Annual Report

of the

Pennsylvania
Office of Consumer Advocate

Fiscal Year 2005-2006

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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 represents Pennsylvania utility consumers in matters before the Pennsylvania Public Utility Commission (PUC) and other state and federal agencies and courts. The OCA also represents the interests of Pennsylvania consumers in non-governmental organizations, such as the PJM Interconnection. The OCA also seeks to protect and educate consumers during the transition from a fully regulated to a more competitive utility industry. The statute that established the OCA requires the Office to file an annual report. The following report is a summary of the OCA’s major activities during Fiscal Year 2005-2006.

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’s employee complement consists of 37 persons, including the Consumer Advocate, 16 attorneys, and 20 other professional, administrative and clerical personnel.

Change continues in the utility industry, but the needs of Pennsylvania utility consumers to be fully and professionally represented in both Harrisburg and Washington, D.C. have not diminished. Indeed as the structure of the partially regulated, partially competitive utility industry has become more complex, the needs of utility consumers for representation, as well as for consumer protection and education, have grown.

The OCA has continued to provide vigorous professional representation for Pennsylvania consumers before both state and federal regulatory agencies and courts. The OCA participates before the PUC in all major base rate cases, many small rate cases, and many non-rate proceedings that have a significant impact on consumers. OCA also participates in numerous matters before the Federal Energy Regulatory Commission (FERC) and the Federal Communications Commission (FCC) that have a substantial impact on Pennsylvania consumers.

In the last several years, the OCA also has represented the interests of Pennsylvania consumers in bankruptcy court and insolvency proceedings in other states, in order to recover deposits and refunds that were owed to Pennsylvania consumers by competitive energy suppliers. During the last Fiscal Year, for example, the OCA completed the return of refunds to former Utility.com customers in Pennsylvania. In total, the OCA’s representation of Pennsylvania’s Utility.com customers resulted in refunds of more than $322,000. In another unusual set of proceedings, the OCA was able to secure approximately $230,000 in refunds and credits for more than 4,000 Pennsylvania consumers whose long distance telephone bills contained improper charges resulting from the Internet scam known as “modem hijacking.”
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 competition and service in Pennsylvania. The OCA also seeks to ensure that consumers are protected and informed about changes in their utility service that can be either beneficial or harmful. During the last Fiscal Year, the OCA continued to work on proceedings resulting from several legislative changes impacting utility consumers such as rulemakings and implementation orders regarding the Alternative Energy Portfolio Standards Act, and the regulatory requirements for telephone local exchange carriers as a result of the 2004 revisions to Pennsylvania’s telecommunications law.

In the electric industry, the OCA continues to be involved in the implementation of the Pennsylvania electric restructuring program. The OCA’s primary focus has been to ensure that all Pennsylvania consumers are benefitted through the strict enforcement of rate caps and other protections that were included in Pennsylvania’s landmark 1996 Electric Choice Act. The OCA has also sought to ensure that customers continue to be protected even after rate caps expire through the development of stable, reasonably priced “provider of last resort” service. The OCA also has continued to support efforts to protect Pennsylvania consumers through its education activities and through various rulemaking and policy proceedings. Since much of the decision-making that affects Pennsylvania electric consumers now occurs at the federal and regional level, the OCA has greatly expanded its participation in key electric proceedings before the FERC and in the committees of the PJM Interconnection. The OCA also is committed to ensuring reliable electric service for Pennsylvania consumers.

In natural gas, the OCA continues to address the implementation of the Natural Gas Choice legislation. The OCA also participated in a number of base rate cases as well as merger cases involving natural gas utilities during this Fiscal Year. The OCA also continues to represent consumers across Pennsylvania in the annual PUC review of every natural gas distribution company’s purchased gas costs. As in the electric industry, the OCA seeks to ensure that consumers continue to have access to a reasonably priced “supplier of last resort” service from their regulated natural gas distribution company. The OCA also participates in proceedings at the FERC that involve the major interstate pipelines that serve Pennsylvania’s retail gas distribution companies.

In telecommunications, the OCA has participated in a number of major merger proceedings as well as cases involving telephone competition in Pennsylvania. The OCA has focused on the goal of ensuring that Pennsylvania maintains and enhances the provision of universal telephone service throughout the Commonwealth. This has included efforts to expand Lifeline telephone discount programs to low-income consumers who might otherwise not be able to afford service as well as efforts to extend deployment of new advanced services to rural areas. The OCA also provided testimony before Congress on a proposed bill to reform the federal Universal Service Fund program.

In the water industry, the OCA continues to represent consumers in base rate increase and acquisition proceedings involving both large and small utilities. In addition, the OCA supports efforts by consumers and communities to obtain extension of water service to
their homes at reasonable cost. The OCA also has supported the development of programs that assist low-income consumers in paying their water bills.

During Fiscal Year 2005-2006, the OCA participated in merger and acquisition proceedings involving each utility industry. In each case, the OCA sought to ensure that the transaction would only be approved if it provided substantial affirmative benefits to consumers, as required by Pennsylvania law. In many of these cases the OCA urged the Commission to impose conditions on the merger to ensure that such benefits were obtained by Pennsylvania consumers.

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

The OCA responds to numerous 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 6 p.m. Monday through Friday. Again last year, the OCA devoted 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 Fiscal Year 2005-2006, the OCA participated in more than 100 consumer outreach events across Pennsylvania, many of which were sponsored by legislators. In addition, the OCA tries to keep 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.

The OCA looks forward to meeting these continuing challenges on behalf of Pennsylvania’s 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 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 2005-2006.
ELECTRIC
Pennsylvania

Duquesne Light Company

Duquesne Light Company Base Rate Filing, R-00061346. On April 7, 2006, Duquesne Light Company filed a distribution and transmission base rate case. The combined request was for a $163 million increase, with $144 million in distribution rate increase (approximately 51.3% increase in distribution rates) and $19 million in transmission rate increase (approximately 54.4% increase in transmission rates). The Company’s generation rates will not change as part of this case. Overall, the rate increase represents a 13% increase in revenue. For the general residential class, an overall increase of about 18.7% was proposed. For the residential heating class, the Company proposed an overall increase of about 37.4%. The Company also requested an 11.75% return on equity. The OCA filed a complaint and hired expert witnesses to thoroughly evaluate the Company’s claims.

The OCA filed the direct testimony of four expert witnesses in this case. The OCA’s expert witnesses proposed numerous adjustments to the Company’s claim. The OCA recommended that the Company’s rate increase be reduced to $83 million, based on a 9.5% return on equity. The OCA also recommended that the Company’s proposal to significantly increase residential customer charges be rejected. Settlement discussions and litigation were continuing at the end of the Fiscal Year.

