelphia Gas Works**

Joint Petition for Approval of a Settlement Re: Default Service Collaborative, Docket No. R-2008-2073938. As part of its 2008 base rate case, PGW was ordered to convene a collaborative to explore options for transitioning some of PGW's customers to alternative suppliers. The collaborative was to determine if PGW's financial situation could be improved if more of its customers were served by alternative suppliers, meaning that PGW would be required to purchase less natural gas over the course of a year. The collaborative reviewed several proposals in 2009, but could not come to any agreement on a proposal that would achieve the intended purpose and comply with the law. In 2011, PGW met separately with a group of natural gas suppliers (NGSs) and reached an agreement on several competitive enhancements to be implemented by PGW to try to encourage more of its customers to shop for an alternative supplier. PGW and the NGSs proposed that the cost of these initiatives be paid for by PGW's ratepayers. PGW and the NGSs filed the Joint Settlement with the Commission without any review or input from other members of the Commission-ordered collaborative. The OCA filed an Answer opposing the proposed settlement, in particular the provisions that charged all of the costs of the initiatives to PGW's ratepayers. PGW established a series of meetings with all collaborative participants to address the issues raised in the various Answers to the proposed settlement. The OCA will participate in this collaborative process. At the end of the Fiscal Year, this matter was pending before the PUC.
UGI Companies:

**UGI Gas, UGI Penn Natural Gas, UGI Central Penn Gas**

UGI Central Penn Gas Base Rate Case, Docket No. R-2010-2214415. As discussed in last year’s Annual Report, UGI CPG filed for an increase of $16.46 million in its gas distribution revenues or 15.4%. For residential customers, the Company proposed an increase of 17.1%, an average bill increase of $14.69 per month. As part of its proposal, the Company requested a return on equity of 11.6%. The Company also proposed to implement new energy efficiency programs and a new natural gas vehicle program. The Company proposed to increase its residential monthly customer charge from $13.25 to $20.00.

The OCA filed Direct Testimony making many adjustments to the Company’s claim. The OCA recommended a revenue decrease of $2,456,000 rather than the $16.46 million increase requested by the Company. The OCA recommended that the Company be allowed an opportunity to earn a return on equity of 8.25%. In addition, the OCA recommended an allocation of any revenue increase or decrease that differed from the Company’s proposal and recommended that the residential monthly customer charge increase be rejected. As to the energy efficiency programs, the OCA recommended that the Company’s budget for these programs be scaled back for the initial roll-out of the programs and that certain modifications be made to the programs. The OCA also recommended that the Natural Gas Vehicle Rider not be approved at this time as there are many policy issues yet to be decided regarding such an initiative. As to the Company’s universal service programs, the OCA recommended the adoption of the CAP Plus program and made numerous recommendations regarding other aspects of the program and the cost recovery mechanism.

The parties engaged in settlement discussions and were able to achieve a settlement of the issues in the case. Under the settlement, the Company will increase its rates by $8.9 million rather than the $16.46 million it claimed. As part of the rate increase, the Company will implement an energy efficiency program and will consult with the OCA and its experts on the final design of this program. The program is to spend $900,000 annually on natural gas efficiency measures. In addition, the settlement called for the Company to spend its allotted budget for its low income weatherization program and to work with local Community Based Organizations in these efforts. The settlement also contemplated that issues regarding the design of the CAP program would be addressed in the separate universal service plan filing of the Company. The settlement was approved by the Commission.

UGI Universal Service Programs, Docket No. M-2010-2186052. As discussed in last year’s Annual Report, the UGI Companies filed their three-year universal service plan proposing to consolidate all of the companies’ programs under one consolidated plan. The Companies then proposed numerous changes to the plans. The OCA filed
Comments on this proposal. Of particular concern to the OCA was the Companies’ response to the directive of DPW to use the LIHEAP grant to reduce a customer’s already affordable “asked to pay” amount. The OCA argued that the Companies had not provided an adequate response to integrating this new policy into its universal service programs. The OCA recommended that the Companies adopt a “CAP Plus” approach to address this directive. The OCA also made recommendations regarding the Companies’ Low Income Usage Reduction Program and other aspects of the universal service program. The Commission adopted the UGI Companies’ proposals in its final order.

Application of UGI Penn Natural Gas for Approval of the Transfer By Sale of a Nine Mile Natural Gas Pipeline, Docket No. A-2010-2213893. As discussed in last year’s Annual Report, UGI PNG is proposing a sale of a gas pipeline to an affiliate. The OCA filed a Notice of Intervention in the proceeding and analyzed this request to determine its impact on ratepayers. The OCA filed Direct Testimony identifying certain protections that were needed to ensure that ratepayers were not harmed by this transaction. Following the filing of Direct Testimony, the parties engaged in settlement negotiations. The parties were able to reach agreement on most of the issues. The settlement reflects the consumer protections sought by the OCA. The settlement, and the one remaining litigated issue, were presented to the ALJ. The ALJ approved the settlement and resolved the litigated issue. The Commission approved the settlement with some minor modifications and adopted the ALJ’s resolution of the contested issues.

Application of UGI Penn Natural Gas to Extend Its Service Territory, Docket No. A-2012-2284831. Following the filing of a request for a Certificate of Public Convenience by Leatherstocking Gas Company to provide distribution service in certain unserved townships and boroughs in northern Pennsylvania, UGI PNG also filed an application for a Certificate to serve these areas. Specifically, like Leatherstocking, UGI PNG requested approval to begin to offer, render, furnish, or supply natural gas service to customers in northern Susquehanna County, Pennsylvania, in the Townships of Bridgewater, Forest Lake, Great Bend, Harmony, New Milford and Oakland, and in the Boroughs of Great Bend, Hallstead, Lanesboro, Montrose, New Milford, Oakland and Susquehanna. The OCA intervened in this proceeding on February 21, 2012. At the end of the Fiscal Year, this matter was pending before the PUC.

Application of UGI Central Penn Gas, Inc., Docket No. A-2012-2289607. On February 21, 2012, UGI Central Penn Gas, Inc. filed an Application with the Public Utility Commission requesting that the Commission grant the Company a Certificate of Public Convenience approving the transfer by sale of an approximately 11.0 mile eight-inch natural gas pipeline, appurtenant facilities and right-of-way to UGI-CPG’s affiliate, UGI Storage Company. The OCA filed a Protest against the Application on March 12, 2012. At the end of the Fiscal Year, this case was pending before the PUC.
Moran-Roberto, et al. v. UGI- PNG, Inc., Docket Nos. C-2011-2251178, et al. Ms. Moran-Roberto originally filed a Formal Complaint against the UGI-PNG 1307(f) Purchased Gas Cost rate changes. The gravamen of the complaint was that UGI-PNG had notified Ms. Moran-Roberto that the Company intended to phase out the natural gas rates then charged to “Gas Beyond the Mains” (GBM) customers. This was proposed to be done by “blending” in four steps the natural gas rate with the market propane rate, the first on December 1, 2011, the final step on December 1, 2014. Ms. Moran-Roberto asserted that the Company had never fulfilled its promise of providing natural gas service and that the GBM propane-for-natural gas prices program should continue unless and until natural gas service lines were installed. As a brief background, at the time of the filing and for decades prior to that, UGI-PNG and its predecessor companies had provided a number of customers with propane gas service in lieu of natural gas service, where the extension of natural gas lines was deemed to be economically infeasible. The first GBM customers received propane via on-site tanks sometime in the mid-1960s.

The initial purpose of the GBM program was to secure as many customers as possible as prospective natural gas customers by ensuring that their appliance purchases were compatible with natural gas. (At a minor expense, propane appliances can be converted to natural gas use.) The GBM customers were told that the provision of propane was temporary and that, ultimately, natural gas mains would be installed to serve them. While this did occur in some instances, Ms. Moran-Roberto is among the approximate 122 customers in the UGI-PNG territory who, forty years later, are still receiving propane, as natural gas lines were never installed to their neighborhoods. While UGI-PNG’s corporate predecessor had, for a time, subsidized the GBM rate, that is, it paid the difference in the market propane rate and the equivalent natural gas rate from shareholder funds, the Commission later ordered that the difference be included in the overall PGC rate and, thus, the subsidy by the natural gas customers of the GBM program fuel costs began. In a 2009 base rate case, the Company agreed to bring the program to an end.

The ALJ presiding over the 2011 UGI-PNG PGC case ordered the Moran-Roberto complaint to be severed, as the GBM transition rate was required to be decided in the 1307(f) context; however, the other aspects of the complaint were determined to raise issues that there was insufficient time to develop within the time frame of a PGC proceeding. Nine more similar formal complaints followed that of Ms. Moran-Roberto. The OCA intervened, met with these customer complainants, conducted several site visits, and served extensive discovery on UGI-PNG. OCA Direct testimony was served on January 18, 2012. OCA witness Kraus testified that, in light of the initial promises made to the GBM customers and the fact that they have paid bills to UGI-PNG and its corporate predecessor for nearly forty years, UGI should install mains to provide them with natural gas service without demanding the contributions in aid of construction ordinarily demanded of applicants for service. After two days of hearings, during which
eleven formal complainants testified, the record was closed. At the end of the Fiscal Year, this matter was pending before the ALJ.

Stevens v. UGI-PNG, Docket No. C-2012-2295699. On March 14, 2012, Mr. Stevens submitted a Formal Complaint with allegations similar to those in the Moran-Roberto, et al., v. UGI PNG cases. The OCA intervened in this case. Pursuant to a stipulation among the OCA, the Company and the Complainant, the hearing on the case has been indefinitely continued, pending a final result in the Moran Roberto case.

**Other Gas Cases**

Petition for Generic Investigation or Rulemaking Regarding "Gas-On-Gas Competition" Between Jurisdictional Natural Gas Distribution Companies, Docket No. P-2011-2277868. On December 8, 2011, the OCA joined in a Joint Petition filed by the PUC’s Bureau of Investigation and Enforcement, the Pennsylvania Office of Small Business Advocate, Peoples TWP LLC and Peoples Natural Gas Company requesting that the Commission institute an investigation or rulemaking to address distribution base rate discounting among Natural Gas Distribution Companies with overlapping service territories. The Commission has now set this matter for hearings before an ALJ. At the end of the Fiscal Year, the matter was pending before the PUC.

Application of Leatherstocking Gas Company, Docket No. A-2011-2275595. Leatherstocking Gas Company filed for a Certificate of Public Convenience to begin offering natural gas distribution service in certain unserved townships and boroughs in northern Pennsylvania. Specifically, the Company requested approval to begin to offer, render, furnish, or supply natural gas service to customers in northern Susquehanna County, Pennsylvania, in the Townships of Bridgewater, Forest Lake, Great Bend, Harmony, New Milford and Oakland, and in the Boroughs of Great Bend, Hallstead, Lanesboro, Montrose, New Milford, Oakland and Susquehanna. Leatherstocking is affiliated with several New York natural gas companies that also provide service to small boroughs and municipalities along the New York/Pennsylvania border. Leatherstocking proposes to bring Marcellus Shale gas to these small communities through distribution facilities that it will construct. The OCA intervened in this proceeding on December 23, 2011. At the end of the Fiscal Year, this case was pending before the ALJ.

Townships of Apolacon, Choconut, Forest Lake, Great Bend, Jessup, Liberty, Middletown, and New Milford in Susquehanna County, Pennsylvania. The OCA filed a Notice of Intervention and Public Statement on April 1, 2010.

Several parties entered into a partial stipulation wherein the Company agreed to certain conditions to its certificate of public convenience. The OCA did not join this stipulation. The OCA filed a main brief on September 27, 2010. The OCA asked the Commission to decide whether the service proposed is public utility service, rather than accept the stipulation. The ALJ issued a Recommended Decision concluding that the service being provided by Laser was not a public utility service and that Laser was not a public utility. As a result, the ALJ concluded that the Commission could not issue a certificate of public convenience and did not have jurisdiction to consider the partial stipulation. Exceptions and Reply Exceptions were filed by several parties. Upon consideration of the matter, the Commission concluded that Laser was providing a public utility service but determined that the matter should be returned to the ALJ for further consideration of whether the Company should be granted a Certificate of Public Convenience. Petitions for Reconsideration were filed by PIOGA and Mark West. On August 25, 2011, the PUC denied the petitions for reconsideration. The PUC issued a list of questions to be addressed on remand. On September 9, 2011, Laser Marcellus filed a request to withdraw its Application, citing a change in its business plans. On December 5, 2011, the Commission entered a Final Order that granted Laser’s request to withdraw its Application.

Application of Peregrine Keystone Gas Pipeline, LLC, Docket No. A-2010-2200201. As discussed in last year’s Annual Report, on September 17, 2010, Peregrine filed an application for a certificate of public convenience. Similar to Laser Marcellus, Peregrine requested authority to operate a gathering and natural gas transportation system as a public utility, offering service to the public. The OCA filed a notice of intervention and public statement on November 1, 2010. On October 26, 2011, OCA attended public input hearings in Uniontown and Waynesburg. Members of the public spoke in opposition to providing Peregrine with the right of eminent domain. Concerns for public safety around compressor stations were also raised. Several protesters and intervenors filed testimony on November 7, 2011. A Recommended Decision was issued by the presiding Administrative Law Judge on May 3, 2012. In her Recommended Decision, the ALJ denied the Company’s Application and concluded that gathering service to natural gas producers should not be accorded public utility status. On June 8, 2012, Peregrine filed a Petition with the Commission seeking to withdraw its Application. At the end of the Fiscal Year, the case was pending before the PUC.

Application of Pentex Pipeline Company for Approval to Amend its Existing Certificate, Docket No. A-2011-2230314. As discussed in last year’s Annual Report, on March 8, 2011, Pentex Pipeline Company filed an Application to obtain Pennsylvania Public Utility Commission approval to amend its current Certificate of Public Convenience to allow Pentex to provide gathering or conveying services, in addition to transportation

Under its proposal, Pentex would construct a natural gas gathering system in the specified townships in order to tie-in with the Pentex pipeline and ultimately, with Tennessee Gas Pipeline (an interstate pipeline) if the locally gathered gas volumes exceed Cargill’s needs. The Pentex gathering system would be constructed to: (a) transport gas from wells owned by Cargill or under a contract with Cargill; and (b) transport gas from wells that have been and will be drilled by unaffiliated natural gas producers with which Pentex will enter into gathering and transportation agreements, subject to the mutual agreement of Cargill regarding the use of the pipeline for non-Cargill supplies. The OCA intervened in this proceeding on April 8, 2011. On December 7, 2011, Pentex filed a request to withdraw its Application. On February 10, 2012, the presiding Administrative Law Judge issued an Initial Decision in favor of granting the request and, on April 26, 2012, the Commission issued an Order approving the Initial Decision.

In Re Application Of Sergeant Gas Company, Utility Pipeline Ltd. And Knox Energy Cooperative Association, Inc., Docket No. A-2011-2239524. As discussed in last year’s Annual Report, on May 4, 2011, Sergeant Gas Company filed an application seeking Commission approval for the transfer of its distribution system assets to Utility Pipeline Limited (UPL) and immediately thereafter to transfer these assets to Knox Energy Cooperative Association, Inc. In association with the proposed transfer of assets, Sergeant sought approval for the abandonment of all natural gas service customers within its current service territory with the proposed continued provision of natural gas service to be rendered by Knox. On May 27, 2011, the OCA filed a Protest and Public Statement in this matter. The OCA participated in this proceeding in order to protect the interests of Sergeant’s customers. The OCA and the Companies reached a settlement agreement. Under the terms of the agreement, additional information and protections are to be afforded to the Sergeant customers as the transition to Knox is implemented. The settlement was presented to the Commission and was approved on September 22, 2011.

Natural Gas Distribution Companies and the Promotion of Competitive Retail Markets, Docket No. L-2008-2069114. As discussed in last year’s Annual Report, on March 27, 2009, the Commission issued a Proposed Rulemaking Order to adopt regulations governing the relationship between Natural Gas Distribution Companies (NGDCs) and Natural Gas Suppliers (NGSs). The proposed rulemaking was in response to the Commission’s Final Action Plan resulting from a stakeholder group convened to identify barriers to competition. The Commission identified certain steps that it would consider taking to promote the development of competition in the retail market for natural gas supply. The proposed regulations in this rulemaking addressed five areas: 1) the reformulation of the price to compare; 2) purchase of receivables programs; 3)
mandatory capacity assignment; 4) recovery of NGDC costs of competition-related activities, and 5) recovery of regulatory assessment costs.

The OCA filed comments to the proposed regulations. The OCA argued that some of the proposals would make supplier of last resort service volatile and confusing, degrade essential consumer protections and increase costs to consumers. The OCA urged the Commission to substantially modify the proposed regulations.

The Commission issued an Order on August 10, 2010 revising its proposed regulations. Many of the revisions proposed by the Commission adopted the position of the OCA. For example, the Commission removed the regulations allowing for the recovery of regulatory assessment costs and competition-related costs from ratepayers through automatic adjustment clauses. The Commission also simplified the reformulation of the price to compare in response to the OCA’s comments and included additional protections in its POR program designs.

While the proposed regulations were an improvement, several concerns remained regarding the price to compare and the POR program designs. The OCA filed Comments setting forth its position on the remaining issues. The Commission ruled on the proposed regulations at its Public Meeting in January 2011. The Commission’s Order, while adopting some of the OCA’s suggestions, sought to implement several regulations that the OCA contended would increase the cost of service for default service customers. The OCA filed Comments with IRRC on this final rulemaking raising the issue of including non-bypassable costs in the price to compare. After submitting the rulemaking to IRRC, the Commission requested that it be disapproved and returned to the Commission for modification. The Commission resubmitted the rulemaking to IRRC. The OCA reviewed the Order and submitted additional comments to IRRC. IRRC again disapproved the regulations, but the regulations were permitted to go into effect by the General Assembly.

**Purchased Gas Cost Proceedings**

The OCA continued its assessment of gas utilities’ gas purchasing practices during the year pursuant to Section 1307(f) of the Public Utility Code. All of the major gas utilities had their annual purchased gas cost (PGC) filings reviewed for the years 2011 and 2012. The OCA was a participant in each of these cases to ensure that each company has done the best possible job in securing the lowest cost gas resources available to serve their customers in a reliable manner.

The OCA reviewed the gas purchasing practices of all the major Pennsylvania Natural Gas Distribution Companies (NGDCs) to ensure that they have an adequate risk management plan in place with a goal of reducing price volatility while still purchasing gas for customers at the lowest possible prices. The OCA made various
recommendations to the NGDCs about the amount of their gas supplies that should be hedged and the timing of those purchases. It is essential that NGDCs apply risk management strategies to purchases in order to reduce price volatility. By adopting appropriate gas purchasing practices, the NGDCs are able to reduce the dramatic fluctuation in purchased gas cost rates that consumers have experienced in the past.

Additionally, the OCA continued to address a wide range of issues in these cases. In particular, the OCA provided careful evaluation of utility contractual commitments with interstate pipelines, while also evaluating lost-and-unaccounted for gas levels of NGDCs. Both of these issues can contribute to significant purchased gas costs. Regarding interstate pipeline contracts, the OCA analyzed the gas supply planning practices of gas utilities and NGDC decisions to renew capacity entitlement or acquire new capacity. Renewals of interstate capacity are extremely important since the availability of Marcellus Shale supplies can substantially reduce the quantities of gas supply associated with interstate pipeline capacity.

The OCA also continued to assess the use of the capacity release and off-system sales markets by gas utilities to maximize benefits to PGC customers. The OCA also continued to analyze possible subsidization between retail sales customers and transportation customers.

With respect to lost and unaccounted-for gas levels, the OCA conducted analyses of these levels to ensure that retail sales customers' rates are not increasing as a result of unreasonably high lost and unaccounted-for gas levels. In essence, high levels of lost and unaccounted-for gas result in customers paying for gas supplies that are lost rather than consumed. Therefore, the OCA’s analyses focused on the reasonableness of these levels to ensure that NGDCs are doing what they can to avoid inefficiencies in their gas delivery systems.

The OCA also explored the issue of asset management with certain companies. As customers are served by--and pay for--natural gas assets which may or may not be owned or operated by the local natural gas company, it is important that these assets are utilized in the most efficient manner. As a result, the OCA examined whether companies should explore asset management options in an effort to reduce future gas costs to be collected from ratepayers. For companies with current asset management agreements, the OCA examined these agreements to ensure that the terms are fair and beneficial to ratepayers.

Other issues addressed by the OCA included gas companies' proposals for performance-based gas purchasing programs. These include programs such as capacity release incentive programs, under which a gas company’s performance in the capacity release market is compared to historic levels of performance; incentives for making sales off-system; and gas company proposals to purchase a portion of their gas supply based upon long-term contracts and hedging programs.
As discussed above, the OCA also reviewed gas companies’ contracts and evaluated numerous standard purchasing issues such as the level of interstate pipeline capacity held by gas companies, the allocation of gas costs between customer groups, the recovery of capacity costs from customers utilizing transportation service, and gas commodity price projections, among other issues.

The OCA participated in the following purchased gas cost cases during Fiscal Year 2011-12:

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<td>UGI Gas</td>
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<td>UGI Central Penn Gas</td>
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<td>UGI Penn Natural Gas</td>
<td>R-2011-2238943</td>
<td>R-2012-2302221</td>
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**2012 Cases**

**Peoples TWP LLC, Docket No. R-2011-2273539.** On January 13, 2012, Peoples TWP submitted its pre-filed materials in advance of its annual purchased gas cost filing. The OCA filed a formal complaint against TWP’s pre-filing and, on January 31, 2012, TWP submitted its annual purchased gas cost filing pursuant to Section 1307(f) of the Public Utility Code. The OCA filed its Direct Testimony in this proceeding on March 5, 2012. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on April 23, 2012 and, on May 25, 2012, the ALJ issued a Recommended Decision which recommended approval of the Settlement. On July 19, 2012, the Commission issued an Order which adopted the Recommended Decision.

The Settlement provided for several provisions which the OCA deems to be in the public interest. Specifically, the Settlement provided that prior to terminating the Tennessee pipeline contract, Peoples TWP would undertake an RFP process to find suitable replacement storage capacity and would also seek proposals for firm storage capacity and daily withdrawal capacity adequate to replace the Tennessee capacity. Thus, the
Company would be seeking to replace the 7,000 Dth of daily withdrawal capacity and 619,618 Dth of total storage volume to be lost as a consequence of terminating the Tennessee contract, and not necessarily more capacity as the Company originally proposed. This will reduce PGC costs. Further, the Settlement provided for the extension (indefinitely) of the capacity release sharing mechanism first instituted in the Company’s 2008 PGC case. The mechanism allows revenues received from the future release of capacity to be shared by crediting 75% of any revenue to customers via the purchased gas cost and permitting the remaining 25% to be retained by the Company. The sharing mechanism has worked to the benefit of customers and its extension is warranted. Both of these provisions are in the public interest.

**National Fuel Gas Distribution Co.,** Docket No. R-2012-2281465. On January 3, 2012, National Fuel Gas Distribution submitted its annual purchased gas cost pre-filing. The OCA filed a formal complaint against NFG’s PGC pre-filing on January 13, 2012. The OCA filed its Direct Testimony in this proceeding on March 19, 2012. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on May 11, 2012 and, on May 25, 2012, the ALJ issued a Recommended Decision which recommended approval of the Settlement. On July 19, 2012, the Commission issued an Order which adopted the Recommended Decision.

The Settlement provided for several provisions which the OCA deems to be in the public interest. Specifically, the Settlement established a design day requirement for the contracted level of pipeline and storage capacity of 309,715 Dth/day. Determination of a reasonable design day requirement ensures that NFGD does not obtain unnecessary capacity which the Company’s customers then would have to pay for through the purchased gas costs rates. Further, pursuant to the Settlement, the Company will allocate a portion of the Contingency Capacity to Choice customers. Choice customers receive a benefit from this capacity, which is reserved to serve them, and therefore, should be allocated a portion of the costs. The Settlement also provided that the Company will remove from PGC rates overrun charges incurred due to NFGD exceeding its permissible maximum monthly storage injection quantities. Additionally, PGC customers will be allocated a $1.8 million refund resulting from the Tennessee Gas pipeline proceeding at FERC. Finally, the Settlement provided that NFGD will continue to report on its actions before FERC in PGC Exhibit No. 6 and would continue to represent the interests of its customers before the FERC, including gathering system issues related to NFG Supply’s base rate proceeding at Docket No. RP12-88-000.

**Columbia Gas,** Docket No. R-2012-2293303. On March 1, 2012, Columbia Gas Company submitted its annual purchased gas cost pre-filing. The OCA filed a formal complaint against Columbia’s PGC pre-filing on March 20, 2012. The OCA filed its Direct Testimony on May 10, 2012. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the other
active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on June 15, 2012 and was awaiting disposition at the end of the Fiscal Year.

Philadelphia Gas Works, Docket No. R-2012-2286447. On January 31, 2012, Philadelphia Gas Works submitted its annual purchased gas cost pre-filing. The OCA filed a formal complaint against PGW’s PGC pre-filing on February 27, 2012. The OCA filed its Direct Testimony on April 20, 2012 and its Surrebuttal Testimony on May 9, 2012. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the presiding ALJ on June 5, 2012 and, the ALJ issued a Recommended Decision which recommended approval of the settlement. At the end of the Fiscal Year, the case was pending before the Commission.

Equitable Gas Co., Docket No. R-2012-2287044. On February 29, 2012, Equitable Gas Company submitted its annual purchased gas cost pre-filing and, on April 2, 2012, Equitable submitted its annual purchased gas cost filing pursuant to Section 1307(f) of the Public Utility Code. The OCA filed a formal complaint against Equitable’s annual PGC filing on April 4, 2012. The OCA filed its Direct Testimony on May 18, 2012. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the presiding ALJ who issued a Recommended Decision which recommended approval of the settlement. At the end of the year, the case was pending before the Commission.

Peoples Natural Gas Company, Docket No. R-2012-2292082. On March 2, 2012, the Peoples Natural Gas Company submitted its annual purchased gas cost pre-filing on April 2, 2012, Peoples submitted its annual purchased gas cost filing pursuant to Section 1307(f) of the Public Utility Code. The OCA filed a formal complaint against Peoples’ annual PGC filing on April 3, 2012. The OCA filed its Direct Testimony on May 16, 2012. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the presiding ALJ and was approved. At the end of the Fiscal Year, the case was pending before the Commission.

PECO Energy Company, Docket No. R-2012-2302784. On May 31, 2012, PECO Energy Company submitted its annual purchased gas cost filing pursuant to Section 1307(f) of the Public Utility Code. The OCA filed a formal complaint against PECO’s PGC filing on June 5, 2012. The OCA filed its Direct Testimony on June 28, 2012. At the end of the Fiscal Year, the case was pending before the ALJ.
UGI Utilities, Inc. – Gas Division, Docket No. R-2012-2302220; UGI Central Penn Gas, Inc., Docket No. R-2012-2302219; and UGI Penn Natural Gas, Inc., Docket No. R-2012-2302221. On May 1, 2012 UGI Utilities, Inc. – Gas Division, UGI Central Penn Gas, Inc. and UGI Penn Natural Gas, Inc. submitted their pre-filing information in support of the companies’ annual reconciliation of purchased gas cost (PGC) rates. The pre-filed information did not indicate the anticipated effect of the annual PGC reconciliations on existing rates. On May 16, 2012, the OCA filed its Formal Complaints against the companies’ filings. The OCA filed its direct testimony in each proceeding. At the end of the Fiscal Year, the cases were pending before the ALJ.

2011 Cases

PECO Energy Company, Docket No. R-2011-2239263. On May 27, 2011, PECO Energy submitted its annual purchased gas cost filing pursuant to Section 1307(f) of the Public Utility Code. The OCA filed a formal complaint against PECO’s PGC filing on June 8, 2011. After submitting written discovery to the Company and reviewing the responses in preparation for filing its Direct Testimony, the OCA determined that there were no issues upon which to contest PECO’s 2011 PGC filing. In addition, the OCA determined that there were no recurring issues stemming from prior PGC cases. Accordingly, on the date set for the filing of Direct Testimony, the OCA submitted a letter stating that it would not be filing Direct Testimony. Thereafter, the parties engaged in settlement negotiations. As a result of the settlement negotiations, the OCA was able to reach an agreement in principle with the Company and all other active parties to the proceeding. The Settlement was submitted to the presiding ALJ who issued a Recommended Decision recommending that the Settlement be adopted.

The Settlement provided for several provisions which the OCA deems to be in the public interest. Specifically, the Settlement provided for the continuation of the Company’s hedging program (designed to ensure a degree of stability in rates for PECO’s customers) and the requirement that PECO develop a plan to reduce Lost and Unaccounted-For Gas (LUFG) by reducing or eliminating sources of LUFG. As part of its plan, PECO will identify the principal potential sources of LUFG and develop an action plan for addressing potential sources. PECO will also describe how it will track and measure its progress in reducing the identified source of LUFG. With regard to retainage rates, the Settlement provided an agreed-upon retainage rate calculation for the next two years. Also, for the twelve-month periods ending November 30, 2013 and November 30, 2014, the retainage volume adjustment will be calculated based on weighted three-year averages of LUFG less Company-use gas for the periods ending June 30, 2012 and June 30, 2013, respectively. These provisions are in the public interest. On October 28, 2011, the PUC issued an Order adopting the Recommended Decision and approving the Settlement.
UGI Utilities, Inc. – Gas Division, Docket No. R-2011-2238953; UGI Central Penn Gas, Inc., Docket No. R-2011-2238949; and UGI Penn Natural Gas, Inc., Docket No. R-2011-2238943. On April 29, 2011, pursuant to Sections 53.64 and 53.65 of the Commission’s Rules and Regulations, UGI Utilities, Inc. – Gas Division, UGI Central Penn Gas, and UGI Penn Natural Gas, submitted their pre-filing information in support of the companies’ annual reconciliation of purchased gas cost (PGC) rates. The pre-filed information did not indicate the anticipated effect of the annual PGC reconciliations on existing rates. On May 11, 2011, the OCA filed its Formal Complaints against the companies’ filings. The OCA filed its direct and rebuttal testimony in July 2011. Thereafter, the parties engaged in discovery and settlement negotiations. As a result of the settlement negotiations, the OCA was able to reach an agreement in principle with the Company and all other active parties to the proceedings that resolves all of the OCA’s contested issues. The Settlements were submitted to the presiding Administrative Law Judge on August 23, 2011.

On September 15, 2011, the Administrative Law Judge issued a Recommended Decision in the UGI proceeding recommending approval of the Settlement. On October 14, 2011, the Pennsylvania Public Utility Commission issued an Order approving the Recommended Decision. The Settlement contained several items which the OCA deems to be in the public interest. Specifically, regarding UGI's Design Peak Day demand, the Settlement provided that the Company will perform a statistical analysis of its design day requirements for each day using a thirty-year period, updated every five years. The Settlement terms addressed the OCA’s concerns regarding design peak day as it required the Company to perform statistical analyses using updated data to eliminate overstatement of design day projections. As to design cold provisions, the Settlement provided that UGI will adopt a new statistical procedure to calculate the design cold winter it uses for seasonal capacity planning purposes. This procedure results in design cold winters that are more reasonable than the 25 percent colder than normal design winters UGI had been using for seasonal capacity planning purposes. The new design cold winter planning assumptions will reduce the demand charges paid by PGC customers. Finally, the Settlement addressed direct capacity assignment, notice dates for assignment capacity elections, capacity release rates, and revenue sharing as these issues relate to competitive suppliers operating on UGI’s distribution system. These provisions ensure that PGC customers will not experience higher rates due to UGI’s efforts to accommodate suppliers and shopping customers on its system.

On September 13, 2011, the Administrative Law Judge issued a Recommended Decision in the UGI Central Penn proceeding recommending approval of the Settlement. On October 14, 2011, the Pennsylvania Public Utility Commission issued an Order approving the Recommended Decision. The UGI Central Penn Settlement contains several items which the OCA deems to be in the public interest. Specifically, as to design cold provisions, the Settlement provided that UGI will adopt a new statistical procedure to calculate the design cold winter it uses for seasonal capacity planning purposes. As to pipeline contracting, the Settlement provided that if it is
determined that Central Penn’s design peak day capacity is overstated, a portion of the contract quantities could be eliminated. Further, the settlement required Central Penn to demonstrate through the RFP process that, if the Company ever increases its no-notice service beyond existing amounts, it must establish that the no-notice service is the least cost. Through these provisions the OCA sought to ensure that PGC ratepayers will not pay for unneeded pipeline capacity. Finally, the Settlement addressed direct capacity assignment, notice dates for assignment capacity elections, capacity release rates, and revenue sharing as these issues relate to competitive suppliers operating on Central Penn’s distribution system.

On September 7, 2011, the Administrative Law Judge issued a Recommended Decision in the UGI Penn proceeding recommending approval of the Settlement. On October 14, 2011, the Pennsylvania Public Utility Commission issued an Order approving the Recommended Decision. The UGI Penn Settlement contained several items which the OCA deems to be within the public interest. Specifically, regarding UGI Penn’s Design Peak Day demand, the Settlement provided that the Company will perform a statistical analysis of its design day requirements for each day using a thirty-year period, updated every five years. As to design cold provisions, the Settlement provided that UGI Penn will adopt a new statistical procedure to calculate the design cold winter it uses for seasonal capacity planning purposes. Further, the settlement required UGI Penn to demonstrate through the RFP process that, if the Company ever increased its no-notice service beyond existing amounts, it must establish that the no-notice service is the least cost. Finally, the Settlement addressed direct capacity assignment, notice dates for assignment capacity elections, capacity release rates, and revenue sharing as these issues relate to competitive suppliers operating on UGI Penn’s distribution system.

**Rulemakings and Policy Proceedings**

Natural Gas Pipeline Replacement and Performance Plans, Docket No. M-2011-2271982. The Commission issued a Tentative Order to address natural gas safety issues. The purpose of the Tentative Order was to establish a process by which the major natural gas distribution companies will submit Distribution Integrity Management Plans (DIMP) and Pipeline Replacement and Performance Plans (PRP) with the Commission. The Tentative Order also required the NGDCs to conduct “frost patrols” as an enhanced leak survey measure in the cold weather months. The OCA filed comments generally supportive of the Commission’s efforts to address natural gas safety. The OCA requested that the Commission also address the issue of the public review of these plans. At the end of the Fiscal Year, the matter was pending before the Commission.
Federal

**FERC Gas Cases**

Re: Texas Eastern Transmission, LP, Docket Nos. CP11-67-000, PF10-21-000. On January 25, 2011, Texas Eastern Transmission filed an application under Sections 7(b) and 7(c) of the Natural Gas Act with respect to its proposed TEAM 2012 Project. Texas Eastern sought authority to: (1) construct, own, operate, and maintain certain pipeline and compression facilities; (2) abandon certain compression facilities in order to increase capacity on the Texas Eastern system by approximately 190,000 Dth per day from supply points in Ohio and the Appalachian area to proposed interconnections in central and eastern Pennsylvania; and (3) charge incremental recourse rates for firm service on the TEAM 2012 Project facilities and existing rates for interruptible service. Texas Eastern serves a number of Pennsylvania natural gas distribution companies that are regulated by the Pennsylvania Public Utility Commission and may also serve competitive natural gas suppliers serving end use customers in Pennsylvania. These PA NGDCs, along with NGSs, serve retail consumers in Pennsylvania, the majority of whom are residential and small commercial consumers. These smaller consumers rely on NGDCs and NGSs for the delivery of the natural gas they need to heat their homes and businesses in the winter and to otherwise meet their natural gas service needs. Texas Eastern’s request as to its rates for service, if granted, would have a direct impact on retail consumers in the Commonwealth of Pennsylvania. The OCA filed a Motion to Intervene in this proceeding in order to protect the interests of Pennsylvania ratepayers. On November 17, 2011, FERC granted all authorizations requested by the Company, without hearing, and authorized the Company to proceed with its TEAM 2012 Project, abandon certain facilities and to charge such rates for service on the new pipeline segment as were deemed to be just and reasonable.

Columbia Gulf Transmission Company, Docket No. RP11-1435. As discussed in last year’s Annual Report, on October 28, 2010, Columbia Gulf Transmission Company filed a rate case pursuant to Section 4 of the Natural Gas Act at the Federal Energy Regulatory Commission. The proposed tariff changes included an increase of $58,045,620 in annual jurisdictional revenues. Columbia Gulf’s interstate natural gas pipeline serves a number of Pennsylvania natural gas distribution companies that are regulated by the Pennsylvania Public Utility Commission and may also serve competitive natural gas suppliers serving end use customers in Pennsylvania. The magnitude of the requested revenue increase could significantly impact the total cost of gas service for these Pennsylvania customers. Accordingly, the OCA filed a Notice of Intervention in this matter at the FERC in order to protect the interests of these Pennsylvania consumers. The OCA participated in settlement negotiations before a FERC settlement judge. A settlement was achieved in this matter and submitted to FERC for approval. On March 15, 2012, the settlement was approved by FERC. As a result of the settlement, Pennsylvania ratepayers will see a decrease of approximately
$1.7 million in annual costs as compared to the Company’s original request for a revenue increase.

**Tennessee Gas Pipeline Company**, Docket No. RP11-1566. As discussed in last year’s Annual Report, on November 30, 2010, Tennessee Gas Pipeline Company filed a rate case pursuant to Section 4 of the Natural Gas Act at the Federal Energy Regulatory Commission. The proposed tariff changes included an increase in annual jurisdictional revenue of approximately $350,000,000 compared to the rates currently in effect. Tennessee Gas' interstate natural gas pipeline serves a number of Pennsylvania natural gas distribution companies that are regulated by the Pennsylvania Public Utility Commission and may also serve competitive natural gas suppliers serving end use customers in Pennsylvania. The magnitude of the requested revenue increase could significantly impact the total cost of gas service for these Pennsylvania customers. Accordingly, on December 13, 2010, the OCA filed a Notice of Intervention and Protest in this matter at the FERC in order to protect the interests of these Pennsylvania consumers. The OCA participated in settlement negotiations. A settlement was reached. On December 5, 2011, the settlement was approved by FERC in its entirety. Many of the terms of the extensive settlement document provide benefits for Pennsylvania ratepayers, but perhaps none as significant as the approximate $200 million reduction in the Company’s requested cost of service that was able to be achieved through this settlement. This savings figure is an annual number, and reflects the total decrease across all of the Company’s service areas, but the allocation of these savings to Pennsylvania is still significant.

**NY Public Service Commission**, Pennsylvania Public Utility Commission and Pennsylvania Office of Consumer Advocate v. National Fuel Gas Supply Corp., Docket No. RP06-298-000. As discussed in last year’s Annual Report, on April 7, 2006, the New York Public Service Commission, the Pennsylvania Public Utility Commission and the OCA filed a joint complaint against National Fuel Gas Supply Company pursuant to Sections 5(a) and 13 of the Natural Gas Act alleging that NFGSC’s rates were unjust and unreasonable. In particular, the complaint alleged that NFGSC had been earning excessive profits from the sale of over-recovered retained gas from shippers. The complaint requested that FERC lower the retainage factors on NFGSC’s system and determine a going-forward cost of service based upon a return on equity of 10.17%. The parties engaged in settlement negotiations in an effort to resolve these matters and a final Settlement was reached. This Settlement was approved by the FERC on February 9, 2007. One of the provisions of the Settlement required NFGSC to file a rate proceeding with rates to be effective on December 1, 2011. The NYPSC, Pa. PUC and the Pa. OCA negotiated to determine if a further Settlement could be reached which would negate the need for NFGS to file such a rate proceeding. The parties were unable to reach a resolution of this matter prior to the deadline for filing and on October 31, 2011, National Fuel Gas Supply Corporation submitted revised tariff sheets pursuant to Section 4 of the Natural Gas Act proposing a general rate increase and requesting an effective date of December 1, 2011. The Company sought to increase
jurisdictional revenues by $38,039,931. Through its filing, National Fuel also sought a return on equity of 13.5%. On November 14, 2011, the OCA filed a Motion to Intervene and Protest in this matter in order to protect the interests of Pennsylvania ratepayers. The OCA specifically objected to the level of revenue increase and the requested ROE of 13.5%. Settlement discussions were initiated in February, 2012, and are ongoing. At the end of the Fiscal Year, this case was pending before FERC.

UGI Storage Company, Docket No. CP12-78-000. On February 29, 2012, UGI Storage Company submitted an Abbreviated Application to Acquire Facilities and to Lease Capacity. Through its Application, UGI Storage is seeking to acquire approximately 11 miles of pipeline and associated appurtenances (the TL-96 Line) from UGI Central Penn. UGI Storage also sought authorization to lease capacity back to CPG, under an agreement that would run no longer than March 17, 2017, in order for CPG to continue to provide natural gas service to existing customers in Pennsylvania that are currently served from the TL-96 Line. The TL-96 Line is located entirely within the state of Pennsylvania. CPG is regulated by the Pennsylvania Public Utility Commission. CPG currently uses the TL-96 Line for transporting natural gas to its system in order to supply natural gas service to retail consumers in Pennsylvania and may also serve competitive natural gas suppliers serving end use customers in Pennsylvania. On March 27, 2012, the OCA filed a Motion to Intervene and Protest in this matter. The OCA is concerned that the transfer of this asset, without appropriate consumer protections, could lead to Pennsylvania ratepayers experiencing higher natural gas costs. In a parallel proceeding, the OCA filed an intervention in this matter before the PA PUC. Settlement talks are occurring in the PA PUC case. Should such a settlement be concluded in the PA PUC case, the OCA’s stated concerns at the FERC will be resolved. At the end of the Fiscal Year, this matter was pending before FERC.
TELECOMMUNICATIONS

Pennsylvania

Access Charge Proceedings

Investigation Regarding Intrastate Access Charges and IntraLATA Toll Rates of Rural Access Carriers, and the Pennsylvania Universal Service Fund, Docket No. I-00040105. As discussed in last year’s Annual Report, the PUC has had an investigation open to address whether and by how much intrastate access rates charged by Verizon and by non-Verizon rural telephone companies should be reduced. Access rates are the rates charged by local telephone companies to long distance companies and other carriers to initiate or complete calls to or from their customers. One question to be addressed was whether access rates cover more than the costs of service and so provide a subsidy of basic local exchange rates. State law provides that the PUC may not require a local exchange company to reduce intrastate access charges except on a “revenue neutral” basis. So reductions in intrastate access rates by local exchange telephone companies might result in increases in rates for other services, including rates for basic residential local exchange service. The Pennsylvania Universal Service Fund (Pa USF) provides certain rural local exchange companies with funds to offset intrastate access rate reductions and reduce the cost of basic service paid by residential customers.

Portions of the investigation had been stayed, with certain parties obligated to provide annual Joint Status Reports concerning intercarrier compensation reform under consideration by the Federal Communications Commission (FCC) and the potential impact on Pennsylvania intrastate access rates and revenues.

On October 16, 2007, the OCA, the Rural Telephone Company Coalition, the United Telephone Company of Pennsylvania (d/b/a Embarq) and the Commission's Office of Trial Staff filed a Joint Status Report as well as Joint Motion for Further Stay. The OCA and others pointed out the harm to Pennsylvania consumers and carriers and waste of administrative resources which could result if Pennsylvania reformed access charges in advance of federal action. Some parties opposed the request for a stay.

On April 24, 2008, the Commission entered an Order granting in part and denying in part the Joint Motion for Further Stay. The Commission reopened the investigation for the express and limited purposes of addressing whether the $18.00 cap on residential monthly service rates, and the corresponding rate cap on business rates, should be raised; whether funding for the Pa USF should be increased; and whether a “needs based” test for rural telephone company support from the Fund should be established. The Commission articulated additional issues to be addressed in this limited reopening.
The Commission otherwise stayed the investigation as it pertained to access charges by rural telephone companies, except to determine that such charges should not increase during the stay, absent extraordinary circumstances.