Duquesne Light Company Request For A Transmission Surcharge, Docket No. R-00050662. As discussed in last year’s Annual Report, Duquesne Light Company filed a tariff supplement seeking to implement a surcharge for the recovery of transmission charges referred to as SECA charges. SECA is the Seams Elimination Cost Adjustment that has been proposed at FERC by several utilities to recover transmission revenues that the utilities allege they will lose as a result of integrating their operations into PJM. FERC has approved these charges subject to refund. Given Duquesne’s location near the “seam” or edge of PJM, Duquesne will both be assessed charges and be able to assess charges to others. The net effect is a cost increase to Duquesne. Duquesne sought to flow these costs through to ratepayers through an automatic adjustment clause.

The OCA filed a complaint against this filing. In its complaint, the OCA raised issues regarding the appropriateness of such a single issue filing, whether the rates were just and reasonable, and whether the costs were sufficiently known and certain. Several other parties filed complaints. The Commission allowed the tariff filing to go into effect, subject to refund and litigation on the issues raised by the filing. This matter was consolidated with the base rate filing and will be resolved with that case, which was ongoing at the end of the Fiscal Year.
FirstEnergy Companies

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company

Metropolitan Edison Company and Pennsylvania Electric Company Request For Changes In Distribution, Transmission and Generation Rates, Docket Nos. R-00061366, R-00061367, P-00062213, and P-00062214. On April 10, 2006, the FirstEnergy operating subsidiaries of Metropolitan Edison Company and Pennsylvania Electric Company filed a transition case to change their distribution, transmission and generation rates. The transition case included a request for an exception to the generation rate cap and provided several alternatives for adjusting customer rates between January 1, 2007 and January 1, 2011 when the generation rate cap is set to expire. For Met-Ed, the Companies proposed that total rates be increased by approximately $215 to $320 million annually (depending on the alternatives presented), or between 19% to 28% overall. For Met-Ed, the total rate increase reflected a proposed $34 million reduction in distribution rates, but a significant increase in the generation and transmission rates. For Penelec, the Companies proposed that customer total rates change by approximately $125 to $170 million annually, or approximately 12% to 16% overall. This change reflects a $19 million increase in distribution rates and increases in both transmission and generation rates. The OCA filed a complaint and an Answer to the Petition. In its Answer, the OCA opposed the FirstEnergy Companies’ request to increase its generation rates arguing that the increase would constitute a rate cap exception which was specifically found to be illegal by the Commonwealth Court in a previous case involving these companies. In addition to the Rate Transition Plan issues, the Commission consolidated the ongoing proceeding regarding the appropriate treatment of merger savings resulting from the merger of GPU Energy and FirstEnergy with this proceeding.

In its Direct Testimony, the OCA opposed the Companies’ request to exceed the generation rate cap as being in contravention of the Companies’ 1998 Restructuring Settlement. The OCA also performed an analysis of the Companies’ distribution rate requests and recommended that Met-Ed’s rates be reduced by $85 million and that Penelec’s distribution rates be reduced by $18 million. Additionally, the OCA recommended that over $60 million of each Company’s claimed transmission costs be disallowed since those costs were actually generation costs that were subject to the generation rate cap. In addition to its recommendations regarding the Rate Transition Plan, the OCA provided testimony and recommendations regarding the merger savings proceeding. The OCA recommended that 50% of the accrued merger savings be returned to customers over a four year period. As of the end of the Fiscal Year, litigation of this case was continuing before the PUC.

Joint Application of GPU Energy and FirstEnergy for Approval of Merger, Docket Nos. A-110300F.095 and A-110400F.040. As discussed in last year’s Annual Report, GPU Inc., the owner of two major Pennsylvania electric utilities (Met Ed and Penelec) merged with FirstEnergy Corp., a major Ohio utility that also has a Pennsylvania subsidiary (Penn Power). On November 9, 2000, GPU Energy and FirstEnergy filed their Application for Approval of a Merger. The OCA filed a Notice of Intervention and Protest on December 11, 2000. In its Protest, the OCA argued that the Company’s filing and proposals had not demonstrated affirmative ratepayer benefit as
required under Pennsylvania law. The case was extensively litigated with the OCA presenting testimony on the merger issues. Eventually, several parties, including the OCA, entered into a settlement that sought to secure affirmative benefits for ratepayers. That settlement was appealed to the Commonwealth Court, and the case was remanded to the Commission.

The case returned to the Commission for resumption of litigation on the issue of the quantification and allocation of the merger savings. In the remanded proceeding before the Commission on merger savings, the parties entered into settlement negotiations. These negotiations were delayed during the course of the Commission’s Investigation into FirstEnergy’s Reliability. Negotiations resumed in October 2004 and continued until near the end of 2005. A settlement could not be reached and litigation resumed.

After many negotiations, the parties were unable to reach a settlement of the underlying matter and the appeal. Litigation on the remanded issues at the Commission resumed and was consolidated with the Rate Transition Plan filed by the Companies on April 10, 2006. In the consolidated proceeding, the OCA provided testimony recommending that 50% of the accrued merger savings be returned to customers over a four year period. On an annual basis, this would reduce distribution rates by $10.7 million for Met-Ed and $9.9 million for Penelec. As of the end of the Fiscal Year, litigation of this case was continuing before the PUC.

Petition of Metropolitan Edison Company and Pennsylvania Electric Company For Declaratory Order Regarding The Ownership of Alternative Energy Credits Associated With Qualifying Facilities, Docket No. P-00052149. As discussed in last year’s Annual Report, on February 22, 2005, Met-Ed and Penelec filed a Petition for Declaratory Order to resolve a controversy that had developed over the ownership of alternative energy credits created by Act 213 of 2004, the Alternative Energy Portfolio Standard, from generation of Qualifying Facilities (QFs) under contract with the Companies. Under a 1978 federal law known as PURPA, Met-Ed and Penelec were required to enter into long-term contracts with generating facilities that had certain environmental attributes. Ratepayers were required to pay the full cost of these contracts. When the electric industry restructured, it was found that the prices contained in these contracts were far in excess of market prices. This resulted in a significant amount of stranded cost, which ratepayers are required to pay. Under the Alternative Energy Portfolio Standards Act, electric distribution companies are required to purchase a certain amount of energy from alternative generating sources. Much of the QF generation that ratepayers are paying for through stranded cost qualifies as an alternative energy source. The QFs have taken the position that the alternative energy credits associated with the generation is owned by the QF and the QF can sell the credits to whomever it wants. Met-Ed and Penelec have taken the position that the credits belong to the purchaser of the generation, Met-Ed and Penelec, and must be used to benefit their ratepayers. Importantly, Met-Ed and Penelec were required to enter long term contracts with the QFs at special pricing because of the very environmental attributes that the QFs now seek to sell independent of the contract with the Companies.

The OCA filed an Answer and Briefs supporting the position of Met-Ed and Penelec on this issue. The OCA argued that these benefits belonged to the utility and should be flowed through to the utility’s ratepayers. On July 13, 2006, the ALJ issued her Recommended Decision in this matter. In her Recommended Decision, the ALJ adopted the position of the OCA, Met-Ed and
Penelec that the ownership of the alternative energy credits generated within the long-term power purchase agreements entered into pursuant to PURPA prior to the passage of the Alternative Energy Portfolio Standards Act belong to the electric distribution companies. The QFs filed Exceptions in opposition to this conclusion and the OCA filed Reply Exceptions supporting the ALJ’s decision. The matter is pending before the Commission.

Petition of Metropolitan Edison Company and Pennsylvania Electric Company for Approval to Revise the Accounting Methodology Used for NUG-related Costs, Docket P-00062235. On June 30, 2006, the Commission’s Bureau of Audits issued its Audit Report regarding Met-Ed and Penelec’s calculation of, and accounting for, stranded cost related to its non-utility generation (NUG) contracts. The calculation of stranded cost and the accounting for this stranded cost recovery is set forth in the Companies’ 1998 Restructuring Settlement. During the audit, the Bureau of Audits determined that the Company had unilaterally changed its method of calculating stranded cost, increasing the stranded cost owned by ratepayers. For Met-Ed, the stranded cost balance increased by over $19 million and for Penelec, the stranded cost balance increased by over $6 million. The OCA filed Comments opposing this unilateral change to the 1998 Restructuring Settlement. The Commission then issued an Order directing the Companies to restore the prior calculation methodology and balances. The Commission directed the Companies to file a Petition if it wished to change the NUG stranded cost calculation method. The Companies filed a Petition with the Commission and the OCA answered the Petition opposing the proposed change in the method of calculating NUG stranded cost. At the end of the Fiscal Year, this case is pending before the PUC.

Petition of FirstEnergy To Amend Its Benchmarks And Standards, Docket No. P-00042115. As discussed in last year’s Annual Report, during the pendency of the FirstEnergy Reliability Investigation, FirstEnergy filed a Petition requesting to amend the reliability performance benchmarks and standards with which it must comply. FirstEnergy argued that the data relied upon by the Commission to establish those standards was likely inaccurate. FirstEnergy based this conclusion on its reliability data since the installation of a new outage management system. The data collected under the new system showed a decline in FirstEnergy's reliability performance from its historic data. The OCA filed an Answer opposing the late consolidation of the matter into the on-going investigation and argued that FirstEnergy had failed to demonstrate that the decline in its reliability performance indicators was related solely to the change in data collection methodologies. The OCA argued that if the Commission entertained a change at all, it should set the matter for separate hearings.

On July 1, 2005, the OCA filed its direct testimony. In its testimony, the OCA reviewed the Company’s request and evidence and concluded that there was insufficient support at this time for recommending any change to the benchmarks and standards.

The parties engaged in settlement discussions regarding these matters. The parties were able to reach a settlement that allowed for some modest changes to the reliability benchmarks and standards but still required performance that was equal to or better than the performance experienced by customers in the pre-restructuring period. The settlement was approved by the Administrative Law Judge and the Commission.
Petition of Pennsylvania Power Company for Approval Of Provider of Last Resort Plan, Docket No. P-00052188. On October 11, 2005, Penn Power filed a Petition offering a plan for providing default generation service for a period beginning January 1, 2007. Under Penn Power’s plan, it would solicit bids through a Request for Proposal process for wholesale supply from alternative suppliers for the period of January 1, 2007 through May 31, 2008. Penn Power would then charge its customers the increased cost of this supply. Penn Power proposed recovery through a reconcilable mechanism. The OCA filed an Answer and participated in the proceeding. The OCA supported Penn Power’s general framework, but recommended that Penn Power solicit bids for supply for each customer class so that the risks attendant to serving each customer class can be properly reflected in the price charged to the customers. The OCA also recommended that the duration of the plan be increased from 17 months to 29 months so that the Company could purchase supplies at different points throughout the term, rather than relying upon bids from a single day. The OCA argued that a layered approach will help to keep rates reasonable and lessen the impact of bad market timing. The Commission entered its Order in late April, 2006. In its Order, the Commission directed that the Company solicit bids by rate class as recommended by the OCA, but it did not extend the duration of the bid. The Commission ordered the Company to conduct two bids at different times to attempt to mitigate market timing risk. Finally, the Commission rejected the use of a reconcilable mechanism. The Company filed an appeal on the Commission’s decision to reject the reconciliation mechanism. As of the end of the Fiscal Year, the results of the bid process were not yet known.

Informal Investigation of the Pennsylvania Electric Company Service Terminations in Hastings and Erie, Docket No. M-00051906. In the Spring of 2005, Penelec terminated service to a residence in Hastings, Pa. Service was disconnected to the household and shortly thereafter, there was a fire at the household caused by an unattended candle. There were several fatalities, including children. In a separate incident in Erie, service was terminated to a residence for non-payment. A fire ensued from an overloaded extension cord running from another apartment. Two children were injured in the fire. The Commission’s Law Bureau investigated these incidents and reached a settlement with Penelec. Under the Settlement, the Company agreed to a number of training initiatives and revised procedures to ensure that customers are informed of all programs to assist with bill payment. In addition, the settlement called for a $250,000 payment to the General Fund as a fine and specified that no portion of this amount could be recovered from ratepayers. On November 22, 2005, the Commission issued a Tentative Order modifying the Settlement in one regard. The Commission called for the $250,000 payment to be used to fund Penelec’s Low-Income Assistance Program (CAP). On November 22, 2005, the OCA filed Comments, recommending that the $250,000 financial contribution be made to Penelec’s Hardship Fund rather than to Penelec’s own CAP. The OCA argued that Penelec has a legal obligation to adequately fund its CAP, and that the financial contribution should not be used to meet this obligation, given the circumstances. Additionally, the OCA argued that there is no separate “CAP fund” at Penelec since Penelec meets these expenses through its base rate revenues. The Commission issued an Order on the proposed Settlement that slightly modified the Tentative Order by adopting the proposal of the OCA that the $250,000 payment be made to a Hardship Fund. The Commission also ordered Penelec to provide an additional $100,000 in funding to its CAP.
PECO Energy Company

Application for Approval of the Merger of Public Service Enterprise Group Inc. with and into Exelon Corporation, Docket No. A-110550. As discussed in last year’s Annual Report, on February 4, 2005, PECO Energy Company (PECO) and Public Service Electric and Gas Company filed an Application for Approval of the Merger of Public Service Enterprise Group Incorporated (PSEG) with and into Exelon Corporation. Pursuant to the terms of the Agreement of Merger, PSEG would merge with and into Exelon Corporation and end the separate corporate existence of PSEG. In support of the merger application, PECO and PSEG filed testimony addressing the benefits of the merger for Pennsylvania consumers, estimating regulated operations savings from the merger, and analyzing market concentration and the effects of the merger on retail competition in the electric and natural gas markets. PECO asked the Commission to either find that approval of the merger is not required by the Pennsylvania Public Utility Commission, or, if the Commission concludes that approval is necessary, to find that the merger should be approved. The OCA filed a Protest at the PUC to ensure that there are affirmative benefits from the merger for Pennsylvania consumers, to ensure that service in Pennsylvania remains safe, adequate and reliable, to ensure that there are no negative impacts on retail competition in electric or gas in Pennsylvania, and to ensure that Pennsylvania ratepayers are properly protected from the effects of the corporate changes.