AT&T Communications of Pennsylvania and Sprint Communications Company both filed Petitions for Reconsideration and Clarification of the PUC’s April 24, 2008 Order. The RTCC, Embarq and other parties filed answers in opposition to the AT&T and Sprint petitions. On May 22, 2008, the Commission granted the Petitions for Reconsideration pending further review and consideration on the merits.

The OCA filed a Notice of Intervention and Public Statement on June 6, 2008, specific to the review of the $18 rate cap phase of the investigation. The OCA then joined with the rural ILECs and sought a stay of the entire proceeding in light of activity regarding these same issues at the FCC. The FCC was required to act on issues related to access rates on November 5, 2008 as a result of a directive from the District of Columbia Circuit Court of Appeals. The OCA and some other parties requested modification of the procedural schedule to permit time for the Commission to address the substance of these petitions.

By Order entered September 26, 2008, the Commission denied the Joint Motion for Further Stay filed by the OCA and other parties but did grant the ALJ an additional two months to issue a decision in this proceeding. On October 9, 2008, the Commission ruled on the Petitions for Reconsideration filed by AT&T and Sprint. In response to Sprint’s Petition, the Commission clarified that the re-opened investigation would not include consideration of wireless carriers in conjunction with PaUSF funding obligations. In response to AT&T’s Petition, the Commission clarified that evidence may be introduced into the investigation on whether the PaUSF should either increase or decrease.

Hearings were held in February 2009. On May 11, 2009, the OCA submitted its Main Brief articulating its positions in this proceeding. The OCA continued to advocate that the $18 benchmark should be maintained at this time for reasonable rural basic residential local exchange rates. The OCA further continued its position that since the concepts of comparability and affordability change over time, the Commission should establish a mechanism that adjusts the benchmark rate over time as well. The OCA argued that this benchmark should be no greater than 120% of the Verizon average weighted basic local exchange rate and no greater than 0.75% (three-quarters of one percent) of the Pennsylvania median rural household income. In addition, the OCA presented its position on the other issues raised by the Commission in its Order instituting this investigation, including the role of the Pennsylvania Universal Service Fund in maintaining this basic local service rate cap for rural customers.

In a July 23, 2009 Recommended Decision, ALJ Colwell determined that the rate cap is no longer necessary and recommended that the Commission refocus the Pennsylvania
USF to provide support only to low income residential consumers and rural ILECs that prove their service area is high cost. The OCA filed Exceptions on August 28, 2009. The OCA noted that the rate cap is necessary for the Commission to meet its universal service obligations. Additionally, the ALJ recommended that existing support provided by the Pa USF be ended, pending resolution of the future rulemaking. The OCA opposed the ALJ’s recommendation which would not assure all residential basic local service consumers of affordable and reasonable rates.

In July 2009 the PUC lifted the stay of the remaining portion of this investigation and assigned the case to ALJ Melillo. The PUC consolidated the investigation with the complaints filed by AT&T pertaining to the same issues. Given the extensive history of the proceeding and bifurcation of issues in 2008, the parties could not agree on the scope of issues to be developed before ALJ Melillo. At the request of the ALJ, the OCA and other parties filed Memoranda of Law on September 2, 2009. The OCA memorandum traced the issues identified by the PUC in July and related and subsidiary issues which also required resolution, and had not been assigned to ALJ Colwell for disposition. On September 15, 2009, ALJ Melillo issued an Order regarding the scope of the proceeding in response to the Memoranda of Law filed by the OCA and other parties. In her Order, ALJ Melillo essentially agreed with the OCA’s position that the scope of this portion of the investigation included the issues raised in the Commission’s December 20, 2004 Order instituting this investigation, the issues raised in the complaints filed by AT&T and certain ancillary issues raised by the PTA. In response, on September 25, 2009, Sprint and other parties filed a Petition for Interlocutory Review with the Commission asking the Commission to overturn ALJ Melillo’s Order regarding the scope of the proceeding. The OCA filed an Answer to the Petition for Interlocutory Review again articulating its position that the scope of this proceeding is broader than what Sprint contended.

Subsequently, the Commission entered an Order adopting the majority of the Recommended Decisions of ALJ’s Colwell and Melillo in this bifurcated matter. The Commission determined to reduce the RLECs' intrastate access rates to their interstate levels and to open a rulemaking proceeding regarding the Pennsylvania Universal Service Fund. The Commission determined to maintain a $2.50 carrier charge for the RLECs and also modified the implementation period for the rate changes.

The PTA and AT&T filed Petitions for Reconsideration with the Commission. PTA advocated in its Petition that the Commission should stay the implementation of its July 18, 2011 Order to consider the impact of a proposal recently submitted by a conglomeration of incumbent carriers to the FCC called the “ABC Plan.” The ABC Plan addressed many of the same issues the Commission addressed in its Order. AT&T argued in its Petition the Commission should reconsider its decision to maintain a $2.50 carrier charge. AT&T also sought reconsideration regarding the time line for implementing the rate changes directed by the Commission.
The OCA filed an Answer in response to both Petitions. The OCA supported the PTA’s request to have the Commission consider the possible impact of the ABC Plan on its Order. The OCA opposed, however, AT&T’s request that the Commission reconsider its decision to maintain a $2.50 carrier charge. The Commission granted both petitions to maintain jurisdiction pending further review of the merits.

In March 2012, the Commission reopened the record in the consolidated Rural Access Charge Investigation and AT&T complaint cases, for the limited purpose of allowing parties to update their positions regarding the pending Petitions for Reconsideration and related pleadings in light of the FCC’s November 18, 2011 Order. Through the same Order, the Commission commenced a collaborative, on-the-record proceeding to allow for development of a record to assist Commission staff in making recommendations to the Commission regarding the impact and cross-effects of the FCC’s November 18, 2011 Order on Pennsylvania telecommunications carriers, services and rates. See, Implementation of the FCC’s Order of November 18, 2011 as Amended or Revised and Coordination with Certain Intrastate Matters, Docket No. M-2012-2291824.

The PTA and CenturyLink filed an Updated Petition for Reconsideration, as did AT&T. The OCA Answer to those petitions, supported by an affidavit by Dr. Robert Loube was filed on April 19, 2012. The OCA recommended that the Commission stay the majority of its plan for reform of RLEC intrastate access rates but reopen the record to determine the proper allocation of the Carrier Line Charge between originating access service and terminating access service. The OCA encouraged the Commission and LECs to first utilize all federal support available to offset the decrease in access revenues, to minimize possible future requests to increase basic local rates.

On May 10, 2012, the Commission entered a Consolidated Short Form and Protective Order. The Commission determined that the access charge reforms proposed by the June 2011 Order would not be implemented, given the conflict in part with the FCC Order. The Commission fixed deadlines for filing revised intrastate access tariffs by ILECs and competitive carriers, to comply with the FCC Order. The Commission adopted a method for allocating the carrier charge between originating access and terminating access, based on a recommendation by AT&T, which the OCA supported. The Commission reserved the right to address other issues presented by the Updated Petitions for Reconsideration in a future order.

Pursuant to the FCC Connect America Fund Order and the Commission’s May 10, 2012 Order, ILECs and other telecom carriers have filed tariffs reducing their intrastate terminating access rates. The OCA is reviewing those tariffs and the impact on the ILECs’ revenues.
Chapter 30 (Act 183) Related Proceedings

Price Stability Filings by Windstream Companies. On April 30, 2012, Windstream of Pennsylvania, Windstream Buffalo Valley, Windstream Conestoga, and Windstream Denver & Ephrata filed their PSI filings. Each of the companies calculated that an increase in revenues is allowed, based on their price cap formula and changes in the GDP-PI. Each Windstream company proposed to bank the allowed revenue increase, rather than increase rates for non-competitive services. The OCA’s expert reviewed the filings. The Commission approved the PSI filing by each of the Windstream Companies in June 2012.

Price Stability Filings by Hickory Telephone. Hickory Telephone made its annual PSI filing on May 1, 2012. Hickory Telephone proposed to increase its revenues by $16,868, based on prior banked increases. Hickory proposed to increase residential and business basic local exchange rates as well as charges for certain optional services. The OCA’s expert reviewed the filing. The Commission approved Hickory’s filing and proposed rate change in June 2012.

Price Stability Filings by North-Eastern Pennsylvania Telephone (NEP). NEP made its annual PSI filing on May 1, 2012. NEP calculated an allowed increase of $125,230. NEP proposed to increase its revenues by $6,766 using a portion of a prior banked increase. The rate increase would raise certain residential local exchange rates to $14.00 per month. NEP proposed to bank the 2012 allowed increase. The OCA’s expert reviewed the filing. The Commission approved NEP’s filings in June 2012.

Price Stability Filings by Bentleyville Telephone. Bentleyville made its annual PSI filing on May 1, 2012. Bentleyville calculated an allowed increase of $22,783 which it proposed to bank. Bentleyville also proposed to increase revenues by $25,669 using a portion of its 2008 banked increase. The rate increase would raise residential local exchange rates by $1.50 per month. The OCA’s expert reviewed the filing. The Commission approved Bentleyville’s filings in June 2012.

Price Stability Filings by Marianna & Scenery Hill Telephone (M&SH). M&SH made its annual PSI filing on May 1, 2012. M&SH calculated an allowed increase of $25,470 which it proposed to bank. M&SH also proposed to increase revenues by $28,439 using a portion of its 2009 banked increase. The rate increase would raise residential local exchange rates by $1.50 per month beginning in July 2012. The OCA’s expert reviewed the filing. The Commission approved M&SH’s filings in June 2012.

Price Stability Filings by Lackawaxen Telephone. Lackawaxen Telephone made its annual PSI filing on May 1, 2012. Lackawaxen proposed to bank the entire allowed increase of $24,110, rather than increase rates for non-competitive services. The OCA’s expert reviewed the filing. The Commission approved Lackawaxen’s filing in June 2012.
Price Stability Filings by Consolidated Communications. Consolidated Communications made its annual PSI filing on April 26, 2012. The Company proposed to bank the entire allowed increase of $736,987, rather than increase rates for non-competitive services. The OCA’s expert reviewed the filing. The Commission approved Consolidated Communications’ filing in June 2012.

Price Stability Filings by Frontier Companies, Citizens Telephone of Kecksburg, and Ironton Telephone. On February 1, 2012, these companies filed their Price Stability Mechanism calculations. The OCA’s expert reviewed all of the filings. The Frontier companies calculated that an increase in revenues is allowed based on their price cap formula and changes in the GDP-PI. Each Frontier company proposed to bank the allowed revenue increase, rather than increase rates for non-competitive services. The Commission approved the filings by the Frontier Companies in March 2012. The Commission noted that the five Frontier Companies’ decision to bank the full allowed revenue increase of $242,079 brought the combined total banked amount to $452,246. For Frontier Commonwealth, the Commission noted that the company was increasing its banked amount by $2.6 million for a total bank of $4.8 million in allowed revenue increases.

The Commission approved the Citizens filing in March 2012, noting that the Company was banking the full allowed increase of $41,547, instead of increasing rates at this time. The Company’s total bank of allowed increases is now $72,002.

The Commission approved Ironton’s filing in March 2012, noting that Ironton had chosen to bank the entire $85,637 in allowed increase. Ironton’s 2008 banked increase of $79,902 was retired. Including the 2012 increase, Ironton’s total bank of allowed increases is $216,608.

Price Stability Filings by Verizon Pennsylvania and Verizon North. The Verizon companies filed their Price Stability Mechanism calculations on December 1, 2011. Verizon PA calculated an allowed increase of $3.1 million. Verizon PA proposed to increase certain business dial tone rates to produce $699,400 in additional annual revenues. Verizon PA proposed to treat the balance as an offset to its 2003 calculated rate reduction and annual contribution to the Pa Universal Service Fund. Verizon North calculated an allowed annual increase of $637,000. Verizon North proposed to increase certain residential rates by $0.20 and higher increases to business rates to generate $682,000 in additional annual revenues, based on the 2012 PSM and $46,100 in prior banked increases. The OCA’s expert consultant reviewed the Verizon PA and Verizon North Price Stability Mechanism calculations and proposed rate increases for compliance with the Companies’ Chapter 30 Plans, the law, and past orders. The PUC approved the two Verizon PSM filings and proposed rate increases by orders entered January 27, 2012.
Price Stability Filing by CenturyLink, Docket No. P-00981410F1000. On Sept. 1, 2011, CenturyLink filed its annual Price Stability Index (PSI) Filing. CenturyLink calculated an allowed annual revenue increase of $1.066 million. However, as part of the settlement resolving CenturyLink’s past merger with Qwest, CenturyLink agreed to not implement or bank any increase in rates otherwise allowed by its 2011 or 2012 Price Stability Filings. This settlement provision protects CenturyLink against an immediate or future increase in rates for noncompetitive services of up to $1.066 million. The OCA has reviewed CenturyLink’s PSI filing with the assistance of OCA’s expert and found that CenturyLink is in compliance with both its Chapter 30 Plan and the merger settlement condition.

Petition of the Pennsylvania Telephone Association for An Order to Expand the Base of Contributing Carriers to the Pennsylvania Universal Service Fund to Include Wireless Carriers and VoIP Providers, Docket No. P-2010-2217748. As discussed in last year’s Annual Report, on December 28, 2010, the Pennsylvania Telephone Association filed a Petition asking the Commission to expand the base of contributors to the Pennsylvania Universal Service Fund so that wireless carriers and voice over internet protocol (VoIP) providers would be required to contribute to the fund. In its Petition, the PTA noted that the Pa USF was created by the Commission in 1999 to act as a revenue neutral replacement mechanism for switched access charges reductions ordered in 2000 and 2003 that remain unfunded after local rate increases. The PTA further noted that, at the time of the creation of the Pa USF, wireless carriers’ usage was limited and VoIP service was not yet commercially viable. As a result, and in consideration of the current strain on the Pa USF, the PTA sought to have the Commission require wireless carriers and VoIP providers to contribute to the Pa USF by expanding the base of contributors to the fund to include those service providers.

On January 20, 2011, the OCA filed an Answer in Support of the PTA Petition. The OCA contended that the Commission has explicit statutory state and federal authority to ensure universal service. In addition, the OCA noted that the Commission has authority to require wireless carriers and VoIP providers to pay into the Pa USF, particularly in light of a recent ruling by the Federal Communications Commission that specifically allowed state commissions to require VoIP providers to contribute to state universal service funds. As a result, the OCA advocated that the Commission should grant the PTA Petition and direct that all service providers that use the public switched telephone network at any point in providing their service be required to contribute to the Pa USF to support universal access to that network.

Several parties also filed Answers to the PTA Petition, including the Broadband Cable Association of Pennsylvania, Verizon Pennsylvania, and affiliated companies, Comcast Phone of Pennsylvania, AT&T Communications of Pennsylvania, and affiliated companies, and a coalition of wireless carriers including T-Mobile, Verizon Wireless and Sprint/Nextel Corporation. Each of these parties opposed the PTA Petition, including filing Preliminary Objections, which were timely answered by the PTA.
The OCA will participate in this proceeding on behalf of Pennsylvania consumers to ensure that the Pa USF is adequately and appropriately funded. At the end of the Fiscal Year, the Commission had not yet taken action on the Petition.

Pennsylvania Public Utility Commission v. Verizon Pennsylvania, Inc. and Verizon North, LLC, Docket Nos. R-2011-2244373 and R-2011-2244375. As discussed in last year’s Annual Report, on May 31, 2011, Verizon Pennsylvania and Verizon North each filed with the Commission separate revisions to their informational tariffs for competitive services effectively withdrawing the informational tariffs for competitive services and placing such information in price lists and product guides on a Verizon website. The tariff revisions were to be effective on June 1, 2011. On June 24, 2011, the Commission entered an Order consolidating the filings and treating the filings as letter Petitions seeking the modification of the Companies’ respective amended alternative regulation and network modernization plans filed pursuant to Chapter 30 of the Public Utility Code. The Commission further determined to accept Comments regarding these letter petitions.

The OCA filed Comments in this matter advocating that Verizon could not unilaterally make the changes it sought to make in its May 31, 2011 filings. The OCA advocated that the filings were akin to an informational tariff filing, and not a traditional tariff filing, and therefore Chapter 30 allowed the Commission to require Verizon to make such filings with the Commission, instead of just posting the filings on the Company website, as Verizon sought to do. Verizon and Full Service Network, a competitor of Verizon, also filed Comments. FSN advocated that making Verizon file its price lists with the Commission would assist in its ability to provide competitive service.

The OCA filed Reply Comments on August 1, 2011 in response to the Comments previously filed by Verizon. The OCA advocated that Verizon's Comments focused too narrowly on only select provisions of Chapter 30 for support. The OCA demonstrated that price lists were more akin to an informational tariff than a formal tariff and that the Commission could still require Verizon to file the price list with the Commission pursuant to the Chapter 30.

The Commission ruled on the merits by order entered November 14, 2011. The Commission approved Verizon's May 31, 2011 letter filings and withdrawal of the Verizon informational tariffs and directed Verizon to file Amended Chapter 30 Plans, to reflect Verizon’s election to not tariff its competitive services. The Commission agreed with the OCA and FSN that the Commission should require Verizon to continue to file price list information with the Commission. As part of its Order, the Commission relied on policy and legal points presented in the OCA comments.

Verizon filed amended Chapter 30 Plans on December 19, 2011. Verizon withdrew its competitive service tariffs and filed price lists for competitive services with the Commission on February 1, 2012. Verizon will file changes to its price lists with the
Commission going forward. OCA has reviewed the filings for compliance with the Commission’s November 14, 2011 Order.

Regarding the Commission’s June 24, 2011 Order, on July 22, 2011, Verizon appealed (1353 C.D. 2011). Verizon argued that the Commission’s June 24, 2011 Order violated Chapter 30 of the Public Utility Code because, Verizon argued, Chapter 30 prohibits the Commission from requiring incumbent local exchange carriers from filing tariffs with the Commission. On August 2, 2011, the OCA filed a Notice of Intervention entering the appellate proceeding.

On August 5, 2011, the Commission filed an Application for Relief in the Form of a Motion to Quash Petition for Review. The Commission advocated that the July 22, 2011 Order was not a Final Order or an otherwise appealable interlocutory order and therefore was not subject to appellate review. The Commission therefore advocated that the Petition for Review should be quashed. The Court denied the Commission’s Motion. The parties filed briefs. The OCA’s Brief supported the Commission’s Order and argued that the Commission acted within its authority by suspending Verizon’s withdrawal of the informational tariffs, where Verizon’s letter filing and one day’s notice tariff filing required suspension and more notice and review. Commonwealth Court issued an unreported memorandum opinion which affirmed the PUC’s Order. The Court agreed with the Commission that Verizon is bound by its Chapter 30 Plan language. Thus, Verizon could not withdraw its informational tariff for competitive services without first going through the appropriate Chapter 30 process for amendment of network modernization plans.

Bona Fide Retail Request Program (BFRR) As discussed in last year’s Annual Report, Verizon Pennsylvania, Verizon North, Embarq d/b/a United Telephone Company of Pennsylvania, and Windstream (formerly known as ALLTEL) are required under the terms of their revised Chapter 30 Plans and Act 183 to offer consumers who are not yet able to receive broadband service from their telephone company the opportunity to aggregate their request with others in their community. The BFRR is intended to help consumers get service deployed faster than the telephone utility might otherwise be planning to deploy. The program is under the combined jurisdiction of the Department of Community and Economic Development and PUC. The OCA will continue to aid consumers in making the most of this program to speed deployment of broadband service.

The OCA continues to receive inquiries regarding the BFRR program from consumers throughout the state. The OCA provides assistance to these consumers in a variety of forms. The OCA also continues to emphasize consumer education about the BFRR program so that more consumers are aware of this opportunity.

The OCA continues to monitor the Companies’ semi-annual BFRR reports as part of the oversight of the BFRR program. In particular, the OCA reviews any requests for
extensions of time to deploy high speed internet service made by the Companies pursuant to the BFRR requirements and responds on behalf of consumers when appropriate. In October and November 2011, some carriers filed petitions for extension to account for time lost due to severe weather and storms. The OCA reviewed the petitions but did not intervene or oppose. The PUC approved the petitions.

In April 2012, CenturyLink requested more time to complete deployment of facilities to satisfy BFRR requests in Emlenton. CenturyLink also reported that it had completed deployment in New Bloomfield to satisfy a BFRR request, although CenturyLink had taken longer to do so than originally planned. The OCA continues to monitor these developments.

**Additional Telecom Cases**

**Wireless Petitions for Designation as Eligible Telecommunications Carriers.** As part of the Connect America Fund Order, the FCC will make available limited funding to wireless Eligible Telecommunications Carriers (ETCs) for the purpose of extending wireless service capable of supporting voice and broadband service in unserved or underserved areas. ETC designation is a necessary prerequisite.

In February 2012, Keystone Wireless d/b/a Immix filed a petition for ETC designation with the Commission, in order to be eligible to apply for this federal Connect America Fund support. (Docket No. P-2012-2287339). Keystone also requested that the Commission grant special relief so that Keystone’s service area need not conform with the service area of certain rural wireline carriers. The OCA is reviewing the Keystone petition and preparing comments to file on April 30, 2012.

T-Mobile Northeast, LLC filed a petition for ETC designation on April 9, 2012 (Docket No. P-2012-2297650). T-Mobile requested conditional ETC designation, such that T-Mobile will only have the obligations of an ETC if T-Mobile is approved by the FCC for receipt of Connect America Fund support. T-Mobile also requested expedited review. At the end of the Fiscal Year, these matters are pending before the PUC.

**ILEC Filings to Implement New Intrastate Tariffs for VOIP-PSTN Access Service.** In the USF/ICC/CAF Order, the FCC directed all carriers, incumbent and wireline, to set intrastate rates for transmission of VOIP calls which originate or terminate on the Public Switched Telephone Network (PSTN) equal to the carrier’s interstate rates. On December 2, 2011, Verizon Pennsylvania and Verizon North filed tariffs with the PUC to implement the FCC’s directive. The Frontier Companies and CenturyLink subsequently filed similar proposed tariffs. As part of the executive summary to the tariff filings, these ILECs sought to reserve the right to offset any decrease in access revenues through future increases in basic local service rates. PUC Staff and the OCA separately
investigated these proposed tariff filings. In the course of the review, the ILECs revised their position and no longer expressly claim a right to offsetting rate changes.

In February 2012, Verizon filed a letter with the Commission which questioned some of the provisions in the tariff filings of other carriers, including some ILEC tariffs. The Commission convened a meeting on April 18, 2012 with Verizon, certain other carriers, Commission Staff and the OCA. Some but not all of Verizon’s concerns were resolved informally.

In April 2012, the FCC entered a Second Order on Reconsideration in the Connect America Fund proceeding. The April Order modified the rates for originating VOIP-PSTN traffic during the transition period through June 30, 2014. As a result, Pennsylvania LECs have filed revised tariffs for intrastate access service to conform. At the end of the Fiscal Year, the OCA continues to monitor these tariff changes, with a focus on how the changes impact the revenues of the ILECs.

Revised Lifeline Tariff Filings. The FCC’s February 2012 Lifeline Reform Order implements changes to the program which require wireline carriers to modify their tariffs. In late March 2012, Pennsylvania incumbent wireline carriers and ETCs filed revised tariffs with a proposed effective date of April 1, 2012 to reflect the FCC’s elimination of the Link Up program and certain other modifications. The OCA reviewed the tariffs. The Pennsylvania wireline ETCs will need to file revised tariffs again in the future, when the FCC’s change in the Lifeline discount to $9.25 takes effect.

Implementation of the FCC’s Order of November 18, 2011 as Amended or Revised and Coordination with Certain Intrastate Matters, Docket No. M-2012-2291824. By Order entered March 22, 2012, the Commission commenced a collaborative, on-the-record proceeding to allow for development of a record to assist Commission staff in making recommendations to the Commission regarding the impact and cross-effects of the FCC’s November 18, 2011 Order on Pennsylvania telecommunications carriers, services and rates. The OCA engaged Dr. Robert Loube to testify during the April 2012 hearings. Based on the record, the PUC adopted the template favored by OCA, to be filed by telecom companies with tariff filings to reduce intrastate access charges.

TracFone Wireless, LLC Petition for Protective Order, Docket No. P-2011-2250661. On June 30, 2011, TracFone Wireless asked the PUC to issue a protective order for TracFone’s annual Lifeline Tracking Report. TracFone also filed its annual Lifeline Tracking Report, in public and proprietary form, with the Commission. The OCA filed an Answer on July 28, 2011 which opposed TracFone’s request for relief. The Commission had historically required this tracking report information to be available to the public, so the PUC, OCA and other members of the public might address how to improve Lifeline service in Pennsylvania. The Commission had denied a near identical request by TracFone in November 2010. On September 22, 2011, the PUC entered an Order which denied TracFone’s petition. The PUC agreed with the OCA that TracFone
had not shown that public disclosure would harm TracFone and that public policy favored disclosure.

814, 717 and 570 area code issues. As discussed in last year’s Annual Report, the North American Numbering Plan Administrator (NANPA) had informed the Commission that the 814, 570 and 717 area codes were nearing exhaustion because the area codes were running out of assignable telephone numbers.

On June 9, 2009, NANPA filed a Petition with the Commission (Docket No. P-2009-2112925) pertaining specifically to the 814 area code in which it recommended that an area code “overlay” be implemented for this area code within the next three years. The PUC entered an Order on July 29, 2009 seeking comments on how to implement a new area code and how to identify when a new code would be needed to meet the needs of consumers in the 814 area.

On September 8, 2009, OCA filed comments which urged the PUC to carefully assess whether all steps to conserve existing numbers had been pursued. If, as NANPA expected, a new area code was needed in the near future, the OCA expressed support for adoption of a new area code on an overlay basis. As explained in the OCA Comments, a new area code overlay is preferable to a geographic split, which would impose costs and significant inconvenience in the new code area.

On July 1, 2009, NANPA filed a similar Petition to address the expected exhaust of available numbers in the 570 area code in northeastern Pennsylvania (Docket No. P-2009-2117193). The PUC entered an Order on July 29, 2009 seeking comments on how to implement a new area code and how to identify when a new code would be needed to meet the needs of consumers in the 570 area. On September 8, 2009, OCA filed comments which urged the PUC to carefully assess whether all steps to conserve existing numbers had been pursued. If, as NANPA expected, a new area code was needed in the near future, the OCA expressed support for adoption of a new area code on an overlay basis. As explained in the OCA Comments, a new area code overlay is preferable to a geographic split, which would impose costs and significant inconvenience in the new code area.

The OCA participated in several public input hearings conducted by the Commission throughout the 570 and 814 area codes for purposes of obtaining comments from members of the public regarding which form of area code relief should be implemented. Public input hearings were held in Wilkes-Barre, Jim Thorpe, Williamsport, Altoona, Johnstown, and State College.

On February 23, 2010, the OCA filed Comments in response to the Commission’s request for Comments in the proceeding involving the 717 area code. Those comments mirrored the comments filed by the OCA regarding the 570 and 814 area codes on September 8, 2009.
Significantly, however, the OCA discussed in its February 23, 2010 Comments an example of an apparent inefficient use of existing numbering resources that should be addressed before any new area code was to be implemented. The OCA had only recently discovered this situation where one telecommunications provider was given more than one million telephone numbers from the 570, 717 and 814 area codes combined in one month. Upon further investigation it was determined that such a large distribution of numbering resources was made because many of the rate centers in the 717, 570 and 814 area codes are not located within a top 100 metropolitan statistical area (MSA) in the country. As a result, under existing FCC rules, the PUC was prohibited from requiring this provider to obtain telephone numbers in blocks of 1,000, instead of in blocks of 10,000, as the Commission can require in less rural portions of the state.

As a result, the OCA also filed a pleading with the FCC in support of a Petition previously filed by the Commission wherein the Commission sought additional delegated numbering authority so that it could require service providers to take telephone numbers in blocks of 1,000 instead of blocks of 10,000 throughout all of Pennsylvania, not just certain areas. Such “thousands block pooling” effectively prolongs the life of current area codes. The OCA made its filing in support of the PUC’s Petition on February 23, 2010 and encouraged the prompt approval of the Petition.

The OCA also participated in public input hearings in Somerset, Scranton, Harrisburg, Lancaster, Chambersburg, York, Gettysburg, Lock Haven and Erie. The OCA continued to advocate that before any additional numbering resources are implemented, either in the form of an overlay or a geographic split, that the Commission determines that current numbering resources are being used efficiently and reclaim those that are not. Only after the Commission has determined that additional numbering resources are in fact needed, the OCA then advocated that an additional area code should be implemented in the form of an overlay because it is generally less costly and confusing to customers. The OCA also continued to advocate for additional Commission authority to implement number conservation measures as discussed in the OCA’s filing to the FCC filed on February 23, 2010.

On May 18, 2010, the Federal Communications Commission granted the Petition of the Commission seeking additional delegated authority to implement number conservation measures in Pennsylvania. Previously, the Commission was only authorized to mandate thousands-block pooling in rate centers located in top 100 metropolitan statistical areas in Pennsylvania. The additional authority allows the Commission to mandate thousands-block pooling in all rate centers in Pennsylvania. As noted above, the OCA had supported the Commission’s Petition to the FCC. The distribution of numbering resources in blocks of one thousand, instead of the traditional blocks of ten thousand, delays the unnecessary implementation of area codes.
In light of the additional numbering authority, the Commission issued a further Order on June 3, 2010 seeking to implement mandatory thousands-block pooling in all rate centers in the 570, 717 and 814 area codes. Significantly, the Commission also directed all service providers to consider thousands-block pooling in these three area codes when making their August, 2010 forecasts for numbering resources. The North American Numbering Plan Administrator held a conference call amongst all industry participants on June 29, 2010 regarding the Commission’s June 3, 2010 Order. The OCA participated in that conference call to ensure that all necessary steps are being taken to avoid the cost and inconvenience caused by the unnecessary implementation of new area codes. The OCA will continue to monitor the implementation of mandatory thousands-block pooling in Pennsylvania.

On October 26, 2010, the North American Numbering Council (NANC) released its Number Resource Utilization Forecast (NRUF) report. The Commission asked the telephone companies to provide estimates of the impact of pooling when submitting their forecasts. As a result, the life of every Pennsylvania area code was extended by 6 to 12 months. It is anticipated that the lives of these area codes will be extended even further once the actual impact of pooling is reported.

On December 16, 2010, the Commission issued an Order determining to “split” the 814 area code and allowing the portion below the split to maintain the 814 area code and provide the portion above the split to receive a new area code. The Commission determined that such action was necessary to ensure adequate numbering resources for all telecommunications service providers in the 814 area code.

In response to the Commission’s December 2010 Order, the OCA filed a Petition for Reconsideration. The OCA advocated that reconsideration was appropriate because the Commission had not yet considered the most recent forecast data before determining to implement area code relief for the 814 area code. Such data would have specifically addressed the impact of the implementation of mandatory thousands block pooling throughout the entire 814 area code, not just in limited areas where the Commission originally had authority to mandate the more efficient allocation of telephone numbers to carriers. The Commission’s authority to mandate thousands block pooling throughout the area code was received from the FCC in May 2010 and only implemented in the 814 area code in September 2010. As such, the data that the Commission relied upon in the December 2010 Order did not consider this additional number conservation authority.

In addition, numerous other parties and affected people also made filings with the Commission asking them to reconsider the December 2010 Order. This included a group of telecommunications providers including Verizon Pennsylvania; another group of telecommunications providers and Senator Mary Jo White; the Manufacturer and Business Association; and over 50 individual Petitions submitted by various residents and businesses, including an electronic petition signed by over 13,000 residents and
businesses in the northwest portion of the state (www.save814.com). Nearly every Petition sought to have the Commission reconsider its December 2010 Order and allow for more public input on the matter, since only one public input hearing was held in the northern portion of the area code that the Commission directed should receive the new area code, and that public input hearing was delayed once due to inclement weather.

On January 7, 2011, the OCA filed an Answer to the Petition filed by Verizon and other telecommunications carriers. The OCA supported the Petition filed by the coalition of carriers led by Verizon which advocated that more evidence be taken by the Commission on the matter. The OCA specifically advocated that the Commission should reopen the record so that it could consider additional evidence, including a recent December 2010 exhaust projection that shows that the 814 area code may not exhaust for many years.

On January 13, 2011, the Commission entered an Order granted the Petitions for Reconsideration pending review of and consideration on the merits. At the same time, the Commission released the Joint Motion of Vice Chairman Christy and Commissioner Coleman wherein the Commissioners determined that it may be premature to resolve the numbering issue when data may suggest that sufficient numbering resources exist to prolong the life of the area code. The Joint Motion further directed that Technical Conferences be held to permit additional evidence to be submitted regarding the issues identified in the Petitions for Reconsideration. The Joint Motion also directed that further public input hearings be held throughout the 814 area code as appropriate.

On March 17, 2011, the Commission issued a Final Order in the matter involving the Petitions for Reconsideration regarding the 814 area code. In the Final Order, the Commission ordered the suspension of the timeline for the implementation of the area code relief plan for the 814 area code. The Commission further ordered that the proceeding continue to remain open for the limited purpose of scheduling technical conferences in order to permit additional evidence to be submitted concerning the issues raised in the Petitions for Reconsideration and to gather information regarding the economic impact of both the geographic split and overlay options. The Commission further determined that additional public input hearings should be held throughout the 814 area code to further develop the record to determine the least disruptive form of area code relief for the area code.

On May 24 and 26, 2011, the Commission held technical conferences and further public input hearings in State College and Erie respectively. During both technical conferences, the industry, led by Verizon, presented a panel of witnesses that discussed the technical issues related to adding a new area code via a geographic split and an overlay. All of the witnesses supported the overlay.

At the technical conference in State College, the OCA presented the testimony of Susan Baldwin. Ms. Baldwin is a telecommunications consultant with extensive experience...
regarding number conservation and area code relief. Ms. Baldwin’s testimony included a report she prepared analyzing the impact of thousands-block pooling on the need for area code relief in the 814 area code. Ms. Baldwin concluded that the Commission should not implement a new area code until it has an opportunity to allow its newly acquired number conservation authority to work. Ms. Baldwin further supported the implementation of an area code overlay, but only after it is determined that a new area code is in fact needed.

At the technical conference in Erie, the industry panel again presented their testimony regarding technical issues related to implementing a new area code in the form of a geographic split versus an overlay. In addition, elected officials and business representatives presented testimony regarding the impact the Commission’s original determination to implement area code relief in the form of a geographic split, with Erie getting a new area code, would have on them. Finally, the public input hearing in Erie had a high turnout, due in large part to the public concern with the Commission’s original determination to change the area code in Erie, and despite severe inclement weather that affected the region shortly before the hearing. There was near unanimity among those who testified against the Commission’s original determination to change Erie’s area code.

The Commission held 9 additional public input hearings. These hearings were held in Oil City, Bradford, DuBois, Punxsutawney, Somerset, Bedford, Altoona, Mt. Union and St. Mary’s. The OCA attended each of these public input hearings and continued to advocate that, before any new area code was implemented, either in the form of an overlay or a split, that the Commission must first ensure that the existing numbering resources are being used efficiently, and reclaim those that are not. The OCA advocated that, only after the Commission determined that a new area code is in fact needed, a new area code should be implemented in the form of an overlay because it is generally less disruptive and costly to consumers.

The PUC voted 5-0 on December 1, 2011 to dismiss the petition for area code relief in the 717 area code region, citing the success of measures to conserve number resources and new reports that the 717 area code will not be exhausted in the next five years. This was the outcome recommended by the OCA.

On January 17, 2012, the Commission announced that it would suspend implementation of area code relief in the 814 area because the projected exhaust date is now not expected until first quarter 2016. The suspension extended through April 2012, when new projections became available. On April 26, 2012, the PUC dismissed the relief plan and implementation schedule for the 814 area code based on information that the projected exhaustion date for the 814 area code was extended until the second quarter of 2018.
In February 2012, Verizon and other industry members filed a Joint Petition which asked the Commission to authorize a longer, six month period for consumer education regarding the implementation of the overlay as area code relief for the 570 area code. The OCA filed an Answer in March 2012 which supported allowance of more time for consumer education. However the OCA cautioned that the start date for the consumer education effort should depend on future updates to the area code exhaust projections. At the end of the Fiscal Year, the matter remains pending before the Commission.

Wireless and Wireline Carriers’ Petitions for Designation as Eligible Telecommunications Carriers to Offer Lifeline Service. As discussed in last year’s Annual Report, several carriers have petitioned the PUC since 2008 for regulatory approval so the carriers may be eligible to offer Lifeline service to eligible residential customers and obtain reimbursement for such discounts from the federal Universal Service Fund. The carriers represent different business models: wireline or wireless, prepaid or post-paid, or facilities-based or pure resellers.

In January and February 2010, three carriers filed petitions with the PUC – Virgin Mobile and Cricket Communications, both wireless carriers, and Nexus Communications, a wireline carrier. The Virgin Mobile and Cricket petitions were the first wireless carrier petitions filed with the PUC. Since all Pennsylvania telephone customers contribute to support the federal Universal Service Fund, the OCA sought to ensure that the Lifeline discount covers as much telephone service or wireless minutes as possible.

In late August 2010, the Commission issued policy guidelines which adopted many of the FCC’s requirements for ETC applications and also incorporated Pennsylvania requirements based on Chapter 30 and Commission orders. OCA staff met with PUC staff to discuss the Commission’s guidelines and Lifeline and Link-Up matters.

After adopting the August 2010 guidelines, the Commission approved one wireless carrier’s, Virgin Mobile’s, petition for Lifeline ETC designation. Virgin Mobile’s Lifeline service provides eligible low-income Pennsylvania consumers a choice of three prepaid calling plans which include varying amounts of “free” wireless minutes, up to 250 minutes per month per Lifeline customer with no roll-over minutes. Virgin Mobile and other prospective wireless ETCs expect to provide free wireless Lifeline minutes in exchange for $10 per month, per customer in reimbursement from the federal Universal Service Fund. To qualify for this level of Lifeline support, the ETCs also contribute minutes valued at $3.50.

When the PUC granted Virgin Mobile’s Lifeline ETC petition, the PUC imposed specific conditions and gave notice that such conditions may apply to other similarly situated ETC petitioners. The PUC adopted several OCA recommendations concerning eligibility, usage, and advertising which should ensure that eligible consumers have more choice for Lifeline service while guarding against abuses. The PUC directed Virgin Mobile to inform Lifeline customers that they may contact the PUC’s Bureau of
Consumer Services for assistance in resolving any complaint related to their Lifeline service. In February 2011, the PUC granted Virgin Mobile reconsideration and amendment on one point, based on a change in facts and related FCC Order.

The PUC has published notice of other petitions for ETC designation in the Pennsylvania Bulletin and opened the petitions for public comment. The OCA has carefully reviewed each petition, conducted some informal discovery, and filed timely comments. The OCA comments address any omissions in the petitions concerning federal and Pennsylvania requirements, what additional conditions and consumer protections should apply, and whether the Lifeline service offerings proposed are competitive and in the public interest.

The OCA supports designation of additional ETCs to offer eligible low income consumers more choice of affordable telephone service, whether wireline or wireless, with Lifeline or Lifeline and Link-Up support from the federal USF.

- The OCA filed comments in October 2010 regarding Cricket Communications request for designation as an ETC to offer wireless Lifeline service in portions of Pennsylvania. The OCA reviewed Cricket’s reply comments when filed on June 2, 2011. The OCA has monitored Cricket’s related request to the FCC for forbearance from a federal requirement. The FCC granted Cricket forbearance. Once Cricket files a compliance plan with the FCC and obtains FCC approval, the PUC may rule on Cricket’s Pennsylvania petition.

- The OCA filed comments in October 2010 regarding Nexus Communications d/b/a Reachout Wireless’ request for designation as an ETC to offer wireless Lifeline service and also Link-Up support. Nexus Communications was the first wireless carrier to request Link-Up ETC designation in Pennsylvania. Nexus agreed to abide by conditions recommended by the OCA in our comments. Nexus also offered to increase the number of free wireless minutes from 68 minutes per month to a choice of plans offering up to 250 minutes with no rollover of unused minutes.

- The OCA filed comments on April 21, 2011 regarding YourTel America, Inc.’s petition for designation to offer Lifeline in Pennsylvania. Through reply comments filed April 29, 2011, YourTel confirmed its commitment to increase the number of free wireless minutes from 68 minutes per month to a choice of plans similar to TracFone, a wireless carrier already offering prepaid wireless Lifeline service in Pennsylvania. YourTel also agreed to certain OCA conditions.

- The OCA filed comments on April 21, 2011 regarding the petition of Connexions, LLC d/b/a Conexion Wireless to offer Lifeline in Pennsylvania. The OCA noted that Conexions had received forbearance by the FCC from a federal requirement,
but that the FCC had not yet approved Conexions’ compliance plan. Conexions filed supplemental information on May 13, 2011 which described Conexions’ improved Lifeline service offerings and Conexions’ new request for ETC designation to offer Link-Up service. Conexions agreed to certain OCA conditions. OCA filed supplemental comments by letter which noted the positive commitments by Conexions and recommended certain additional conditions and clarifications. The OCA recommended that Conexions provide more information about its Link-Up ETC designation request.

- On October 14, 2011, the PUC granted YourTel’s petition for designation as a wireless Eligible Telecommunications Carrier to offer service with Link-Up support to reduce YourTel’s initial service activation fee and monthly Lifeline support. The PUC noted that YourTel had revised its proposal to offer more minutes of calling with Lifeline support and address other OCA concerns. YourTel is the first wireless carrier to receive PUC permission to qualify for Link-Up reimbursement from the federal USF.

- The OCA reviewed the petition filed by Global Connection Inc. of America d/b/a Stand Up Wireless. The OCA prepared comments and filed them with the PUC on December 9, 2011.

In February 2012, Keystone Wireless d/b/a Immix filed a petition for ETC designation with the Commission, in order to be eligible to apply for the federal Connect America Fund support. (Docket No. P-2012-2287339). Keystone also requested that the Commission grant special relief so that Keystone’s service area need not conform with the service area of certain rural wireline carriers. The OCA filed comments on April 30, 2012 which supported Keystone’s petition, subject to clarification of how Keystone would use federal stimulus funds and possible federal Mobility Fund support. Keystone filed reply comments on May 4, 2012 which addressed the OCA’s concerns. The Commission granted Keystone Wireless’ petition in May 2012. Keystone Wireless filed a petition with the FCC requesting concurrence with the Commission’s grant of redefinition of the study areas. The OCA continues to monitor Keystone Wireless’ efforts to qualify to offer Lifeline service and be eligible to apply for federal USF support to improve its wireless network to provide voice and broadband service in underserved areas of the Commonwealth.

T-Mobile Northeast, LLC filed a petition for ETC designation on April 9, 2012 (Docket No. P-2012-2297650). T-Mobile requested conditional ETC designation, such that T-Mobile will only have the obligations of an ETC if T-Mobile is approved by the FCC for receipt of Connect America Fund support. T-Mobile also requested expedited review. The OCA filed comments on May 4, 2012 generally supporting T-Mobile’s request but questioning T-Mobile’s plans to deploy any federal support to improve T-Mobile’s infrastructure in Pennsylvania. The OCA also questioned the merits of T-Mobile’s
request for conditional designation as an ETC strictly limited to census block areas, as contrary to the federal framework. T-Mobile filed reply comments. T-Mobile clarified to OCA’s satisfaction the interplay between its two, limited petitions for ETC designation. T-Mobile declined to provide additional information regarding its probable use of an award of federal USF support. T-Mobile declined to revise its request for designation in only those census blocks where awarded support. At the end of the Fiscal Year, these petitions were pending before the PUC.