In the Pennsylvania case, the OCA presented its position regarding the protections and affirmative benefits that were necessary for Pennsylvania consumers. Of significance, the OCA proposed that PECO provide $200 million in rate reductions between 2006 and 2010 as a means of sharing merger benefits, that it commit to improved reliability and customer service, that it improve its low income programs, that it adhere to certain corporate protections necessary to protect PECO electric and gas distribution operations, and that it commit to limiting job loss in Pennsylvania as a result of the merger. The OCA also provided a market power mitigation plan for the Commission’s consideration so as to protect Pennsylvania consumers' access to viable wholesale and retail markets and proposed a protection regarding any significant changes in PECO’s gas purchasing practices that might result from the proposed merger.

Following the filing of all testimony, many of the major parties were able to reach a settlement of the issues in the proceeding. The settlement provided for approval of the merger subject to certain terms and conditions. The settlement contained several key provisions that were forwarded by the OCA. Specifically, following consummation of the merger, PECO agreed to reduce its distribution rates by $120 million over a four year period. In addition, PECO agreed to extend its transmission and distribution rate cap through 2010. PECO also agreed to the implementation of a Reliability and Customer Service Quality of Service Plan designed to maintain and improve reliability and customer service over the levels committed to in PECO’s 2000 Unicom Merger Settlement.

The settlement also provided for significant improvements in PECO’s universal service programs, including an increase in the monthly usage levels eligible for a discount for low income customers in the CAP. PECO also agreed to provide additional funding to local
agencies that provide assistance to low income customers. The Settlement provided $2 million over four years for energy assistance grants and an additional $500,000 over four years to agencies providing outreach services. PECO was also to increase its spending on outreach efforts by $1.2 million over four years to target and enroll more needy customers.

PECO also agreed to provide $27.2 million in funding between 2007 and 2010 to renewable energy, energy efficiency and economic development efforts. Of the $27.2 million, PECO was to provide $12 million to the Pennsylvania Energy Development Authority (PEDA) for the purpose of funding renewable energy, energy efficiency and energy conservation projects with emphasis on energy conservation projects of benefit to the PECO service territory. Of the $12 million, $500,000 was to be set aside for Low Income Usage Reduction Programs in PECO’s service territory. Also as part of the $27.2 million, PECO was to provide $8 million to PEDa to be used for energy-related economic development projects and initiatives of benefit to PECO’s service territory. Finally, PECO was to provide $7.2 million to continue funding of the Sustainable Development Fund.

The settlement also provided a number of commitments and protections. First, there were workforce protections for many of the key staffing positions affecting reliability and customer service. Second, there were a number of corporate structure protections to ensure that PECO customers are not exposed to risks of affiliated businesses not regulated by the Commission and to allow for proper Commission oversight of operations. Third, there were commitments to a continued corporate presence in the Philadelphia area including continuation of historic levels of charitable giving.

As to the issues regarding market power, PECO agreed to provide reports so that the Commission can monitor the PJM wholesale markets. The signatory parties retained their rights to participate in the on-going proceedings at FERC regarding market power mitigation plans. Additionally, certain non-signatory parties were continuing to litigate the market power issues at the PUC. Similarly, the issues raised by PGW regarding market power in the natural gas markets were continuing to be litigated by PGW and PECO. Finally, the settlement provided for a separate fact-finding investigation regarding the consolidation of PGW operations into the natural gas operations of Exelon.

On November 30, 2004, the ALJ issued an Initial Decision, recommending that the merger settlement be approved. At its Public Meeting of January 27, 2005, the Commission approved the Settlement and the merger.

Shortly after the end of the Fiscal Year, however, the merger was called off due to the inability to receive merger approval by the regulatory commission in New Jersey.

**PECO Universal Service Advisory Board.** The OCA serves as a member of PECO Energy's Universal Service Advisory Board. The Advisory Board meets with PECO to provide input regarding its Customer Assistance Programs (CAP) for low income customers and its low income usage reduction programs (LIURP). The OCA continues to work with PECO and other interested parties in the implementation of the CAP and continues to serve as a member of the Advisory Committee.
Pike County Light & Power Company

Pike County Petition For Implementation Of POLR Plan For 2006, Docket No. P-00052168. On May 31, 2005, Pike County Light & Power Company filed a plan to provide service to its provider of last resort customers beginning in 2006. Pike is a subsidiary of the New York based Orange & Rockland and Consolidated Edison. Pike proposed a system of financial hedges and swaps as a means of meeting its obligation. The OCA filed an Answer to Pike’s Petition calling for a thorough review and analysis of the proposal.

The Commission then requested comments on the filing. The OCA filed comments that objected to Pike’s POLR plan being implemented for more than one year, if it was approved at all. The OCA pointed out that Pike’s plan is based on short term pricing in volatile markets and exposes residential customers to extreme price volatility. The OCA generally opposed such a plan, but recognized that securing longer term, reasonably priced supply in the short time frame remaining, and with contract limitations in place, may not be workable. The OCA identified a number of steps that Pike should take over the next year to develop a long term POLR plan to serve its residential customers at stable rates.

The Commission issued an Order, approving for the most part, Pike’s plan. While expressing some concern about the issues raised by the OCA, the Commission approved the plan for a two-year period. The auction was to be completed by the end of October. The auction occurred in late October, 2005, resulting in a significant increase in the rates for Pike’s POLR customers. Based on the prices received in the auction, Pike customers would see a 129% increase in their generation rates, and a 75% increase in their overall rates in the first year with a slight reduction in the second year.

In January, 2006, the OCA was contacted by the County Commissioners of Pike County asking for assistance in searching for solutions to the extraordinary rate increases. The OCA was asked to attend a public meeting in Pike County that also included representatives of the Company. The OCA attended this meeting on January 19, 2006, and made a presentation that reviewed various options for Pike customers.

At its Public Meeting of January 27, 2006, the Public Utility Commission opened an investigation into the situation in Pike. The Commission issued a series of questions as part of this investigation regarding the state of competition in Pike’s service territory and barriers to the provision of service at reasonable rates in Pike’s service territory. The OCA filed detailed comments in response to the Commission’s questions. In particular, the OCA highlighted the barriers presented by Pike’s location in the New York markets, the limitations on Pike’s procurement practices resulting from agreements with Pike’s New York parent company, and Pike’s small size. The OCA urged the Commission to pursue short term rate relief for Pike customers, but to also pursue long term solutions that would bring Pike into PJM and/or under the control of more Pennsylvania-based utilities.
On March 10, 2006, Direct Energy, LLC., an electric generation supplier (EGS) licensed in Pennsylvania and New York, filed a Petition seeking to implement an “opt-out” retail aggregation program for the Pike service territory at Docket No. P-00062205. Under the program, EGSs would bid to serve Pike customers at rates lower than the default service rate. The lowest bidder would be awarded the opportunity to serve all of Pike’s residential and small commercial customers unless the customers “opt-out” of the aggregation group. The OCA filed an Answer on March 16, 2006 supporting this approach and recommending some additional consumer protections. The OCA supported this means of affording some measure of immediate rate relief, but urged the Commission to continue to pursue long term solutions to avoid a repeat of this situation.

Following expedited hearings, the Commission approved the proposal for an opt-out Retail Aggregation Program with some modifications. The bid to provide the service was held in early May, and Direct Energy won the right to serve the customers. The price bid by Direct Energy provided some modest rate relief to most residential and small business customers.

The Commission then issued its Staff Report. The Staff Report made eight recommendations, including recommendations regarding examination of a possible sale of Pike County to a neighboring utility that is interconnected with PJM or that a direct interconnection with PJM be further evaluated. In the Summer of 2006, the OCA was working with the County Commissioners of Pike County to bring the issues of the Staff Recommendations and other service and rate-related issues to hearings before an Administrative Law Judge.

Request of Pike County Light & Power Company for Amendment of its Benchmarks and Standards, Docket No. M-00991220. As discussed in last year’s Annual Report, Pike County Light & Power Company also requested an amendment to the reliability benchmarks and standards established by the Commission in its generic Order for Pike. Pike argued that the data utilized to establish its benchmarks and standards was insufficient to provide a statistically valid representation of its reliability performance. The OCA intervened and, on February 16, 2005, filed its Direct Testimony. In its testimony, the OCA agreed that the Commission should consider some amendment to Pike’s historic performance benchmarks given its small size and the configuration of its system. The OCA recommended benchmarks based on the Company’s 10-year historic performance. The OCA opposed any further loosening of the performance standards for the Company.

The parties engaged in settlement negotiations and a settlement was reached. Under the settlement, amended benchmarks and standards were agreed upon based on the OCA’s testimony. These benchmarks and standards reflect the 10-year historic performance of the Company. The settlement was approved by the Administrative Law Judge but was remanded by the Commission for further evidentiary development. The parties worked with the ALJ to place the necessary evidence upon the record. The ALJ then reviewed the evidence and settlement and issued a Recommended Decision approving the Settlement. The Commission then approved the Settlement.
**PPL Electric**

PPL Base Rate Case, R-00049255. As discussed in last year’s Annual Report, on March 29, 2004, PPL Electric Utilities, Inc. filed a base rate case, seeking to increase distribution operating revenues by $164.4 million. The case represented the first distribution-only base rate case filed by a major electric utility in Pennsylvania, and the first electric base rate case since the restructuring of the electric industry. Additionally, PPL sought to increase its transmission service charges by $57.2 million. On April 12, 2004, the OCA filed a complaint against PPL's proposed request averring that PPL's requested rate increase, its proposed tariff changes, and its current tariff, are, or may be, unjust, unreasonable, unduly discriminatory and otherwise contrary to the law and sound ratemaking principles.

The OCA filed its Direct Testimony on June 29, 2004 challenging many aspects of the Company's request. The OCA recommended a distribution rate increase of $115.1 million rather than the Company's request of $164.4 million. The OCA's recommendation was based on numerous adjustments to the Company's claimed revenues, expenses and rate base, as well as a recommendation that the Company be awarded a 9.5% return on equity as opposed to the Company's requested 11.5% return on equity. The OCA also opposed the Company's request to implement a Distribution System Improvement Charge (DSIC) that would allow the Company to increase rates in between base rate cases for distribution plant additions. Other aspects of the Company's proposal that the OCA opposed included its proposal to increase its residential customer charge and to include the first 200 kwh of usage in that charge. The OCA also made recommendations for improvements in PPL's universal service programs for low income customers.

On December 22, 2004, the Commission entered its Final Order awarding PPL an increase of $137.1 million. In reaching this result, the Commission accepted several OCA adjustments that had been agreed to by the Company, and further adopted several adjustments sponsored by the OCA. The total effect of the adjustments proposed by the OCA and accepted by either PPL or the Commission reduced the Company's request by $12.2 million. The Commission also awarded the Company a return on equity of 10.7%, which further reduced the Company's request. The Commission adopted the spread of the rate increase to the various customer classes that was supported by the OCA and adopted the OCA's proposed rate design for the residential class. In addition, the Commission rejected PPL’s request for a DSIC.

Upon review of the Commission's decision, the OCA determined that an appeal of the Commission's allowance of the deferred storm damage costs from Hurricane Isabel was an error of law or an abuse of the Commission's discretion. The OCA filed a Petition for Review on that issue with Commonwealth Court. The OSBA and the Industrial customers also filed an appeal of the Commission's decision regarding the allocation of the rate increase to the customer classes. The OCA intervened in that appeal.

On July 22, 2005, the OCA filed its Brief regarding the Hurricane Isabel storm damage issue. In its Brief, the OCA set forth its legal argument that the rate caps found in 66 Pa.C.S. §2804(4) preclude recovery of these deferred costs. The OCA argued that PPL is not entitled to recovery of $15 million in costs associated with Hurricane Isabel since these costs were incurred during
the rate cap period. The OCA noted that both the Commission and the Commonwealth Court have found that deferral of costs during the rate cap period for recovery after the rate cap period is the same as granting an exception to the rate cap. For such deferral to be granted at all, an EDC must meet one of the exceptions to the rate cap found in 66 Pa.C.S. § 2804(4)(iii). There is no exception that would permit recovery of storm damage costs.

The OCA also filed a responsive brief in the OSBA and Industrial customers’ appeals on October 21, 2005. In its Brief, the OCA supported the Commission’s allocation of the distribution rate increase and Commission’s decision to adopt the uniform transmission service charge that was proposed by PPL. The Commonwealth Court issued a decision agreeing with the OCA that recovery of Hurricane Isabel costs was barred by the rate cap contained in 66 Pa.C.S. §2804(4). The Court, however, vacated the Commission’s Order regarding the allocation of the rate increase to the various customer classes and remanded that matter to the Commission. PPL filed a Petition for Allowance of Appeal on these two issues with the Supreme Court which remains pending at the Supreme Court.

**UGI-Electric**

Petition of UGI-Electric For Approval Of A Provider Of Last Resort Plan, Docket No. P-00062212. On April 17, 2006, UGI-Electric filed a Petition requesting approval of its Default Service Plan for 2007 through 2009. UGI-Electric proposed to use a portfolio purchasing approach to acquiring supplies to meet the electricity needs of its customers and to charge customers a specified price each year. Given the recent upswing in market prices, the price for 2007 represented a significant increase of about 35% on a total bill basis. The prices for 2008 and 2009 were smaller increases over this 2007 level. The OCA generally supported UGI-Electric’s approach. The OCA agreed with UGI-Electric that a portfolio approach to purchasing is appropriate. The parties entered into negotiations regarding the specific rates to be charged for each year. A settlement was reached among the parties. The settlement provided for increases in the generation rates over the time period of 2007 through 2009 to reflect the increases in market prices. The prices remain below recent increases proposed in other states. The settlement was approved by the Commission.