Pennsylvania Implementation of Federal Reform of Lifeline Service. The FCC’s February 2012 Lifeline Reform Order implemented changes to the program which require wireline carriers to modify their tariffs. In late March 2012, Pennsylvania incumbent wireline carriers and ETCs filed revised tariffs with a proposed effective date of April 1, 2012 to reflect the FCC’s elimination of the Link Up program and certain other modifications. The OCA reviewed the initial tariffs. On May 1, 2012, the FCC granted a temporary waiver to allow LECs time to implement the changed Lifeline discount rate of $9.25 to accommodate state regulatory review procedures. In May and June 2012, the OCA has reviewed additional tariff filings by LECs to implement the change in the Lifeline discount. Since the $9.25 Lifeline discount is an increase, for the benefit of Pennsylvania wireline Lifeline consumers, the OCA supports prompt tariff revisions. In May 2012, the OCA met with Commission Staff, staff from the Department of Public Welfare, and representatives of Verizon and the PTA to discuss how to efficiently utilize the DPW’s resources to confirm the eligibility of low income Pennsylvania consumers for Lifeline service. The OCA will continue to participate in this informal collaborative.

Rulemakings

Elimination of Call Recording Prohibition in 52 Pa. Code § 63.137 and Establishment of Regulations to Govern Call Recording for Telephone Companies, Docket No. L-2009-2123673. As discussed in last year’s Annual Report, on April 15, 2010, the Commission issued a Proposed Rulemaking Order seeking comments on a proposed regulation that would modify the regulatory prohibition against call recording by telephone companies and would establish regulatory conditions under which telephone companies may record customer communications. Historically, telephone companies were the only utilities that were prohibited from recording telephone calls involving its customers. In recent years, eight local exchange carriers petitioned the Commission for waiver of this prohibition. In granting those petitions, the Commission further determined to commence this rulemaking to address the issue for all local exchange carriers. The Commission’s Proposed Rulemaking Order was published in the Pennsylvania Bulletin on October 9, 2010 setting forth a forty-five day comment period.

Comments were filed by the Pennsylvania Telephone Association and Verizon. IRRC issued comments on December 23, 2010 which questioned why some differences might
exist between telecom and other utilities’ call recording. IRRC also asked the PUC to address its jurisdiction to limit the use of recorded calls for evidentiary purposes and coordination with Wiretapping and Electronic Surveillance Control Act. The Commission entered its Final Rulemaking Order on March 15, 2012. The Commission noted that the Pennsylvania Wiretap Law provides privacy protections which cannot be altered by the Commission’s regulations. In response to comments by Verizon and the PTA, the Commission deleted a proposed section which would have spelled out when and subject to what notice, call recording would have been permissible. The Commission modified the regulation to include the more brief directive that telephone utilities comply with all state and federal laws related to call recording and that all other recording is prohibited. IRRC approved the Final Regulation on May 17, 2012 and the final regulation was published by the PUC.

**Consumer Complaint Cases**

Keebler v. Verizon Pennsylvania, Docket No. F-2010-2215057. Mrs. Keebler was billed by Verizon for certain local calls based on time and distance, known as measured local usage. Mrs. Keebler asked Verizon to identify the specific telephone numbers she had called to incur such billed charges. Verizon declined to provide the information, stating Mrs. Keebler would need a subpoena to obtain such information. Alternatively, Verizon said Mrs. Keebler could subscribe to a special tariffed service which would provide her with itemized bills going forward, for a set-up charge and on-going fee. After an evidentiary hearing, the presiding Administrative Law Judge issued an Initial Decision. The ALJ held that Verizon’s tariffed service did not help Mrs. Keebler who was questioning the basis for charges which Verizon had already billed her. The ALJ agreed with Mrs. Keebler that reasonable utility service should include the ability to respond to customer requests for explanation of billed charges for utility services.

The OCA learned of Mrs. Keebler’s complaint after the Initial Decision issued and before the deadline for the filing of exceptions and reply exceptions. With the OCA’s assistance, Mrs. Keebler and Verizon entered into a settlement which was filed with the Commission on September 12, 2011. The settlement is directed at providing consumers such as Mrs. Keebler, who have measured local usage service, with the opportunity to obtain details about billed charges. The settlement also takes into account limitations in Verizon’s billing system. The settlement provided that customers with measured local usage service may ask Verizon for details regarding billed charges on a once-per-12-month basis within 45 days of receiving a bill. The OCA supports the settlement as a reasonable outcome, which provides a process for Verizon to follow and protections for measured local usage customers.

On January 27, 2012, the Commission voted to approve the settlement as in the public interest, conditioned on Verizon’s revision of its tariff to memorialize that customers with measured local usage service may ask Verizon for details regarding billed charges on a
once-per-12-month basis within 45 days of receiving a bill. Verizon filed a revised tariff implementing this change on February 6, 2012, satisfying the condition.

Federal

Federal Communications Commission (FCC) Proceedings

In the Matter of Global NAPs Petition for Declaratory Ruling and Alternative Petition for Preemption to the Pennsylvania, New Hampshire and Maryland State Commissions, WC Docket No. 10-60. As discussed in last year’s Annual Report, on March 5, 2010, Global NAPs, and its affiliates, a third party interconnecting carrier, filed with the FCC a Petition for Declaratory Ruling and Alternative Petition for Preemption to the Pennsylvania, New Hampshire and Maryland State Commissions. In its Petition, GNAPs requested that the FCC clarify four specific issues pertaining to Voice over Internet Protocol (VoIP) traffic and, preempt “actions or threats by the New Hampshire, Pennsylvania and Maryland Commissions.” The Pennsylvania PUC had previously determined, when resolving a Formal Complaint filed by Palmerton Telephone Company against GNAPs, that GNAPs provides telecommunications services and that the PUC has subject matter jurisdiction over the traffic at issue in that proceeding. GNAPs filed its Petition with the FCC to have the FCC preempt the PUC’s decisions.

Pursuant to the schedule established by the FCC for Comments, the OCA filed Comments to the FCC on April 2, 2010 in support of the PUC’s decision. The OCA supported the PUC’s ultimate conclusion that GNAPs’ non-payment of intra-state access charges to Palmerton cannot be condoned as a matter of law and a matter of sound regulatory policy. The OCA further advocated that GNAPs had not demonstrated in its Petition that preemption is appropriate in this instance or that GNAPs had demonstrated any other reason why its Petition should be granted.

As part of its omnibus November 18, 2011 USF/ICC/CAF Order, the FCC granted in part and denied in part Global NAPS’ petition. The FCC Order established, going forward, an intercarrier compensation framework which will require VOIP carriers to pay access charges to Local Exchange Carriers (LECs) for terminating calls on the public switched telephone network. This ruling effectively denied Global NAPS’ position that it should not have to pay LECs any compensation for terminating such calls. However, the FCC’s Order also set the level of compensation as equal to interstate access charges, not intrastate rates which might be higher. The FCC Order declined to rule on Global NAPS’ other requests for declaratory order or clarification.

Petition of TracFone for Declaratory Order, WC Docket Nos. 03-109, 09-197. As discussed in last year’s Annual Report, TracFone filed a petition which asked the FCC to issue a declaratory order regarding criteria for designation as an eligible
telecommunications carrier (ETC) and customary charges eligible for Link-Up reimbursement from the federal universal service fund. OCA drafted reply comments which NASUCA filed with the FCC on January 10, 2011. The NASUCA comments agreed with TracFone and some other commenters that FCC action is needed to strengthen the Lifeline and Link-Up low income telephone assistance programs, but through a rulemaking or other investigation. The FCC addressed these issues through the February 6, 2012 Lifeline and Link Up Reform Order, rather than by declaratory order.

Petition of TracFone for Emergency Declaratory Order, WC Docket Nos. 03-109, 11-42. TracFone filed a petition which stated that the Puerto Rico Commission had denied Lifeline assistance to consumers who were determined to have received more than one Lifeline service at the same time. TracFone asked the FCC to direct the Puerto Rico Commission to end this practice. NASUCA filed comments which noted that if TracFone’s claims were correct, then the Puerto Rico Commission’s actions were improper and harmful to eligible consumers who should be allowed to receive Lifeline support for one connection. The OCA contributed to the NASUCA comments and reviewed the comments of other parties. The Puerto Rico Commission filed reply comments and informed the FCC that it had modified its position and was no longer barring consumers who had had two Lifeline services from receipt of Lifeline support for one telephone going forward. At the end of the Fiscal Year, this matter was pending before the FCC.

General Accounting Office (GAO) Review of the Management of the Federal Universal Service Fund (USF). The U.S. House Committee on Energy and Commerce directed the GAO to examine the management of the federal USF. As part of its investigation, the GAO contacted NASUCA and held a teleconference on November 29, 2011 to discuss NASUCA’s insights. Counsel from OCA participated in the discussion between GAO staff and other NASUCA offices. The GAO also directed some similar, written questions to the Joint Board on Universal Service. In January 2012, counsel from OCA participated in the Joint Board’s preparation of written replies to the GAO.

In June 2012, the GAO solicited feedback from NASUCA and the Joint Board regarding portions of a draft report. The OCA participated in these final review steps. The GAO released its report in the summer of 2012. The GAO Report acknowledged improvements by the FCC with the adoption of performance goals and management of the High Cost portion of the federal USF. The GAO identified a need for better data analysis by the FCC to determine whether reforms will result in measurable benefits. The GAO recommended that the FCC consult with the Joint Board in developing improvements to the federal USF.

In the Matter of Lifeline and Link-Up Reform and Modernization, WC Docket No. 11-42, WC Docket No. 03-109. On March 4, 2011, the FCC issued a new Notice of Proposed Rulemaking (NPRM) to address how to reform and modernize Lifeline and Link-Up.
NASUCA filed comments on April 21, 2011 and reply comments on May 10, 2011 and May 25, 2011 on the issues presented by the NPRM. NASUCA has opposed the FCC’s suggestion that a cap should be imposed on the amount of Lifeline and Link-Up support provided, to constrain the size of the federal Universal Service Fund. Instead, NASUCA has supported certain steps to reduce the potential for fraud or abuse by ETCs eligible for Lifeline and Link-Up reimbursement and consumers. In August 2011, the FCC requested additional comments on whether to implement a Lifeline for broadband pilot, whether Lifeline should be available based on residence or household, and clarification of Link-Up issues. OCA reviewed and contributed to NASUCA’s reply comments as filed on September 2, 2011.

The FCC released its Lifeline and Link-Up Reform Order on February 6, 2012. The FCC Order makes a number of changes which should benefit Pennsylvania consumers who are eligible for Lifeline or who contribute to the federal universal service fund. The FCC clarifies that the “one per” rule limits Lifeline to one per household, defined as an economic unit rather than a physical address. The FCC chose to eliminate Link Up and cap and phase out Toll Limitation Service. The FCC Lifeline and Link-Up Reform Order proposed to implement a few pilot Lifeline for Broadband programs. The FCC Order also modified definitions and rules which will impact the eligibility of carriers to qualify for designation as ETCs to offer Lifeline. The FCC sought comment on certain issues set forth for further rulemaking.

NASUCA filed comments on April 2, 2012 in response to the FCC’s further rulemaking. NASUCA expressed support for the addition of Women, Infants, and Children as a program-based eligibility criterion for Lifeline and support for finding ways to assure that Lifeline supported service is provided to eligible homeless veterans. The NASUCA comments recommended that any databases developed for use in checking consumer eligibility should be controlled by government agencies to protect consumer privacy. NASUCA recommended that the interim Lifeline support amount of $9.25 be increased to $10.00, the maximum level available under the prior Lifeline regulations. The OCA contributed to the NASUCA Comments. Telecom carriers have filed petitions for reconsideration, waiver and clarification of the FCC Lifeline Reform Order. At the end of the Fiscal Year, the OCA continues to monitor these filings and related FCC orders.

In the Matter of the Universal Service Contribution Methodology, Further Notice of Proposed Rulemaking, WC Docket No. 06-122. The FCC issued this FNPRM on April 30, 2012, seeking comment regarding who should contribute to the federal universal service fund, how contributions should be assessed, and issues related to recovery of universal service contributions from end users. These issues are important to Pennsylvania consumers who currently are assessed 15% of their interstate telephone calling costs to reimburse carriers for their contributions to the federal USF. The OCA
will work with other NASUCA offices to develop NASUCA comments. At the end of the Fiscal Year, this matter was pending before the FCC.
WATER AND WASTEWATER

Base Rate Proceedings

Aqua Pennsylvania, Inc., Docket No. R-2011-2267958. Aqua submitted a base rate increase filing on November 18, 2011. The Company sought a base revenue increase of $38.6 million based upon a claimed return on equity of 11.45%. The OCA filed a Formal Complaint challenging the rate increase. The OCA prepared and served expert direct and surrebuttal testimony in the areas of accounting, rate of return, rate structure and cost of service. A hearing was convened on April 10, 2012 for the purpose of admitting the prepared direct, rebuttal and surrebuttal testimonies of the active parties. The parties engaged in settlement negotiations which proved productive. The Joint Petition for Settlement contained the following provisions:

• In lieu of the Company’s requested $38.6 million increase, the Company will be permitted an increase of $16.7 million.

• The Company committed not to take the tax repair election for the 2011 tax year; to notify the parties to the settlement if it elects to take the deduction within thirty days after filing its return; and to use flow-through accounting for the catch-up adjustment, with the treatment of the remainder of the adjustment to be addressed in the next rate case.

• Aqua agreed to refrain from filing a rate case until November 18, 2013, subject to the standard change in the law exceptions.

• Aqua agreed to more gradual increases in rates than those it proposed for its acquired territories.

• The Company agreed to a customer charge of $16.00 in lieu of the $17.00 it initially proposed for the Main Division.

• Aqua agreed to remedy the quality of service concerns that surfaced through the Public Input Hearings.

• The Company agreed to match up to $50,000 in contributions to the Helping Hand fund.

• The Company agreed to address the issue of high bill complaints and management of those complaints through a collaborative.
The ALJs issued the Recommended Decision approving the Joint Petition with some comments that required clarification. For this reason, the OCA, the Company, I&E and the OSBA submitted limited exceptions to the R.D. In its Final Order on June 7, 2012, the Commission approved the settlement as submitted and agreed with the clarifying comments of the parties.

**Pennsylvania-American Water Company, Docket No. R-2011-2232243.** As discussed in last year’s Annual Report, PAWC submitted a base rate increase filing on April 29, 2011. PAWC requested an annual revenue increase of approximately $71 million, or 13.8%. The Office of Trial Staff entered an appearance in the case; the OCA and the Office of Small Business Advocate filed a Formal Complaint against the increase; the PAWC Large Users Group filed a Formal Complaint and AK Steel’s Petition to Intervene was granted. Seven public input hearings were convened from July 22 to August 14, 2011 in Pike County, Wilkes-Barre, Norristown, Reading (Exeter Township), Camp Hill, Butler and Washington PA. The OCA testimony addressed the following issues:

- Business Transformation Costs
- Adjustment for Decline in Residential Usage
- Chapter 109 Safe Drinking Water Act Fees (not yet in effect)
- Negative Acquisition Adjustments
- Incentive Compensation
- Pay increases beyond end 2011
- Failure to elect bonus depreciation for tax purposes

The OCA’s initial position was that the Commission should grant, pursuant to the recommendations of the OCA’s cost of capital witness, no more than a 9.75% cost of equity, which with all of the expense and rate base adjustments noted above (among others) would result in $17 million in additional revenue requirement in response to the company’s filing. Relative to revenue allocation, the OCA witness testified to several misallocations of large expense items solely to the residential customer class (later accepted by PAWC) and to a reduced residential 5/8-inch customer charge. The OCA cost of service witness also presented positions opposing the Company’s purchased water adjustment clause, purchased power adjustment clause and adjustment to residential consumption for ratemaking purposes, in light of statistical declining usage over the past decade.

Relative to quality of service, the OCA witness recommended that, due to health and safety concerns, the Company should install mains to serve multiple communities in Western Pennsylvania where natural sources no longer provide an adequate supply of potable water to the residents. The OCA witness discussed Tariff Rule 27.1(F), which allows the utility to use its discretion to install mains without requiring “contributions in aid of construction” in situations where health and safety are jeopardized by the lack of safe water or lack of public fire service.
The parties engaged in intensive negotiations which came to fruition and the evidentiary hearings were canceled. The following are the salient points of the settlement:

- The settlement provided for significant rate limitations in that PAWC may collect $36 million in additional annual operating revenue, about half of PAWC’s rate increase request, and a $34.7 million reduction to PAWC’s original request. The overall revenue increase provided by the settlement reflects a significant benefit for ratepayers. Through its expert witness, the OCA recommended large increases in PAWC’s accumulated deferred income taxes and took issue with PAWC management decisions regarding bonus depreciation. The settlement clarifies that all taxes in the Company’s rate claims are deferred taxes and that there are no current federal or state taxes within the settlement rates.

- The settlement eliminated all but one claimed acquisition adjustment and requires advance notice to the public advocates of potential acquisition adjustments that may be made in future base rate cases.

- The Petition contained a significant stay-out, specifying that PAWC will not file for an additional increase in rates before April 29, 2013, subject to certain narrow exceptions. This will effectively provide rate stability for approximately 22 to 24 months.

- If approved, the Petition will result in a bill increase of 6.3% per month for the average Zone 1 customer in lieu of a 13.3% increase.

- The settlement residential Zone 1 rates include a fixed customer charge of $13.75 and a consumption charge of $9.101 per thousand gallons. The $13.75 customer charge is an additional compromise from the PAWC filing where PAWC sought approval of a customer charge of $15.50 per month.

- The Petition not only resolved OCA cost of service and rate design issues, but also may lead to more current cost of service data in the next PAWC rate case, as the Company has agreed to study the feasibility of a new class cost of service study.

- The settlement provided for the resolution of quality of service issues raised in formal complaints and at public input hearings. Most important, the settlement provides for the installation of main extensions to members of the public in need of utility water service in response to public testimony in the Washington County area. Through the settlement, the Company agreed that it will install main extensions in order to provide water service to those customers who are faced with health and safety concerns due to the lack of a public water supply in their areas. In addition, PAWC agreed to provide for increased emphasis on documenting health and safety issues where requests for main extensions are made. It also provided for training of PAWC customer service representatives for the new Customer Connection Loan Program whereby potential customers may obtain loans for main extensions requiring customer
contributions in aid of construction. The Company’s commitment to address the need for additional main extensions, and its commitments to resolve problems associated with these requests is a public benefit.

The ALJs recommended approval of the settlement without modification and the Commission, by Final Order of November 10, 2011, agreed with the ALJs.

United Water Pennsylvania, Docket No. R-2011-2232985. As discussed in last year’s Annual Report, on May 9, 2011, UWPA filed a request to increase its annual revenues by $2.82 million. United Water Pennsylvania, Inc. provides water service to approximately 58,000 customers in portions of eight counties. The OCA filed a Complaint against the proposed tariff on May 24, 2011. Pursuant to the Commission’s policy of encouraging settlements that are in the public interest, the OCA, BI&E, OSBA and UWPA (Joint Petitioners) held settlement discussions on numerous occasions. These discussions resulted in a proposed Settlement. The Settlement was proposed to resolve all issues raised in this proceeding and is summarized by the following:

• **Revenues**
  The proposed Settlement provided for an annual revenue increase of $1.45 million. This is approximately one-half the increase originally proposed by the Company.

• **Rate Impact, Structure and Design**
  In addition to challenging the overall level of rate increase, the OCA opposed UWPA’s proposed increase to the residential customer charge from $10.25 per month to $14.50 per month, a 29% increase.

  As a term of the Settlement, the Joint Petitioners agreed to a customer charge of $11.00, an increase of approximately 7%. This charge allows lower-usage customers to avoid an even greater percentage increase in bills than they would have experienced had the Company’s proposed customer charge of $14.50 been implemented.

• **Stay-Out Provision**
  The proposed Settlement prohibited the Company from proposing another general rate increase for twelve months from the date this base rate case was filed, or May 9, 2012. Thus, for at least twelve months, UWPA’s ratepayers will be assured of rate stability.

The ALJ recommended approval of the Joint Petition for Settlement in an Recommended Decision issued on October 5, 2011. The PUC adopted the ALJ’s recommendation on October 28, 2011.

United Water Bethel, Docket No. R-2011-2270261. UWB sought an increase in base rate revenues of $498,495 annually, or 37.05% over revenues at present rates. The
proposed increase would raise the average residential customer bill from $66.09 to $90.56 per quarter. UWP also proposed a “pass-through” of purchased water costs. On December 5, 2011, the OCA submitted a Formal Complaint against this increase. Negotiations among the parties resulted in an agreement among the active parties, UWB, the Bureau of Investigation and Enforcement and the OCA. A Petition for Approval of Settlement was filed with the PUC and served on the inactive Formal Complainants on January 31, 2012.

The Joint Petition reflected agreement among the parties to a $437,500 annual revenue increase, in lieu of the as-filed increase of $498,495. The Company agreed to remove the existing tariff language allowing for a Purchased Water Pass-through and to include a tariff page authorizing a Purchased Water Adjustment Clause, as authorized by Order of the Commission, affirmed by the Commonwealth Court in 2011 for Newtown Artesian Water Company. The Tariff page sets the baseline cost of $3.119 per thousand gallons.

The base rate amount agreed to also reflects the roll-in of the state tax adjustment charge. UWB agreed to meet with the Chester Water Authority, its primary supplier of water, in order to address water quality concerns raised by its customers. UWB will report to the OCA, I&E and the Bureau of Technical Utility Services within one month of the meeting. A recommended decision was issued on February 28, 2012. The ALJ recommended approval of the settlement. The PUC entered an order on March 15, 2012 which approved the settlement.