**West Penn Power Company**

Petition of Allegheny Energy d/b/a West Penn Power Company for Amendment of Its Benchmarks and Standards, Docket No. M-00991220. As discussed in last year’s Annual Report, following the Commission’s Order in the generic rulemaking, West Penn Power filed a Petition seeking a further amendment to its reliability benchmarks and standards that would reduce its reliability performance requirements. West Penn argued that the data that it provided to the Commission which formed the basis of the original benchmarks was incomplete and unreliable. West Penn argued that more recent data suggests that reduction in its reliability performance expectations is necessary.
Settlement negotiations were conducted over the course of several months. The parties were able to reach a settlement of this matter. Under the settlement, amended benchmarks were established for the Company that is consistent with its historic performance. The Company also agreed to various changes and improvements in maintenance practices to address various causes of outages on its system and to the completion of a workforce study to help determine appropriate staffing levels. Agreement was also reached with the Pennsylvania Rural Electric Cooperative Association (PREA) regarding maintenance of transmission lines serving PREA customers and restoration priorities for the various lines. The settlement was approved by the Administrative Law Judge, but the Commission remanded the matter for further evidentiary development before the ALJ. The parties worked with the ALJ to determine the necessary evidence for the record and that evidence has now been presented for the ALJ’s consideration. The ALJ approved the settlement in March of 2006. The Commission subsequently approved the Settlement but denied West Penn’s request for additional time to meet the new standards and benchmarks.

**Generic Policy Cases**

Provider of Last Resort Regulations, Docket No. L-00040169 and Policies to Mitigate Potential Electricity Price Spikes, Docket No. M-00061957. As discussed in last year’s Annual Report, on December 16, 2004, the Commission issued a Proposed Rulemaking Order to formally commence the rulemaking process to define the obligation of electric distribution companies to serve retail customers at the conclusion of the transition period. The Proposed Rulemaking Order followed the Commission’s Provider of Last Resort Roundtable where the Commission solicited comments from the various stakeholders regarding the design of the POLR service. Under the Commission’s proposed regulations, the Electric Distribution Company (EDC) is the POLR unless the EDC petitions to be relieved of the obligation or the Commission determines the EDC should be relieved of the obligation. As the POLR, the EDC is responsible for the reliable provision of default service to all customers who are not receiving generation service from an alternative supplier and must continue the universal service programs in effect in the service territory. The POLR must submit a default service implementation plan that has a minimum term of 12 months and proposes a fair, transparent and non-discriminatory competitive procurement process for the supply. Recovery of the costs of POLR supply is through either a non-reconcilable charge that includes all reasonable costs of supply, a customer charge that includes costs for billing, collections, reasonable return and administrative costs, and a reconcilable charge for any purchases to meet the Alternative Energy Portfolio Standards. For residential customers, the EDC must include a fixed rate option.

On April 27, 2005, the OCA provided detailed comments on the Commission’s proposed regulations. In its Comments, the OCA supported the regulations that establish the EDC as the POLR and require each EDC to submit a plan for procuring the necessary resources to meet its obligations from the competitive markets. The OCA strongly recommended that the EDC’s default service implementation plan contain a diverse portfolio of products, including short term and long term contracts with a variety of resources and that the plan cover a longer time period. The OCA recognized that the POLR price may change annually as various components of the purchasing plan are implemented. The OCA opposed the proposed cost recovery mechanisms
in that the mechanisms were confusing, included costs that were not reasonably a part of the POLR rate, and would result in more expensive and less efficient procurement processes. The OCA provided recommendations for modifications to the regulations and a marked up version of the regulations showing these modifications.

On June 27, 2005, the OCA filed Reply Comments. In its Reply Comments, the OCA reiterated the need for reliable electric service at stable, affordable rates. The OCA urged the Commission to reject proposals by other parties that would result in volatile prices for residential customers or would unnecessarily add costs to default service.

At its Public Meeting of November 10, 2005, the Commission voted to reopen the comment period on the POLR regulations to specifically address the question of the use of long term contracts by a POLR provider for acquiring supply, the impact of EPAct 2005, and to respond to the comments of the Independent Regulatory Review Commission (IRRC). The OCA filed comments in response to the Commission’s Order on March 8, 2006. In its Comments, the OCA took the position that default service providers were permitted under the Electric Choice Act to enter into long term contracts and that such long term contracts were likely to be necessary to support the development of alternative energy resources necessary to comply with the Alternative Energy Portfolio Standards Act. The OCA noted its position that default service providers should acquire a portfolio of resources, including long term contracts, to meet their obligation to serve default service customers at reasonable, stable and affordable prices. The OCA also urged the Commission to proceed with this rulemaking without any further delay, particularly so that default service providers can begin to plan for meeting their obligations when their respective rate caps end. The Comments of most parties, except for some competitive marketers, were consistent with the OCA’s position.

The OCA also filed Reply Comments on April 7, 2006 to address a few points raised by other parties. The OCA first pointed out the substantial agreement among the parties that long term contracts were needed for alternative resource development to meet the requirements of the Alternative Portfolio Standards Act. The OCA then addressed suggestions by the electric distribution companies that the Commission issue irrevocable orders approving the long term contracts or waive after-the-fact prudence reviews. The OCA pointed out that irrevocable orders cannot be entered without express legislative authority, which the Commission does not have. The OCA also argued that concerns over after the fact prudence reviews are misplaced given that the Commission intends to review and approve the default service plans prior to implementation.

At its Public Meeting of May 19, 2006, the Commission established another en banc hearing to consider matters related to provider of last resort service. In light of recent increases in wholesale market prices, and significant price shocks experienced by customers in Pennsylvania and other states when the generation rate caps expire, the Commission sought comments on how to mitigate the expected price shocks at the end of the rate cap period. Policies to Mitigate Potential Electricity Price Spikes, Docket No. M-0061957. The Commission also sought comment on wholesale market prices, which have risen dramatically. The OCA filed Comments on June 15 as called for in the Commission Order. In its Comments, the OCA again stressed the benefits of a portfolio approach to procuring POLR supply as a means of mitigating price spikes and price increases. Through procuring a portfolio of diverse
resources over time, including long-term and short-term contracts, renewable and non-renewable resources as well as demand response and energy efficiency resources, an EDC can mitigate the impact of wholesale market price changes over time on its retail rates. The Consumer Advocate also testified at the June 22 en banc hearing on these matters. At the end of the Fiscal Year, these matters remained pending before the Commission.