Newtown Artesian Water Company, Docket No. R-2011-2230259. As discussed in last year’s Annual Report, on March 10, 2011, NAWC submitted a base rate increase filing proposing two increases. The utility cited repeated Bucks County Water & Sewer Authority rate increases as a driver of its own base rate increases and requested approval for an 18.6% increase in annual operating revenues from all classes of customers. The total of the two increases was $999,839 annually. In addition, the utility sought a removal of the 3% cap on the Purchased Water Adjustment Clause approved by the PUC on April 15, 2010.

Under the proposal, Newtown service area residential 5/8-inch meter customers using 15,000 gallons would experience a quarterly bill increase of $87.26 to $108.69 on January 1, 2012; residential 5/8-inch meter customers in the Indian Rock service area would experience a bill increase from $102.02 to $115.89 per quarter. On April 1, 2011, NAWC submitted the Direct Testimony and Exhibits of three witnesses in support of the increase.

The OCA filed a Formal Complaint against these increases and the removal of the 3% cap on the Purchased Water Adjustment Clause. The OCA served the testimony of its expert accounting witness and its expert engineering witness on June 8, 2011. The OCA proposed adjustments, including but not limited to pre-test year claims for
abandoned well development costs, legal fees, and directors’ fees. NAWC Rebuttal was to be served on July 7, 2011; however, the parties engaged in settlement negotiations that resulted in a Joint Petition for Settlement that was submitted to the Administrative Law Judge on August 18, 2011. The following summarizes the most important aspects of the rate case settlement.

The Settlement produced a significant decrease in rates from those originally proposed by NAWC.

The quarterly cost of water service to a typical residential customer using 15,000 gallons per quarter would increase from present levels by $9.31, or 10.2%, from $90.98 to $100.29 per quarter in the Newtown Rate Area and by $1.74 or 1.6%, from $105.75 to $107.49 per quarter in the Indian Rock Rate Area. The Settlement does not contain a second step increase on January 1, 2012, as the Company originally proposed.

The Settlement provided for an increase of $350,000 or approximately 6.5%, in addition to the purchased water rate increase approved by the Commission during the pendency of this proceeding.

Regarding purchased water costs, the Settlement provided for recognition of NAWC’s purchase water surcharge as a part of rates, and provided that the OCA will not challenge the 7.5% purchased water adjustment clause established by the Commission during the pendency of this proceeding.

The Settlement resolved the regulatory uncertainty surrounding various belated deferred expense claims, some reaching as far back as 2003. NAWC agreed to relinquish amortized deferred expense claims which, in addition to producing rate savings in the instant case, will streamline future NAWC rate filings.

NAWC will not file for a base rate increase prior to 12 months from Commission approval of this Joint Petition. This approximate one-year stay-out period will provide for rate stability for the customers of NAWC and will encourage efficient investment and operation on the part of the NAWC.

Additional provisions involved a requirement that NAWC shop for a least-cost electric generation supplier, improve purchasing procedures for chemicals, and implement water well management software. In addition to making these cost-saving efforts, NAWC will inform the Parties of its progress in all these areas within 90 days of Commission approval of this Settlement.

On September 12, 2011, the Presiding Officer recommended the above-described Joint Petition for Settlement for approval by the Commission. On October 14, 2011, the PUC approved the Settlement. On November 30, 2011, Newtown submitted its October 26,
2011, contract with BCWSA for PUC approval pursuant to Section 507 of the Public Utility Code.

**Borough of Hanover**, Docket No. R-2012-2311725. On June 29, 2012, the Borough filed a request to increase its annual revenues for PUC-jurisdictional customers by $980,973, or 31%. The bill for a typical residential customer residing outside of the Borough and using 15,000 gallons per quarter would increase from $53.53 to $68.70, or 28.34%. The Borough serves 9,941 customers in portions of Penn Township, York County, and Conewago Township and McSherrystown Borough in Adams County. The OCA filed a formal complaint. At the end of the Fiscal Year, this case was pending before the PUC.

**Audubon Water Co**, Docket No. R-2012-2286118. On January 27, 2012, Audubon filed a request to increase its revenues by $540,686, or approximately 27%. A metered residential customer using 6,000 gallons of water per month would see an increase in their bill from $44.35 to $56.32 or an increase of approximately 27%. The Company serves approximately 3,064 customers that reside in portions of Lower Providence Township and adjacent areas of Montgomery County, Pennsylvania. The OCA filed a formal complaint on March 5. The OCA filed direct and surrebuttal testimony, setting forth adjustments to Audubon’s estimated cost of future plant additions, payroll, office rent, amortizations and rate case normalization, as well as its rate of return. The OCA’s final litigation position was an increase of no more than $285,170. At the end of the Fiscal Year, this case was pending before the PUC.

**Borough of Quakertown**, Docket No. R-2011-2251181. On November 20, 2011, the Borough filed a request to increase the revenues from its PUC-jurisdictional customers by $278,853, or 87.9%. A metered residential customer using 3,000 gallons of water per month would see an increase from $13.50 to $29.98 per month, or 114.7%. The Borough serves 931 customers outside of the Borough limits in a portion of Richland Township, Bucks County. The OCA filed a formal complaint on December 20, 2011. The parties participated in mediation. As a result of mediation, the parties entered into a rate of return stipulation, agreeing on the overall cost of capital. The OCA filed its direct testimony on April 18, 2012, and recommended an increase of no more than $91,428, or approximately 29%. A hearing was held on May 30, 2012 and briefs were filed. At the end of the Fiscal Year, this case was pending before the ALJ.

**Penn Estates Utilities, Inc. – Water**, Docket No. R-2011-2255159. On September 30, 2011, Penn Estates Utilities, Inc., Water Division filed a request to increase its annual revenues by $157,511, or 29.2%. A typical residential customer using 4,134 gallons of water per month would see an increase from $27.23 to $35.20 or approximately 29.2% per month. The Company serves approximately 1,612 metered customers and 54 availability customers in Stroud and Pocono Townships, Monroe County, Pennsylvania. On October 25, 2011, the OCA filed a formal complaint against the proposed increase in rates.
Following discovery and mediation, the parties were able to reach a comprehensive settlement. The proposed Settlement provided for an increase in annual operating revenues of $85,000, or 15.78%. A typical residential customer using 4,300 gallons of water per month would see an increase from $27.80 to $32.17 per month, or 15.73%. The rate for an availability customer would increase from $12.07 to $13.98 per month. Penn Estates Water agreed that it will not file another rate case any sooner than two years after the effective date of rates in this proceeding. If Penn Estates Water files another rate increase request as soon as its stay out expires and if that case is fully litigated, customers would receive the benefit of no additional rate increase for 33 months after the effective date of the rates in this case. Thus, the stayout will provide some level of rate stability for the customers. During 2011, Penn Estates Water was required to conduct quarterly testing for Synthetic Organic Compounds at a cost of $40,200. This represented a major change because Penn Estates Water had previously received a waiver for this testing. The parties agreed that Penn Estates should be permitted to amortize this unusual, nonrecurring expense over three years. On March 2, 2012, the ALJs recommended approval of the proposed settlement. On March 29, 2012, the PUC adopted the ALJ’s recommendation and entered a Final Order.

Utilities Inc., - Westgate, Docket No. R-2012-2299663. The Company filed for a purchased water pass through mechanism because it purchases all of its water from the City of Bethlehem. The OCA reviewed the filing and raised concerns with the Company about the proposed tariff language and the lack of notice of its filing to its customers. The Company was able to address those concerns and working with the Bureau of Technical Utility Services, was able to revise its tariff, and send notice to its customers, which addressed OCA’s concerns. On June 21, 2012, the Commission approved the revised tariff.

Petition of Pennsylvania Utility Co., Docket No. P-2012-229731. Pennsylvania Utility Company filed a petition asking for approval to defer $79,600 related to the repair and painting of the inside of a water storage tank. The OCA filed an answer, which asked the PUC to approve only for accounting purposes and to instruct the Company to file a request to recover these costs in its next rate case. The repair and painting of the tank were items that the Company agreed to do as part of the settlement of its last rate case, because the OCA was concerned about the water quality in the tank and the physical state of the structure.

Fairview Sanitation, Docket No. R-2011-2248937  On October 28, 2011, Fairview Sanitation Company filed a request to increase its rates, effective December 30, 2011. Fairview sought an estimated annual increase in base rate revenues of $43,095, or 84%. A customer would see an increase in their flat rate bill from $73.15 to $134.71 or 84% per quarter. The Company serves approximately 175 residential customers in portions of Fairview Township, Erie County, Pennsylvania. The OCA filed a formal
complaint on November 30, 2011. The parties were able to reach an agreement and submitted a Joint Petition for Settlement on February 10, 2012. The proposed Settlement provided for an increase in annual operating revenues of $22,500, or 44%. A flat rate customer would see an increase from $73.15 to $105.30 per quarter, or 43.95%. Fairview agreed that it would not file another rate case any sooner than twenty four months after the effective date of rates in this proceeding. If Fairview filed another rate increase request as soon as its stay out expires and if that case is fully litigated, customers would receive the benefit of no additional rate increase for 33 months after the effective date of the rates in this case. Thus, the stayout will provide some level of rate stability for the customers. Fairview also agreed to designate a specific credit card to be used only for business purposes. This step will make it easier for the parties to identify and separate Fairview Sanitation charges that may be claimed in future cases. Mr. Endean, a formal complainant, also signed onto the Settlement. On March 2, 2012, the ALJ recommended approval of the proposed Settlement. On March 29, 2012, the PUC adopted the ALJ’s recommendation and entered a Final Order.

Wonderview Sanitary Facilities, Inc., Docket No. R-2011-2248531. On August 12, 2011, Wonderview Sanitary Facilities filed a request, to become effective October 12, 2011, to increase the rates that the Company charges for providing service to its ratepayers. The Company asked for an annual increase in base rate revenues of $23,065, or 29.64%. A customer would see an increase in the flat rate bill from $42.11 to $54.59 per month, or approximately $12.48 (29.64%) per month. The Company serves approximately 149 residential customers in Catawissa and Main Townships, Columbia County, Pennsylvania. The OCA filed a formal complaint on September 15, 2011. The parties were able to reach a settlement of all issues. The Settlement was submitted to the ALJ on November 4, 2011. The proposed Settlement provided for an increase in annual revenues of $14,053, or 13.99%. A residential customer would see an increase from $42.11 to $48 per month, rather than $54.59 as originally proposed by the Company. The Settlement changed the way in which a commercial customer will be billed. Currently a commercial customer is billed the same as a residential customer, i.e., $42.11 per month. At this time all of the commercial customers in the Wonderview Sanitary service territory are multi-unit residential dwellings. Thus, a multi-unit dwelling pays the same as a single residential customer. In an attempt to make the charges reflect the usage, the Settlement set the rate as 50% of the residential rate multiplied by the number of units in the multi-unit dwelling. Based on the water usage information for the multi-unit dwellings and the Company’s experience with these customers, the Petitioners determined that this is a fair resolution of this issue.

The Company agreed that it will not file another rate case prior to thirty-six months after the entry date of the PUC’s order in this proceeding. If the Company files another rate increase request as soon as its stay out expires and if that case is fully litigated, customers would receive the benefit of no rate increase until the fourth quarter of 2015, or for a period of 45 months. Thus, the stayout will provide some level of rate stability for the customers.
On November 21, 2011, the ALJ recommended approval of the Settlement. On December 15, 2011, the PUC adopted the ALJ's recommendation and approved the Settlement.

Twin Lakes Water Supply, Inc., Docket No. R-2011-2246415. As discussed in last year's Annual Report, on June 10, 2011, Twin Lakes Water filed a request to increase its annual revenues by $124,420, or 367.7%. The bill for an average residential customer using 2,500 gallons per month would increase from a flat rate of $23.40 to a metered rate of $109.96. The Company serves 120 customers in Shohola Township, Pike County. The OCA filed a formal complaint on June 23, 2011. Public input hearings were held in Shohola on October 6, 2011.

On December 20, 2011, the active parties submitted a settlement to the ALJs. The proposed Settlement provided for total annual operating revenues of $75,900 after a three year phase in period. In Phase 1, the Company would be permitted to increase revenues by $21,036, or 62.16%. In Phase 1, a typical residential customer using 3,000 gallons of water per month would see an increase from $23.50 to $41.05 per month. In Phase 2, the Company would be permitted to increase annual revenues by an additional $10,512, or 19.16%. In Phase 2, a typical residential customer using 3,000 gallons of water per month would see an increase from $41.05 to $48.41 per month. In Phase 3, the Company would be permitted to increase annual revenues by an additional $10,512, or 16.08%. In Phase 3, a typical residential customer using 3,000 gallons of water per month would see an increase from $48.41 to $55.87 per month.

At the end of the phase in, the Company would be collecting total revenues of $75,900, or 124.29% above the current annual revenues. Thus, after the three year phase in, a customer using 3,000 gallons per month would see a bill increase from $23.50 per month to $55.87 per month, rather than $120.96 as originally proposed by the Company.

The proposed Settlement also established the metered rate for the first time. Thus, the impact on individual customers will vary because all customers, regardless of usage, are currently being charged $23.50 per month.

Twin Lakes has agreed that it will not file another rate case any sooner than thirty months after the effective date of Phase 1 rates in this proceeding. If Twin Lakes files another rate increase request as soon as its stay out expires and if that case is fully litigated, customers would receive the benefit of no additional rate increase, for six months after the effective date of the Phase 3 rates.

Other provisions addressed service and quality issues:
• Unaccounted for water: Twin Lakes has agreed to reduce its current level of unaccounted for water by 10% within 18 months from the effective date of rates in this proceeding. Over the following 48 months, Twin Lakes will reduce the unaccounted for water levels by 10% each year. If Twin Lakes does not meet its annual unaccounted for water reduction goal, it agrees to install two blow off valves in its system, not to exceed 12 blow off valves over the 66 month period.

This provision is a reasonable way to address the high level of unaccounted for water. By having specific time frames and goals, there are easily measurable provisions that can be monitored by the parties. In addition, if Twin Lakes does not meet each annual goal, there is a requirement (installation of blow off valves) that will provide benefits to the entire water system. The OCA submits that this provision is an important part of the overall agreement and it addresses issues identified by OCA in its analysis of this case.

• Pressure survey: Twin Lakes has agreed to conduct an annual pressure survey. In addition, Twin Lakes has agreed to provide a copy of each survey to OCA and Commission staff. This provision will allow OCA to monitor the pressures in the system and to help identify pressure problems.

• Plant in Service: The parties agreed to a December 31, 2010 balance of $330,179 for plant in service, less a reserve of $57,658, for a net balance of $272,521. This agreement establishes these historic values for future rate proceedings and will eliminate the need for the parties to address this historic balances in future cases, thus, streamlining potential issues in future cases.

• Notification procedures: The Company has agreed to provide an annual bill insert that describes the methods it will use to contact customers if there is a boil water advisory or other emergency situation. This annual bill insert will provide ongoing information to the customers regarding the means the Company will use to get important information to them. This provision is important because it is in the interests of the customers and the Company to ensure that the existing notification system is effective in reaching the customers whether they are part time or full time residents.

On January 26, 2012, the ALJs issued a Recommended Decision. They recommended approval of the settlement. The Settlement was approved by the PUC on March 1, 2012.

City of Bethlehem – Bureau of Water, Docket No. R-2011-2244756. As discussed in last year’s Annual Report, on May 27, 2011, the City of Bethlehem filed a request to increase its annual revenues for customers outside the City by $996,710, or 13.6%. The bill for an average residential customer, using 14,000 gallons per quarter would increase from $71.17 to $83.62 per quarter. The City serves approximately 13,449 customers outside of the City, in the Townships of Salisbury, Upper Saucon, and Hanover, and the Borough of Fountain Hill, all in Lehigh County, and the Townships of
Lower Saucon, Bethlehem, Hanover, East Allen, and Allen and the Borough of Freemansburg, all in Northampton County. The OCA filed a formal complaint on June 15, 2011. On October 14, 2011, the parties submitted a Settlement Petition to the ALJ. The Settlement Petition proposed an increase in annual revenues of $730,000, or 9%. The bill for an average residential customer, using 14,000 gallons per quarter would increase from $71.17 to $80.27 per quarter under the Settlement. The City agreed that it would not file another rate increase request before June 28, 2013. The parties also agreed to remove the tariff language related to the Upper Saucon Honor System because it no longer exists. On November 9, 2011, the OALJ issued the Recommended Decision of Judge Pell who recommended approval of the Settlement. On December 15, 2011, the PUC approved the Settlement.

**CMV Sewage Company**, Docket No. R-2011-2218562. As discussed in last year’s Annual Report, on December 30, 2010, CMV filed a request to increase its rates. CMV sought additional annual revenues of $270,532 (96.5%). CMV provides sewer service in two areas – Colonial Crossings (174 residential customer and 1 apartment complex) and Chanceford Manor (279 customers), in portions of North Codorus and Chanceford Townships, York County.

For a residential customer in Colonial Crossings, the total bill would increase from $115.21 to $375.25 per quarter and a change from metered to flat rate. This was due to the connection of Colonial Crossings to the North Codorus sewage treatment plant which was agreed to after an earlier PUC order, which denied CMV’s application to abandon service to North Codorus Township Sewage Authority. For a customer in Chanceford Manor, the total bill would increase from $142.14 to $151.81 per quarter.

The OCA filed a formal complaint. Public input hearings were held in both service territories. The OCA’s direct testimony recommended a rate decrease for the Chanceford Manor customers and an increase of no more than $187,521 for Colonial Crossings customers. A hearing was held on May 19, 2011.

On June 21, 2011, the parties filed a Joint Petition for Settlement and Application to Transfer Assets and Abandon Wastewater Service to the Public In Portions of North Codorus Township (Settlement). The parties also filed a Joint Petition for Expedited Treatment and Certification of the Record. The Settlement proposed:

**Colonial Crossings customers**

The Joint Petition proposed to transfer the Colonial Crossings customers to the North Codorus Township Sewer Authority (NCTSA). The OCA supported this proposed transfer for a number of reasons. First, the transfer would occur with the express condition that no Colonial Crossings residential customer would pay a connection fee or capacity reservation fee to the Authority. Second, the Colonial Crossings customers would be charged the same rates as the rates charged to the current NCTSA
customers, specifically, $250 per quarter. This rate compares favorably to the rate proposed by CMV in the rate case ($375.25 per quarter) and the rate proposed by the OCA in the rate case ($215.06 per quarter). The additional costs needed by CMV to provide collection services and have the Authority provide bulk treatment services included the capacity reservation fee and interest on the debt that CMV proposed to incur to pay that fee for its customers up front and then recover the costs over ten years. The annual revenue requirement associated with the connection fee, including interest, was $28,888 per year for ten years. By having the customers transferred without incurring the costs of the capacity reservation fee, and by having those customers pay the current rate charged by NCTSA, the transfer is in the public interest.

CMV overbilled its customers from October 2006 until October 2010 (for service from July 2006 through September 2010), or 17 quarters. Specifically, it charged a higher customer charge and a higher volumetric rate than had been approved by the PUC at the end of its last rate case at Docket No. R-00050677. The OCA recommended that the overbilled customer charge be refunded in one quarter and the overbilled volumetric charge be refunded over three years. The Company did not agree with the OCA’s recommendation regarding the volumetric charge refunds.

As part of this Settlement, the parties agreed that the refunds of $22,550.51 ($14,283.49 payable to Colonial Crossings residential customers and $8,267.02 payable to the apartment complex customer), including 6% simple interest, will be made over one year (4 quarterly payments), starting after the entry of the PUC order approving this Settlement. The refunds will be made as quarterly checks to each Colonial Crossings customer who received service during the October 2006–October 2010 time frame. The Company will pay the refunds owed to the residential customers before it begins to make refunds to the apartment complex customer.

If a customer moves out of the service territory, CMV will pay the full amount of refunds for that customer at that time. CMV will provide quarterly reports to the parties and to the PUC showing the refunds made to each customer during each quarter and a list of cancelled checks.

At the end of the one year period, if CMV has not been able to locate former customers to pay their refunds, then it will pay an equal amount as if the amounts were a civil penalty. Also, if CMV does not complete the refunds at the end of one year, as contemplated in the Settlement, then it will pay a minimum civil penalty equal to the amount not refunded and the parties have reserved the right to argue that the penalty should be higher.

The refund provisions are a reasonable resolution to the refund issues litigated by the parties in this proceeding. Customers will receive full refunds of the amounts overbilled by CMV, along with interest at the legal rate. The time period over which the refunds will be returned is reasonable given the time frame of the overbilling.
Chanceford Manor customers

The proposed Settlement provided for an increase in annual revenues of $2,000, or 1.26%. A typical Chanceford Manor residential customer using 13,506 gallons of water per quarter would see an increase from $142.14 to $144.98 per quarter, rather than $151.81 as originally proposed by the Company.

The Company also agreed that it will not file another rate case any sooner than thirty-six months from the entry date of the PUC’s order in this case to the filing date of the next case. If the Company files another rate increase request as soon as its stay out expires and if that case is fully litigated, customers would receive the benefit of no rate increase for a period of 45 months. Thus, the stayout will provide some level of rate stability for the customers.

If the Company completes the refunds, as described above, in less than twelve quarters, the stay out period will be shortened to be the same as the shortened refund period. However, the stay out period will not be shorter than 18 months. For example, if refunds are completed in 24 months, the stay out would be shortened to 24 months. If refunds are completed in 12 months, the stay out would be 18 months. Thus, even under a scenario of faster refunds, the shortened stay out would be 18 months, which also would provide some level of rate stability for the customers.

CMV agreed that it will not seek to recover from Chanceford Manor customers expenses related to service to Colonial Crossings, including but not limited to operating and maintenance expenses, depreciation expense, rate case expense, taxes, amortization claims, including but not limited to legal expenses related to NCTSA/DEP litigation and PUC abandonment litigation and investment in utility plant. This provision should ensure that future CMV rate cases are limited to issues related to service to Chanceford Manor customers and not complicated by issues related to service to Colonial Crossings customers.