Customer Assistance Programs: Funding Levels and Cost Recovery Mechanisms, Docket No. M-00051923. On December 14, 2005, the Commission entered an Order seeking Comments on how to determine whether Customer Assistance Programs (CAPs) are “appropriately funded and available” as required by the Electric Choice Act and the Natural Gas Choice Act, and on the type of cost recovery mechanism that should be used to recover any costs of these programs. The Commission’s consideration of these issues was particularly relevant, as rising energy costs had increased the need for the programs during the winter season. The OCA filed extensive comments, assisted by Roger D. Colton, a nationally recognized expert on low income issues and customer assistance program design. In its Comments, the OCA recommended that to be considered “appropriately funded and available” as required by the statutes, CAPs must be designed and funded to enroll all low-income, payment-troubled customers, that is, all households at or below 150% of the Federal Poverty Level who have fallen behind in their utility bill payments. The OCA urged that no low income customer should be terminated, or threatened with termination, without having first been informed of, and if qualified, enrolled in, CAP. As to cost recovery, the OCA urged the Commission to consider CAP costs as part of the normal, on-going operation costs of the utility and to allow for recovery of those costs in distribution base rates, just like every other normal operating cost. In extraordinary circumstances where there is a need for rapid enrollment in the program due to things such as dramatically increasing energy costs, the OCA recommended the use of a narrow distribution base rate rider as an adjunct to the distribution base rate recovery. The OCA also recommended that the costs of the program be shared by all customers, particularly due to the overall benefits of the programs to the utility, the community, and society as a whole. At the end of the Fiscal Year, the Commission was considering the comments filed by all parties.

**AEPS Implementation**

Implementation of Act 213 of 2004 (Alternative Energy Portfolio Standards), Docket No. M-00051865. As discussed in last year’s Annual Report, on November 30, 2004, Governor Edward Rendell signed Act 213 of 2004, the Advanced Energy Portfolio Standard (AEPS). Under the AEPS, entities supplying electric generation service to retail electric customers in Pennsylvania will be required to provide a certain percentage of the energy sold to their customers from advanced energy sources such as solar photovoltaic or other solar energy source, wind power resources, large scale hydropower facilities, low-impact hydropower resources, geothermal sources, biomass energy facilities, biologically derived methane gas facilities, fuel cells, coal mine methane, waste coal facilities, municipal solid waste facilities, distributed generation, demand side management, and other resources enumerated in the Act. The Act provided for the phase-in of the specific portfolio requirements so that by the fifteenth year after enactment, 18% of the energy sold to Pennsylvania retail consumers comes from the
enumerated resources. Under Act 213, the Commission is required to establish regulations, policies and procedures to ensure that Act 213 is fully implemented. The Commission sought comment on some of the key implementation issues. A Technical Conference was held to initiate discussions of the many regulations, policies and procedures that will be necessary to implement Act 213.

In its Comments, the OCA primarily addressed issues regarding recovery of the costs of complying with the Act. The OCA recommended that the Commission establish processes to ensure that the costs are reasonable before they are passed through to ratepayers. In its Reply Comments, the OCA also addressed an issue that arose at the Technical Conference regarding the ownership of the alternative energy credits produced from Qualifying Facilities (QF) under PURPA. The OCA has taken the position that since ratepayers are paying billions of dollars in stranded costs associated with these QF contracts due to the mandatory purchase requirements of PURPA that the alternative energy credits must be used to the benefit of the ratepayers paying the stranded cost. PURPA required utilities to enter into these long term contracts above market prices because of the renewable attributes from their generation. The OCA argued that ratepayers should not be asked to pay yet again for these same attributes.

The OCA also participated in the Commission-established Working Groups and filed a number of comments on the draft regulations proposed by the Commission. The OCA filed comments addressing the energy efficiency provisions of the Act, net metering standards and regulations (Proposed Rulemaking Re: Net Metering, Docket No. L-00050174 and M-00051865), interconnection standards and regulations (discussed below at Proposed Rulemaking Re: Interconnection Standards, Docket No. L-00050175 and M-00051865.), and the implementation of the banking provisions.

On October 28, 2005, the Commission issued a Tentative Order designating PJM Environmental Information Services, Inc. (PJM EIS) Generation Attribute Tracking System (GATS) as the credit registry for information regarding alternative energy credits under Act 213. PJM EIS is a subsidiary of the PJM Interconnection which is the regional transmission organization that manages the transmission system and electricity markets for most of Pennsylvania. The Commission was directed to establish such a registry by 73 P.S. §1648.3(e)(8). This Order related only to the registry and not to the program administration. The OCA filed comments supporting the appointment of PJM EIS as the credit registry.

The Commission also issued a policy statement regarding the definition of public utility. The Commission sought to provide certainty to small alternative energy resource project developers as to whether the project would be considered a public utility and thus be subject to regulation. The OCA filed brief comments supporting the Commission’s Policy Statement and the goal of providing certainty to assist in the further development of alternative energy resources. At the end of the Fiscal Year, the OCA continued to work on AEPS implementation issues.

Advanced Notice of Proposed Rulemaking Regarding Small Generation Interconnection Standards and Procedures, Docket No. L-00040168 and L-00050175. The Commission initiated an Advanced Notice of Proposed Rulemaking to consider standardizing the way in which small generation connects to the distribution grid. Through the rulemaking, the
Commission sought to 1) eliminate unnecessary barriers to entry in the distributed generation market; 2) promote distributed generation in order to provide peak demand responsiveness; 3) enhance grid reliability; 4) increase transparency in the interconnection process; 5) create uniformity in procedures; and 6) lower the overall cost of locating and placing distributed generation across the Commonwealth. The OCA was an active participant in the Commission’s Interconnection Working Group.

On February 2, 2005, the OCA filed Comments addressing the issues raised by the Commission. The OCA set forth some general principles that should be reflected in any regulations or guidelines developed by the Commission. Among the principles recommended by the OCA were establishing clear, understandable, uniform interconnection requirements, providing for accessible information about the requirements, providing specific response times when requests are made for interconnection, establishing pre-certification lists of equipment, and establishing the size of generation that qualifies for use of the uniform interconnection standards.

On November 16, 2005, the Commission issued a Proposed Rulemaking Order at Docket No. L-00050175 to formally commence the rulemaking process to establish regulations for interconnection standards for customer generators. The OCA again filed comments on how the proposed rules fit within the principles described by the OCA in previous comments. At the end of the Fiscal Year, the matter was pending before the PUC.

Implementation of the Alternative Energy Portfolio Standards Act of 2004: Standards and Process for Alternative Energy System Qualification and Alternative Energy Credit Certification, Docket No. M-00051865. As discussed in last year’s Annual Report, and above, the OCA worked on numerous issues regarding the implementation of the Alternative Energy Portfolio Standards Act of 2004. On January 31, 2006, the Commission issued an order requesting comments on implementation issues related to the allocation of responsibilities between DEP and the Commission; the standards for qualifying alternative energy systems, processes for approval, and health and safety standards. The OCA filed comments on two issues of statutory interpretation. First, the Commission determined that the language of the Act required that alternative energy resources be located in either the PJM or MISO regions since only PJM and MISO had been certified as Regional Transmission Organizations, a requirement under the AEPS Act. Second, the Commission found that an alternative energy resource could deliver its energy anywhere in the PJM or MISO region and did not have to deliver to the service territory of the purchaser. The OCA agreed with the Commission that these interpretations seemed consistent with the statutory language. The OCA noted several problems that arise from this language, particularly the limitations placed on Pike County Light & Power Company, which is not part of PJM or MISO, in complying with the Act. At the end of the Fiscal Year, the matter remains pending before the Commission.
Generic Rulemakings