CMV also agreed that none of the amortization claims it made in this case were included in the rates and resolutions presented in this Settlement. This provision will ensure that there are no claims in a future Chanceford Manor case that there were amortizations implicitly approved as part of the settlement of this case. This will save the parties, the ALJ and the PUC from dealing with this type of claim in future cases. The PUC approved the Joint Petition for Full Settlement of the Rate Proceedings and Application to Transfer Assets and Abandon Wastewater Service, as filed, on August 11, 2011. All necessary steps were taken and closing occurred at the end of September, 2011.

Tri-Valley Water Supply, Inc., Docket No. R-2010-2207776. As discussed in last year’s Annual Report, on November 1, 2010, Tri-Valley filed a request to increase its rates for
its three divisions. Tri-Valley sought additional annual revenues of $54,430 (44.3%). Tri-Valley serves 278 customers in portions of Carbon and Monroe counties. The OCA filed a formal complaint. OCA’s engineering consultant visited the three service areas to inspect the Company’s wells and other facilities. The parties participated in several mediation sessions and were able to reach an agreement on the issues presented in the case. The settlement was filed with the ALJs on April 21, 2010 and sent to the two formal complainants for review. On June 29, 2011, the ALJs recommended that the PUC adopt the settlement petition with some minor additional reporting requirements.

The Settlement provided for an increase in annual revenues of $24,000, or 19.5%. A typical El-Do residential customer using 8,000 gallons of water per quarter would see an increase from $84 to $105 per quarter, rather than $125 as originally proposed by the Company. Typical Cypress Park and Stone Ridge Manor residential customers, using 10,000 gallons per quarter, would see an increase from $130.50 to $152.10, rather than $184.90 as originally proposed by the Company. The Company agreed that it will not file another rate case any sooner than thirty-six months from the entry date of the PUC’s order in this case to the filing date of the next case. The Company agreed that the rates in the proposed settlement will not become effective until it has registered all water sources and updated its Primary Facility and Subfacility reports with the Department of Environmental Protection. The ALJs proposed that the Company provide a verification of compliance to the PUC.

The Company also agreed that it will arrange for Pennsylvania Rural Water Association to conduct a leak detection survey of all three of its systems. Tri Valley will report the results to OCA and submit quarterly reports to OCA thereafter of its efforts to address leaks in its systems. This provision will allow OCA to monitor the effort and the impact the Company is making in addressing its leak detection and repairs. The ALJs proposed that the initial survey be completed within four months of the PUC’s order and that the ongoing reports also be sent to the PUC’s Bureau of Fixed Utility Services.

The Company also agreed that it will conduct pressure surveys at least once per year as required by Commission regulation. This provision will allow OCA to determine whether the pressures in the system are adequate for all household purposes. On July 28, 2011, the PUC approved the modified Settlement.

Clean Treatment Sewage Co., Docket Nos. R-2009-2121928 and I-2009-2109324. As discussed in last year’s Annual Report, on July 29, 2009, Clean Treatment Sewage Company filed a request with the PUC to increase the level of rates that it charges for providing service to its ratepayers. CTSC proposed additional annual revenues of $221,317, or 72.7%. The bill for an average residential usage customer would increase from a flat rate of $68.00 to a flat rate of $117.44 per month. CTSC did not propose to charge any fee for availability service. CTSC provides wastewater service to approximately 369 residential usage customers and 4 commercial usage customers in portions of Delaware Township, Pike County. In addition, there are 371 lot owners who
cannot be connected to the Company’s system or charged rates for service until a moratorium on new connections has been lifted. The moratorium has been in place since February 2005. OCA filed a formal complaint in August, 2009. Twenty-one customers filed formal complaints. Two public input hearings were held in the service territory. OCA, OTS, and CTSC stipulated to overall cost of capital but argued the issue of fair rate of return in recognition of ongoing service quality issues, in addition to several accounting issues. Other than return, the primary issue was whether CTSC should recover from usage customers the revenues it is unable to recover from availability customers. This followed from a May 15, 2009 order in a related complaint case where the Commission found inadequate service and ordered CTSC to cease billing availability customers for service it cannot provide during the moratorium. Hearings were held in Scranton and briefs were filed in January 2010. The OCA’s position was that no increase should be granted because the Company continued to provide inadequate service.

On March 2, 2010, the ALJ issued a Recommended Decision agreeing with OCA that the ongoing moratorium is evidence of inadequate service and a violation of Section 1501 but recommended that CTSC receive a $78,526 increase in annual revenue, or to recover about half of the revenues the Company proposed to shift to usage customers. The ALJ also adopted the OCA’s adjustments to Material & Supplies and depreciation and officers’ salaries, and reduced the Company’s administrative services claim. The parties filed Exceptions in March 2010.

The Commission entered its Opinion and Order on April 22, 2010, exercising its authority pursuant to 66 Pa. C.S. § 526 to reject the proposed rate increase in its entirety based on the utility’s continued provision of inadequate service. The Commission encouraged CTSC to seek another rate increase that includes a plan for improving service and lifting the moratorium.

On May 6, 2010, OTS filed a Petition for Clarification of the Order, asking that the Commission amend its Order to reflect that the OTS presented positions on both of the legal issues in question - whether CTSC was in compliance with Section 1501 and whether a revenue increase should be denied under Section 526. On May 17, 2010, the OCA filed an Answer supporting the OTS Petition and supporting the Commission’s finding that CTSC continues to provide inadequate service and its denial of CTSC’s proposed rate increase. On June 16, 2010, the Commission voted to grant the OTS Petition. The Company subsequently filed an appeal with Commonwealth Court. Since the PUC’s final order, the OCA has been working to move forward with the mandatory takeover proceeding under Section 529 of the Public Utility Code, which would allow a larger, capable utility to provide the necessary improvements to lift the moratorium and provide adequate service to the customers.

In July 22, 2011 and September 23, 2011 letters to Delaware Township and DEP, respectively, CTSC stated that it does not have funds to continue sewage operations
after December 31, 2011. The OALJ scheduled a prehearing before ALJ Jandebeur and identified two public utilities, Pennsylvania American Water Co. and Little Washington Wastewater Co., as possible candidates to acquire CTSC. The OCA worked with CTSC on the Company’s notice to customers of the Investigation. The notice included the OCA’s toll-free number and website, where the OCA continues to post information relevant to the case. Delaware Township filed a Petition to Intervene. The OCA worked with BI&E, CTSC, PAWC, LWWC and Delaware Township to develop a stipulation of facts addressing many of the findings required for the Commission to order an acquisition. Twenty-one customers filed Petitions to Intervene, twenty of which were granted (one petition was not granted due to the failure to provide any contact information).

Evidentiary hearings were held on November 15, 2011 to address several of the remaining requirements of Section 529: the rate impact of the acquisition on customers of the acquiring utility, rate impact on CTSC customers, the acquiring utility’s plan for improvements, and purchase price. Evidence was also introduced regarding the issue of refunds to availability customers, in accordance with the Commission’s order in the Sutter complaint case (see below). The OCA submitted written testimony and cross-examined other parties’ witnesses, including a DEP witness subpoenaed by CTSC, regarding these matters. Several of the customers testified regarding their concerns regarding the plan for improvements, the need for acquisition and the need to lift the moratorium that has been in place since March 2005. The ALJ directed the parties to report to her by December 5 regarding progress toward an agreement on purchase price and the remaining requirements of Section 529.

Clean Treatment and PAWC were not able to agree on a purchase price. The parties filed Briefs on the issue of whether the requirements of Section 529 (a) have been met and whether the PUC should issue an order requiring PAWC to pursue eminent domain in order to purchase the CTSC assets. On January 31, 2012, the ALJ issued a Recommended Decision. She found that the requirements of Section 529(a) were met, including (a)(6), which requires that the impact on pre-acquisition customers be reasonable. She also recommended that the Commission order PAWC to start the eminent domain process. The OCA filed limited exceptions on the issue of 529 (a)(6), because it is the OCA’s position that the PUC cannot determine whether that section is met until it has the purchase price, and because there are other issues that need to be determined under Section 529. Thus, the OCA recommended that the PUC hold the 529 proceeding in abeyance until the eminent domain process is completed.

On January 25, 2012, CTSC filed a Motion Re Security for New Capital Financing. Through its motion, CTSC sought to have any new capital provided by its parent company have a first security and first repayment priority from any sale proceeds. The OCA opposed the motion, in part because the issue of refunds to the availability customers must be dealt with in the 529 proceeding and it is the OCA’s position that the refunds should get first priority.
On May 25, 2012, the Commission entered an Order directing PAWC to acquire CTSC through the eminent domain process. PAWC is required to file a 529(j) plan for improvements by July 24, 2012. DEP and parties had until August 23, 2012 to file comments. Also, CTSC is required to identify all customers who paid availability fees and amounts owed with refunds to be paid 90 days after eminent domain order is final, to be disbursed from the sale proceeds. The Commission denied CTSC’s Motion re Security, refusing to put the parent company in advance of the availability customers who were unlawfully charged. CTSC has indicated in a status report to the Commonwealth Court that it will appeal the refund portion of the Order and move to consolidate with other, pending appeals. At the end of the Fiscal Year, the case was pending before the PUC.

City of Bethlehem, Docket No. R-00072492. As discussed in last year’s Annual Report, on June 29, 2007, the City of Bethlehem – Bureau of Water filed a tariff to become effective August 28, 2007, seeking PUC approval to recover an estimated annual increase in base rate revenues of $827,455 (12.5%) from customers who reside outside the City limits. A typical customer using 15,000 gallons of water per quarter would see an increase from $72.06 to $81.06 per quarter. The City serves approximately 12,000 residential customers outside of the City, in the Townships of Salisbury, Upper Saucon, Lower Saucon, Bethlehem, Hanover, East Allen, Allen, the Borough of Fountain Hill in Lehigh County, and the Borough of Freemansburg in Northampton County. The OCA filed a formal complaint on August 9, 2007.

During fall 2007 the parties conducted settlement negotiations that resulted in a settlement among the City, OCA and OTS. The proposed Settlement provided for a revenue increase of $240,000, or approximately 3.6%, increase in total annual revenues for customers outside the City and the City could not file for another general rate increase before June 29, 2009. Lower Saucon Authority opposed the across the board increase, among other issues. A hearing was held on the contested issues. Briefs were filed by the parties in February 2008.

The ALJ’s Recommended Decision was issued on April 7, 2008. She found that the Joint Petition for Settlement should be approved and rejected the Authority’s arguments against the proposed Settlement. On May 27, 2008, the PUC entered an Order denying the Authority’s exceptions. On June 9, 2008, Lower Saucon Authority filed exceptions to the compliance filing. On October 9, 2008, the PUC denied the Exceptions. On November 10, 2008, the Authority filed a Petition for Review in Commonwealth Court. The appellant, Lower Saucon Authority, filed its brief. The PUC and OCA briefs were due in June, 2009. Lower Saucon and the PUC determined that a remand of the proceeding, to address the petition for reconsideration filed by Lower Saucon, related to the City’s filing of its compliance tariffs, was appropriate. On June 12, 2009, Commonwealth Court granted the PUC’s application for a remand.
Hearings in the remanded proceeding were held and briefs were filed by the parties. The PUC issued Judge Fordham’s Recommended Decision on May 3, 2011. Judge Fordham recommended that Lower Saucon’s request to waive the Commission’s metering regulations in an area of Lower Saucon be denied. She recommended that the City install meters within one year of the PUC’s order in this proceeding and that Lower Saucon was responsible for the ancillary metering costs associated with the installation of the meters.

On October 14, 2011, the PUC entered an order disposing of the Lower Saucon issues. The PUC agreed with the ALJ that Lower Saucon should be required to have meters installed and that Lower Saucon is responsible for the costs of the meter pits. The PUC rejected Lower Saucon’s argument that the PUC’s metering requirements should be waived because of the resulting costs to Lower Saucon. The PUC determined that the City would have five years to accomplish the metering plan. The City, working with LSA, is required to develop a phase in plan and submit it to the Technical Utility Services within 60 days of the PUC’s order. Then, each year, the City is to file a status report with TUS. The City will be required to file a final report with TUS within thirty days after all meters are installed and in service.

**Applications, Petitions, and Investigations**

Joint Application of Columbia Water Co. and Marietta Gravity Water Co., Docket Nos. A-2012-2282219 and A-2012-2282221. On January 5, 2012, Columbia Water filed an application to acquire an interconnected, neighboring water utility that serves in East Donegal Township and the Borough of Marietta in Lancaster County and a portion of Hellam Township, York County. Marietta has 1,171 customers, Columbia has 8,745; most are residential. The utilities are affiliated. CWC proposed to adopt existing MGW rates. The purchase price of $3.5 million is slightly above net book value, to be financed by a combination of new debt, assumption of existing MGW debt and monies from its general fund. CWC filed for PUC approval of four, related securities transactions. Those filings were consolidated with the application proceeding. The City of Lancaster filed a Protest alleging that it was a better candidate to serve the MGW customers and at lower rates.

The OCA intervened to ensure that the interests of the MGW’s customers and CWC’s pre-acquisition customers are duly considered and protected in light of the City's protest to the application. I&E also filed a Notice of Appearance.

On March 16, 2012 the ALJ granted the Joint Applicant’s Motion to Stay Discovery pending a ruling on the preliminary objections and Motion for Summary Judgment. On March 21, the ALJ denied Preliminary Objections ruling that the appropriate action was to consider the motion for Summary Judgment. On April 4, 2012, the City answered the Motion. In the May 15, 2012 Initial Decision, the ALJ granted the Motion for Summary
Judgment on the grounds that there was no issue of material fact (no overlapping service territory) and the City lacks standing because it is not a customer of the Joint Applicants, has no service territory in actual or potential conflict with the MGW territory and does not serve within one mile of MGW.

The OCA and I&E agreed that, if the City’s Protest were dismissed, that the Application will be transferred to Technical Utility Services without hearings. The ALJ adopted this modified procedure.

The City filed exceptions and the Joint Applicants and I&E filed reply exceptions on June 4, 2012 and June 14, 2012, respectively. At the end of the Fiscal Year, the case was pending before the PUC.


The OCA filed a Protest on May 14, 2012. The applicants assert that the acquisition by Corix Utilities, LLC “will not result in any negative or material impact of any kind.” The OCA is investigating whether the change of control will provide affirmative benefits to the customers of Penn Estates Utilities, Inc., Utilities, Inc. –Westgate, and Utilities, Inc. At the end of the Fiscal Year, this case was pending before the PUC.

Application of KH Wastewater Treatment Co., Docket No. A-2010-2174191. As discussed in last year’s Annual Report, on April 28, 2010, KH Wastewater Treatment Co. (KHW) filed an application to acquire the wastewater system assets of Model Enterprises, Inc. (MEI). KHW and MEI are affiliates and MEI is not currently regulated because the customers do not pay for service (it is included in their rent). The OCA filed a Protest against the application on June 1, 2010, raising several concerns. Notably, KHW proposed to establish a rate base using the purchase price, which was not the result of arms-length negotiation, KWH proposed a $50 per month customer charge, the proposed tariff is not sufficiently clear regarding which method – metered, flat or estimated rates will be applied for service, and KHW does not have an executed purchase agreement. The OCA filed testimony setting forth its position regarding the customer charge and the tariff issues. After extensive negotiations, the parties were able to reach a settlement. The Settlement provided for approval of KH Wastewater’s application, with a certificate to be issued within 30 days after KH notifies the Commission that the first house is to be constructed. If that happens, initial rates would be a flat rate of $105 per month. Each potential homebuyer will receive notice (the notice is to be drafted in consultation with OCA) of the high rates for service. If KH
decides to meter its customers, it will not file a proposed metered tariff until it has at least 6 months of usage date for at least 6 homes. KH agreed to file affiliated interest agreements for its relationship with Model Enterprises Management Company within one month of PUC approval of the application. KH also agreed, to the extent its rates are more than 15% higher than its neighboring wastewater providers, to file a report every six months that shows that it contacted neighboring wastewater service providers to let them know that KH is open to having the other provider provide service to KH’s customers. On April 27, 2011, the ALJ recommended approval of the settlement. The PUC entered an Order adopting the RD without modification on July 18, 2011. The PUC’s Order provided that a Certificate of Public Convenience would be issued after KH provided notice that the first single family home to be constructed in the service area would require service within 60 days. It also provided that within 30 days after the Order, KH would file a proposed tariff. In October 2011, KH asked the PUC to delay the tariff filing deadline because the first home would not be completed before September 2012. By October 28, 2011 Secretarial Letter, the PUC granted the extension. On July 20, 2012, KH notified the PUC that the developer does not expect any homes will be completed for at least another year and KH requested an extension for another year and/or until KH provides 60 days’ notice that the first home will be completed and require service. At the end of the Fiscal Year, the case was pending before the PUC.

Application of North Heidelberg Water, Docket No. A-2009-2117241. As discussed in last year’s Annual Report, on June 22, 2009, NHWC filed an Application for approval to abandon water service and transfer its customers and water system assets to Reading Area Water Authority (RAWA). The purchase agreement filed with NHWC’s Application was in draft form and not executed. NHWC’s application was published in the Pennsylvania Bulletin on July 18, 2009. On August 6, 2009, the OCA filed a Protest against the Application, identifying several concerns including the absence of a final purchase agreement and inadequate information regarding customer notice and the rate impact of the proposed sale. On November 6, 2009, NHWC filed a Revised Application containing a final, executed purchase agreement. Pursuant to the Agreement, NHWC will sell the water system for $800,000.

Between November 16, 2009 and November 25, 2009, four customers filed Protests against the Revised Application: On January 14, 2010, a public input hearing was held in Bernville, Pennsylvania with ALJ Cochere presiding. Ten customers provided testimony. On February 3, 2010, NHWC filed a Supplemental Agreement on behalf of the Company and RAWA. Pursuant to ALJ Cochere’s instructions, the Supplemental Agreement directed parties to submit any objections to the documents to the Secretary, ALJ and parties by February 16, 2010. The Supplemental Agreement contained information about rates; connection fees; RAWA’s budget, operations, public meetings and plans for the NHWC system; and the effect of the proposed sale with regard to North Heidelberg Sewer Company. Two customer protestants filed timely objections to the Supplemental Agreement.
On February 16, 2010, NHWC submitted a July 31, 2007 Agreement between NHWC and John H. Guenther, Jr. for the purchase and reserve of equivalent dwelling unit (EDU) availability from the NHWC system. NHWC Late-Filed Exh. 3. The purpose of the submission was to ensure that Mr. Guenther's interests would be protected if NHWC transfers the system to RAWA.

Next, the parties participated in an on the record Conference on February 19, 2010, at which time a schedule was established for written testimony and further hearings. Pursuant to that schedule, NHWC submitted the testimony of Joseph M. Aicholz, Jr., operator and former president of NHWC, and Susan Werner of the Department of Environmental Protection (DEP) on March 5, 2010. On March 9, 11, and 23, 2010, respectively, David Sarkozy, Theodore Faust, and Walter Eckoff submitted timely responsive testimony.

On April 20, 2010, the parties participated in an Initial Hearing held in Harrisburg where cross-examination of witnesses was conducted. Counsel for the Department of Environmental requested and was granted permission to Intervene. In May 2010, NHWC, DEP and OCA filed briefs. The OCA recommended that the Application be approved in light of the Revised Application, Supplemental Agreement and additional information provided by the witnesses at hearings. On June 23, 2010, ALJ Colwell issued a recommendation that the Commission approve the Application based on her conclusion that the evidence showed that customers will be better off with RAWA and that RAWA is technically, managerially, and financially fit to provide adequate service. On August 2, 2010, the Commission entered an Order adopting the Recommended Decision and approving the abandonment and transfer.

Closing was delayed due to delays in the exchange of information between the two entities. The OCA was notified that NHWC and RAWA closed on September 2, 2011.

**Water and Wastewater - Service Quality and Main Extension Cases**

Sutter, et al. v. Clean Treatment Sewerage Co., Docket Nos. C-20077794, C-20078197. As discussed in last year’s Annual Report, on May 14, 2007, a customer filed a formal complaint against CTSC at Docket No. C-20077794, wherein he asserted that CTSC was unfairly charging him a sewer availability fee when service was not actually available due to a moratorium on sewer connections. The customer requested that the Commission order CTSC to stop charging him the availability charge and order CTSC to refund him the amounts he has paid for sewer availability since the moratorium began. The OCA filed a Notice of Intervention in the matter.

Between August 21, 2007, and November 15, 2007, fifty-five (55) customers filed formal complaints against CTSC. Most of these formal complaints sought identical remedies.
By Order dated December 6, 2007, the fifty-five (55) formal complaints were consolidated with the formal complaint at Docket No. C-20078197 for hearings before an ALJ. On January 30, 2008, the OCA filed a Notice of Intervention in these consolidated formal complaints at Docket No. C-20078197.

Hearings on the formal complaints consolidated at Docket No. C-20078197 were held in February 2008, in Dingmans Ferry, Pennsylvania. Twenty-nine of the formal complainants testified at the hearings. The Company and the OCA also attended the hearings and presented witnesses. Briefs and Reply Briefs were filed by the Parties. The ALJ issued an Initial Decision on January 2, 2009. In the decision, the ALJ found that CTSC is not providing adequate service but dismissed all customer complaints, deciding in favor of the OCA on one issue – the collection of past due accounts. On January 22, 2009, the OCA filed Exceptions, to which CTSC responded on February 2, 2009.

The Commission reversed the ALJ’s decision, except for the collection of past due accounts, and sustained the customers’ complaints. Specifically, the Commission found that CTSC was not providing adequate service, cannot charge availability customers for a service it is not able to provide, and ordered an investigation into whether the Commission should order a capable utility to acquire CTSC pursuant to 66 Pa. C.S. § 529. The Commission directed, further, that the issue of refunds to customers would be addressed in the context of a separate proceeding. Both the ALJ and Commission rejected arguments by CTSC that the Commission has no jurisdiction over the subject matter of the customer complaints because the condition and operation of CTSC’s wastewater system is not related to the Commission’s authority over safe, adequate and reasonable service by regulated utilities.

On June 12, 2009, CTSC filed a Petition for Review with the Commonwealth Court. The OCA filed a Notice of Intervention. Since the PUC’s final order, the OCA has been working to move forward with the mandatory takeover proceeding under Section 529 of the Public Utility Code, which would allow a larger, capable utility to provide the necessary improvements to lift the moratorium and provide adequate service to the customers. At the end of the Fiscal Year, this case was pending before Commonwealth Court.

Brown v. PAWC, Docket No. C-2010-2164259. As discussed in last year’s Annual Report, Mrs. Brown filed a Formal Complaint seeking public water service from PAWC, after receiving water tests that indicate possible contamination due to gas drilling in her vicinity. The OCA intervened in order to assist Mrs. Brown and five of her neighbors who are also concerned about water well contamination in obtaining public water service. Mrs. Brown and her neighbors live in Mount Pleasant Township, Washington County. PAWC submitted a status report indicating that the company continues to seek a source of funding for the main extensions.
In the context of the PAWC base rate proceeding summarized earlier in this report, the OCA raised the issue of the need for public water service and several residents of unserved areas in Washington County PA came forward during the public input hearing in that area. As a part of the settlement, those who affected by the health and safety issues presented by the lack of an adequate source of potable water, as well as the economic hardship, will receive water service from PAWC in their areas, sometime during calendar year 2012.

*Endsley v. PAWC*, Docket No. C-2011-2259004. On August 22, 2011, Ms. Endsley filed a Formal Complaint with the PUC. Ms. Endsley complained that prior to September of 2010 her usual monthly household water usage averaged 2,400 gallons and her bill averaged $30 - $50. Due to mandatory replacement of her water meter in late September her reported use increased to as much as 79,700 gallons per month for which she was billed amounts as high as $663 a month. The OCA filed a Notice of Intervention and Public Statement on September 6, 2011. On September 14, 2011, PAWC filed an Answer and New Matter.

Negotiations were conducted with PAWC on this matter and an agreement was reached which allowed for a 60% reduction in the claimed arrearage and a pay-back period of four years.
CONSUMER AND LEGISLATIVE OUTREACH

Testimony, Presentations and Speaking Engagements

Consumer Advocate Sonny Popowsky, Consumer Liaison Heather Yoder, and other members of the OCA Staff participated in the following public forums during the last Fiscal Year:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
<th>Location</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-7-11</td>
<td>PCA Senior Volunteer Program</td>
<td>Philadelphia, PA</td>
<td>Presentation on electric shopping</td>
</tr>
<tr>
<td>7-13-11</td>
<td>Representative Tim Kreiger and Senator Don White’s Senior Expo</td>
<td>Delmont, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>7-21-11</td>
<td>Pennsylvania Public Utility Commission, (PApowerswitch.com) Event</td>
<td>Pittsburgh, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>7-25-11</td>
<td>Representative Mario Scavello’s Senior Expo</td>
<td>Swiftwater, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>8-2-11</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony Regarding the Status of Competitive Electricity Markets in Pennsylvania</td>
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<tr>
<td>8-3-11</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony Regarding the Status of Natural Gas Competition in Pennsylvania</td>
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<tr>
<td>8-3-11</td>
<td>Representative David Millard’s Senior Expo</td>
<td>Bloomsburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>8-4-11</td>
<td>Senator Jake Corman’s Senior Expo</td>
<td>Lewistown, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>8-4-11</td>
<td>Representative Carl Walker Metzgar’s Senior Expo</td>
<td>Somerset, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>8-5-11</td>
<td>Representative Donna Oberlander’s Nifty Sixty Plus Baby Boomer Expo</td>
<td>Clarion, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>8-5-11</td>
<td>Representative Martin Causer’s Senior Expo</td>
<td>Bradford, PA</td>
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<td>8-11-11</td>
<td>Representative Julie Harhart’s Senior Expo</td>
<td>Northampton, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>8-18-11</td>
<td>WITF Radio Smart Talk</td>
<td>Harrisburg, PA</td>
<td>Electric Deregulation and Choice</td>
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<tr>
<td>8-20-11</td>
<td>Senator Shirley Kitchen’s Community Health Fair</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>8-26-11</td>
<td>Senator Shirley Kitchen and Representative Mark Cohen’s Senior Day</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>9-1-11</td>
<td>Consumer Fair sponsored by Representatives Tony DeLuca, Frank Dermody and Dom Costa</td>
<td>Cheswick, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>9-7-11</td>
<td>Senior Expo sponsored by Senator Don White and Representatives Donna Oberlander and Jeff Pyle</td>
<td>Kittanning, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-7-11</td>
<td>Northeast Council of Seniors</td>
<td>Philadelphia, PA</td>
<td>Presentation on Electric Choice and Energy Savings for PECO Customers</td>
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<td>9-12-11</td>
<td>Representative Thomas Creighton, Representative John Bear and Senator Michael Brubaker’s Senior Expo</td>
<td>Manheim, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>9-13-11</td>
<td>Representative Garth Everett and Senator Gene Yaw’s Senior Expo</td>
<td>Pennsdale, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>9-15-11</td>
<td>Lifeline Awareness Week Event</td>
<td>Harrisburg, PA</td>
<td>Remarks regarding the importance of Lifeline to Pennsylvania consumers</td>
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<td>9-15-11</td>
<td>Representative Tarah Toohil’s Senior Expo</td>
<td>Hazleton, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-15-11</td>
<td>Senator Kim Ward’s Senior Expo</td>
<td>Greensburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-16-11</td>
<td>National Consumer Law Center Peer Exchange Conference</td>
<td>Boston, MA</td>
<td>Consumer Advocacy at FERC and RTOs</td>
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<td>9-17-11</td>
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<tr>
<td>9-22-11</td>
<td>Senator Christine Tartaglione’s Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>Date</td>
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<tr>
<td>9-23-11</td>
<td>Senator Jane Orie’s Senior Expo</td>
<td>Butler, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-29-11</td>
<td>Senior Expo sponsored by the Southwestern Pennsylvania Area Agency on Aging and co-hosted by Senator Timothy Solobay, Representative Jesse White, Representative Brandon Neuman, and the Washington County Commissioners</td>
<td>Washington, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-5-11</td>
<td>National Association of Active and Retired Federal Employees Chapter 372 Meeting</td>
<td>East Norriton, PA</td>
<td>Presentation on Electric Choice and Energy Savings for PECO Customers</td>
</tr>
<tr>
<td>10-6-11</td>
<td>Representative Sue Helm’s Senior Expo</td>
<td>Lykens, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-6-11</td>
<td>Green Energy Expo and Workshops</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-7-11</td>
<td>Representative Martin Causer’s Senior Expo</td>
<td>Roulette, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-7-11</td>
<td>Senior Expo sponsored by Representatives Nick Kotik, Robert Matzie and Dan Deasy</td>
<td>Pittsburgh, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-12-11</td>
<td>Representative John Evans’ Senior Expo</td>
<td>Girard, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-13-11</td>
<td>Representative Steve Santarsiero’s Senior Fair</td>
<td>Newtown, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-13-11</td>
<td>Representative Bill Kortz’s Senior Expo</td>
<td>West Mifflin, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-13-11</td>
<td>Senator Christine Tartaglione’s Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-14-11</td>
<td>Representative Sue Helm’s Senior Expo</td>
<td>Harrisburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>10-14-11</td>
<td>Senior Expo sponsored by Senator Chuck McIlhinney and Representative Katharine Watson</td>
<td>Doylestown, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-17-11</td>
<td>Energy Coordinating Agency (ECA) Sustainable Energy Conference</td>
<td>Philadelphia, PA</td>
<td>Presentation on “Smart Grid and Smart Meters”</td>
</tr>
<tr>
<td>10-20-11</td>
<td>Representative Mark Keller’s Senior Expo</td>
<td>Newport, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>10-20-11</td>
<td>Senior Expo sponsored by Senator Dave Argall, Senator John Yudichak and Representative Doyle Heffley</td>
<td>Jim Thorpe, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>10-20-11</td>
<td>Representative Dan Truitt’s Senior Expo</td>
<td>West Chester, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-20-11</td>
<td>PCN/AARP Town Hall Meeting</td>
<td>Harrisburg, PA</td>
<td>Electricity Deregulation</td>
</tr>
<tr>
<td>10-21-11</td>
<td>Representative Randy Vulakovich’s Senior Expo</td>
<td>Glenshaw, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-27-11</td>
<td>Lackawanna &amp; Wayne County Senior Expo sponsored by the Salvation Army</td>
<td>Waymart, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-27-11</td>
<td>Senator Don White and Representative Dave Reed’s Senior Expo</td>
<td>Indiana, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-27-11</td>
<td>Representative Dom Costa’s Senior Expo</td>
<td>Pittsburgh, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-27-11</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony on Natural Gas Pricing</td>
</tr>
<tr>
<td>10-28-11</td>
<td>Central PA Aging Consortium &amp; PA PUC Energy and Human Resources Forum</td>
<td>Harrisburg, PA</td>
<td>Presentation on Electric Choice</td>
</tr>
<tr>
<td>11-1-11</td>
<td>Philadelphia Senior Center (Tioga Branch)</td>
<td>Philadelphia, PA</td>
<td>Presentation on Electric Choice and Energy Savings for PECO Customers</td>
</tr>
<tr>
<td>11-1-11</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Chapter 14 of the Public Utility Code</td>
</tr>
<tr>
<td>11-4-11</td>
<td>Senator Daylin Leach’s Senior Expo</td>
<td>Plymouth, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>11-4-11</td>
<td>Villanova Law School Energy Forum</td>
<td>Villanova, PA Electric Policies</td>
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<tr>
<td>11-7-11</td>
<td>Meeting with Customer Care Officer</td>
<td>Harrisburg, PA Discussion about the OCA and various consumer issues</td>
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<tr>
<td>11-13-11</td>
<td>NASAUCA Annual Meeting</td>
<td>St. Louis, MO Transmission Policy</td>
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<tr>
<td>12-3-11</td>
<td>Representative Mario Scavello’s</td>
<td>Swiftwater, PA Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>12-6-11</td>
<td>Rate Case Conference</td>
<td>Washington, D.C. Consumer perspective</td>
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<tr>
<td>1-19-12</td>
<td>House Democratic Policy Committee</td>
<td>Harrisburg, PA Electric Reliability</td>
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<tr>
<td>1-19-12</td>
<td>Palm Senior Center</td>
<td>Ardmore, PA Presentation “Saving Money on Your Electric Utility Bills”</td>
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<tr>
<td>2-16-12</td>
<td>Town Hall Meeting sponsored by</td>
<td>Reading, PA Electric Utility Reliability</td>
<td></td>
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<tr>
<td>2-23-12</td>
<td>Peter Bressi N.E. Senior Center</td>
<td>Philadelphia, PA Presentation “Saving Money on Your Electric Utility Bills”</td>
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<tr>
<td>3-6-12</td>
<td>OAG Bureau of Consumer Protection</td>
<td>Harrisburg, PA Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>3-8-12</td>
<td>OAG Bureau of Consumer Protection</td>
<td>Philadelphia, PA Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>4-11-12</td>
<td>Center for Rural Pennsylvania</td>
<td>Wysox, PA Testimony on the extension of natural gas service in rural Pennsylvania</td>
<td></td>
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<tr>
<td>4-13-12</td>
<td>Representative Scott Petri’s Senior Expo</td>
<td>Ivyland, PA Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>4-19-12</td>
<td>Senator Charles McIlhinney’s Senior Expo</td>
<td>Levittown, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>4-20-12</td>
<td>Mid Atlantic Demand Response Initiative</td>
<td>Philadelphia, PA</td>
<td>Smart Meters</td>
</tr>
<tr>
<td>4-26-12</td>
<td>Public Utility Commission “Be Utility Wise” Energy Forum</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-8-12</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony on HB2186 and 2188</td>
</tr>
<tr>
<td>5-9-12</td>
<td>Tri-County Association for the Blind</td>
<td>Harrisburg, PA</td>
<td>Presentation “Saving Money on Your Electric Utility Bills”</td>
</tr>
<tr>
<td>5-10-12</td>
<td>Healthy Community Expo sponsored by Senator Mensch and Representative Toepel</td>
<td>Red Hill, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-18-12</td>
<td>Senator Vincent Hughes’ Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-24-12</td>
<td>Senator Dominic Pileggi’s Senior Expo</td>
<td>Aston, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-31-12</td>
<td>Representative Daryl Metcalfe’s Senior Expo</td>
<td>Cranberry Township, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>6-3-12</td>
<td>Representative Rosemary Brown’s Family Expo</td>
<td>East Stroudsburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>6-19-12</td>
<td>Community Resource Fair Sponsored by the Free Library of Philadelphia</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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</table>
OCA CALL CENTER

The OCA’s toll free number – 800-684-6560 – was implemented in the year 2000, to aid consumers who have questions about or problems with their utility service. The OCA’s consumer service representatives staff the toll free number from 8 AM to 5 PM, Monday through Friday. The addition of the toll free number and consumer service representatives is another way to expand our outreach to all Pennsylvania utility consumers in the ongoing changes in utility regulation.

During Fiscal Year 2011-2012, we had a total of 17,369 consumer contacts in the Call Center, including requests for shopping guides, phone calls, letters and e-mails.

Summarized here are examples of our assistance to individual consumers:

We assisted a customer who was unable to obtain new electric service due to an unpaid bill. The customer was told the previous bill would have to be paid in full before new service would be started. We contacted the company on the customer’s behalf. The company agreed to start new service in the customer’s name, and set up a payment plan for the past due amount.

We assisted a consumer who signed up for a promotional plan for telephone and DSL service. Beginning with the first month of service, the customer received either incorrect bills or was double billed. As a result, the customer cancelled the service. After the cancellation, the company continued to bill the customer even though all bills prior to the cancellation date were paid and the customer had a zero balance. The customer contacted us for assistance when she found out the company reported her to collections. We contacted the company on her behalf. The erroneous charges were removed from the account and the account was taken out of collections.

We assisted a customer who experienced a delay in the start of his phone and DSL service. After several calls to the Company, the customer was unable to resolve the matter. We contacted the company on the customer’s behalf. An issue with the cable pair was discovered, and the phone and DSL were in service the following day.

We assisted a small business customer who was billed $29.95 by a third party on their telephone bill. The charge was for internet service they did not sign up for. We contacted the third party billing company on their behalf and they credited the full amount to the account. They also agreed to put a block on the account so no additional charges would be billed to the customer.

We assisted a customer whose DSL service had been terminated for nonpayment. The customer was told service would be restored within four hours after the payment was received. Five days after making the payment in full, the customer still had no DSL
service. The customer contacted the company, who suggested there was a problem with the customer's equipment. We contacted the phone company on the customer's behalf. The company discovered a wiring problem and DSL service was restored.

We assisted another consumer who could not afford the $465 security deposit required by the electric company. The consumer said that he could pay $275 when he received his pay check. We contacted the company on his behalf and they agreed that they would accept $275. In addition, he had to agree to pay his current charges and the remainder of the security deposit over the next two months. The customer agreed to the company’s terms. His service was restored and he was very appreciative for our help.

We assisted a consumer who installed solar panels on their new home. They began generating electricity as soon as the panels were put in place. However, when they received their first electric bill, they were not credited for the excess power they generated. They contacted the electric company and were told they would not be given credit for the excess electricity because the proper meter was not in place when they began generating the power. We contacted the electric company on the customer's behalf. They reviewed the usage on the old meter and credited the customer for the excess power they generated when the panels were initially installed.

We assisted a consumer who signed up for their utility’s air conditioner control program, which would give them a fixed credit on their summer electric bill for participating in the program. The customer received the credit, but it was not the fixed amount promised by the company. Upon our investigation, we discovered a discrepancy in the company tariff and how they were applying credit for this program. The electric company agreed to comply with the tariff, which would give the customer the full credit. The company is working to change their system so all customers participating in the program are given the proper credit on their bills.

We assisted a telephone consumer who waited over three weeks to have his phone and internet service transferred to his new home. He contacted the telephone company several times regarding this issue but they were unresponsive. Upon his contact with our office, we contacted the telephone company on his behalf. They responded to our request immediately and got this customer’s service working at the new address. In addition, they issued a credit for the time he was without service.

We assisted an elderly couple who were being charged fifty cents per day for Call Block service on their telephone. Their daughter noticed the charge on their bill and contacted the telephone company. She explained that her parents were elderly and did not even know what Call Block was, much less utilize the service. The telephone company agreed to adjust the billing and credit the account. After several months, the credit did not appear on the bill and they were still charged for the service. We contacted the telephone company on the couple’s behalf. They were able to assist the daughter in
removing the service from her parent’s phone and they issued a $61.17 credit for the charges that were incurred.

We assisted a customer who received a termination notice from her natural gas company. Due to flooding in her area, she was unable to work and she did not get paid, causing her to fall behind on her payment. She was seeking a three day extension to give her time to pay the bill. We contacted the company on her behalf and they agreed to give her the extension.

We assisted an electric customer who moved into an apartment and found out after 15 months, that there was an error and her meter and her landlord’s meter had been switched. Even though she had been paying her bill in full each month, she was underbilled and owed a balance of $935.50. The company agreed to give her a 24 month period to pay the balance. However, that still created a hardship for the consumer. We contacted the company on her behalf and they agreed to give her a $100 credit and up to 36 months to pay the balance.
SERVICE TO PENNSYLVANIA AND THE NATION

Participation in NASUCA and in Other Consumer Interest Organizations

On the national level, members of the OCA staff continued to serve in leadership positions with the National Association of State Utility Consumer Advocates (NASUCA). NASUCA has members from more than 40 states and the District of Columbia and provides valuable input on consumer utility issues.

- Sonny Popowsky is a Past President and Chairman of the Electric Committee of NASUCA. He also has served on the NASUCA Executive Committee.
- Senior Assistant Consumer Advocate Christine Maloni Hoover participates in the Water Committee.
- Assistant Consumer Advocate Barrett Sheridan is part of a five member steering group that directs the work of the NASUCA Telecommunications Committee.
- Senior Regulatory Analyst Marilyn Kraus serves on the Tax and Accounting Committee.
- Senior Assistant Consumer Advocate Dianne Dusman serves on the Consumer Protection Committee.

Additionally, OCA staff members serve in an advisory role on committees at the federal level.

- In 2012, Mr. Popowsky was named Vice Chair of the United States Department of Energy's Electricity Advisory Committee. He was appointed to serve on that Committee by the Secretary of Energy in August 2010 and is the first state consumer advocate to serve on the Committee. Mr. Popowsky also continued to serve as one of two state consumer advocates representing electricity consumers on the Stakeholder Steering Committee of the Eastern Interconnection Planning Collaborative. He also serves on the Steering Committee of the Keystone Energy Board and is a member of the Harvard Electric Policy Group at the Kennedy School of Government at Harvard University.
- Senior Assistant Consumer Advocate Tanya McCloskey and Assistant Consumer Advocate David Evrard represent the OCA on the following PJM committees or groups: Members Committee, Markets and Reliability Committee, Market Implementation Committee, Transmission Expansion Advisory Committee, Regional Planning Process Working Group, Public Interest/Environmental Organizations Users Group, and the Liaison Committee.
• Ms. Sheridan is the NASUCA representative on the Lifeline Across America Working Group, a joint effort with the Federal Communications Commission and National Association of Regulatory Utility Commissions. Ms. Sheridan also serves as a member of the advisory staff for the Consumer Representative on the Federal-State Joint Board for Universal Service which advises the FCC.

• Assistant Consumer Advocate Darryl Lawrence was elected to serve as a small consumer representative on the Planning Committee of the North American Electric Reliability Corporation (NERC).

In Pennsylvania, the OCA represents the interests of consumers on a number of different boards and projects.

• Senior Assistant Consumer Advocate Tanya McCloskey serves on the Board of the Pennsylvania Sustainable Energy Fund, serves as the OCA's representative on the Pennsylvania Energy Development Authority Board of Directors, and represents the OCA on the Department of Public Welfare LIHEAP Advisory Committee.

• Ms. Hoover represents consumer interests in issues related to water systems. She serves as a member of the PUC’s Small Water Company Task Force, which meets regularly to address existing and emerging problems of small water and sewer systems. Ms. Hoover also serves on the Technical Assistance Center (TAC) for small water systems. TAC’s role is to provide advice to the Department of Environmental Protection (DEP) on small water system issues and to help coordinate activities among various agencies and organizations affecting small water systems.

• Assistant Consumer Advocate Brandon Pierce serves as Editor-in-Chief for the Pennsylvania Bar Association Environmental and Energy Law Section Newsletter.

The OCA staff has also shared its expertise with other state agencies, consumers, and industry representatives at conferences and training programs.
OCA STAFF

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Consumer Advocate

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Christine Maloni Hoover
Tanya J. McCloskey
Senior Assistant Consumer Advocates

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Aron J. Beatty
David T. Evrard
Erin L. Gannon
Amy E. Hirakis
Jennedy S. Johnson
Darryl A. Lawrence
James A. Mullins
Brandon J. Pierce
Barrett C. Sheridan
Candis A. Tunilo

Assistant Consumer Advocates

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Langdon T. Ramsburg
Legal Interns

Marilyn J. Kraus
Senior Regulatory Analyst

Ashley E. Everette
Regulatory Analyst

Pamela R. Carroll
Jayne M. Hontz
Leslie B. Jackson
Robert B. Robinson
Kim M. Yetter

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Cheryl A. Cootes
Greta S. Hess
Denise F. Smith
Victoria N. Stone

Clerical Staff

Sandra L. Kinsey
Cammie A. Shoen

Legal Assistants

Heather R. Yoder
Consumer Liaison

Sheri R. Steigleman
Kevin R. Yiengst
Consumer Service Representatives

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