In re: Insuring Consistent Application of 52 Pa. Code §56.12(7)--Equal Monthly Billing, Docket No. M-00051925. On December 8, 2005, the Commission issued an Order requesting comments on equal monthly billing, more commonly known as budget billing. The Commission sought to encourage customers to use budget billing as a means to better afford their energy bills. The OCA provided comments strongly supporting the use of budget billing and encouraging further outreach and information to customers on the benefits of budget billing. The OCA identified a number of concerns with current budget billing practices of the utilities that it recommended the Commission address. Some of the OCA’s key recommendations were that customers be able to enter budget billing at any time, that bills be based on a 12-month cycle, and that budget billing be calculated on a rolling 12-month basis, i.e., that any over or under recovery at the end of the budget billing period be rolled into the next budget billing cycle. The OCA also recommended that natural gas companies make adjustments to their budget billing amounts at the same time as they adjust their gas costs on a quarterly basis, and that they no longer be allowed to compress the effect of those adjustments on the remaining term of the budget billing cycle. The Commission issued an Order on these issues and adopted in part, some of the recommendations of the OCA. Several utilities have filed for reconsideration and the matter remained pending before the Commission at the end of the Fiscal Year.

Advanced Notice of Proposed Rulemaking Pertaining To Inspection and Maintenance Standards, Docket No. L-00040167. The Commission issued its Advanced Notice of Proposed Rulemaking to establish inspection and maintenance standards for distribution facilities, including such things as vegetation management practices, pole inspection cycles, transmission and distribution line inspections, substation inspection and maintenance standards, and transformer inspection and maintenance standards.

On February 9, 2005, the OCA filed Comments. In its Comments, the OCA proposed a number of minimum inspection and maintenance standards for electric facilities and equipment that are critical to reliability. For example, the OCA recommended minimum inspection cycles for certain facilities such as transmission and distribution lines, substations, and electric poles. The OCA also recommended time frames for remedying deficiencies that are found during any inspection of critical facilities. The OCA reviewed the comments of other parties and prepared its Reply Comments. In its Reply Comments filed on March 11, 2005, the OCA continued to support the adoption of standards as being necessary to comply with the Public Utility Code. At the end of the Fiscal Year, the matter remained pending before the Commission.

General Matters

Creation and Implementation of Statewide Consumer Education Programs (Electric and Natural Gas), Docket Nos. M-00981036 and M-00001326. At the beginning of customer choice for both electric and natural gas customers, the Commission established statewide consumer education programs that were funded from customer rates. The education programs are now completed and the Commission was of the understanding that there might be funds remaining for this education purpose at each utility. Given the significant increases in energy costs for the winter
of 2005-06, the Commission sought comments as to whether these funds could be redirected to low income programs. The OCA filed Comments supporting the Commission’s proposal to use any available funds to assist low income customers in paying their bills. The OCA also suggested that if sufficient funds were available, that they be used to educate consumers about the importance of donating to utility hardship funds and about the importance of weatherization and energy efficiency measures to prepare for the winter.

Protective Order Requests For Annual Reliability Reports, Docket No. L-00030161. As discussed in last year’s Annual Report, five electric utilities sought Protective Orders from the Commission to restrict the release of information to the public regarding their annual reliability performance. The information that the electric utilities sought to be deemed protected concerned the comparison of budgeted to actual expenditures on reliability-related tasks and the progress on completing reliability related projects throughout the year. The OCA filed an Answer opposing these requests. The information that the EDCs sought to keep from the public is the type of information that is commonly reviewed in base rate cases and it is information necessary to determine if sufficient attention is being given to reliability related matters. The EDCs argued that this information could be competitively sensitive, but the OCA noted that the distribution systems remain fully regulated, and that the reliability of the distribution system is a matter of great public importance. The Commission ruled on these requests in March 2006. The Commission adopted the majority of the OCA’s position and afforded proprietary treatment to only limited pieces of information.

Application of Normalization Accounting Rules to Balances Of Excess Deferred Income Taxes and Accumulated Deferred Investment Tax Credits of Public Utilities Whose Assets Cease To Be Public Utility Property, IRS-2005-0119-0001. The Internal Revenue Service (IRS) issued a proposed rulemaking regarding the treatment of excess deferred income taxes (EDIT) and Accumulated Deferred Investment Tax Credits (ADITC) when utility property is no longer public utility property through a sale or other manner of disposition. The IRS rulemaking clarifies that the balances can be returned to ratepayers without violating any tax normalization rules. This is the position that the OCA presented at the PUC throughout the restructuring of the electric industry. In Pennsylvania, these benefits have been flowed back to ratepayers except for two utilities. These companies were awaiting the outcome of this IRS rulemaking. The OCA filed comments on behalf of itself and the Maine Office of Public Advocate generally supporting the IRS approach but arguing against a limitation contained in the proposed rule. In the regulations, the IRS proposed that this approach not be applied to utilities that had disposed of their property prior to March 2003. The OCA and Maine OPA argued that where the issue had not been resolved by a state commission, the proposed regulations should apply. The matter remains pending before the IRS at the end of the Fiscal Year.

Other Energy Activities

Sustainable Energy Funds. The OCA serves on the statewide board that works with each EDC’s sustainable energy fund. On April 10, 2003, the Commission issued a Tentative Order seeking to further define the role of the statewide Sustainable Energy Board. The Commission envisioned the statewide board playing a role in the oversight of the regional boards, in
providing an informational conduit between the regional boards and the Commission, and in promoting uniformity of business processes within each of the regional funds. The OCA filed Comments supporting the Commission's Tentative Order further defining the role of the statewide Sustainable Energy Board and providing some additional suggestions for the operation of the Board. The Commission adopted a Final Order on August 12, 2003 giving further direction to the statewide board. The OCA is committed to serving on the Board to further development of renewable resources in Pennsylvania. The statewide Board hosted the first Annual Meeting of the Board on June 29, 2004. In December of 2004, Governor Ed Rendell signed into law Act 213 of 2004 establishing Alternative Energy Portfolio Standards for electric distribution companies and electric generation suppliers serving retail electric customers in Pennsylvania. Under the Act, failure to meet the standards will result in compliance payments. These compliance payments are directed to the statewide Pennsylvania Sustainable Energy Board to be made available to the regional funds under procedures and guidelines approved by the Board. Throughout the last Fiscal Year, the Board has been working on revised bylaws to accommodate the receipt of any payments under the Act.

Federal

**FERC Electric Cases**

EL02-111-000: Midwest ISO and PJM Interconnection, L.L.C. and American Electric Power, et al., EL03-212-000. As discussed in last year's Annual Report, FERC initiated this docket as an offshoot from Docket EL02-65-000 to resolve rate "pancaking" concerns for energy transactions between the Midwest ISO markets and PJM markets. The purpose of this docket was to investigate the elimination of Through and Out Rates for transactions that cross the seam between these two regional entities. Currently, transactions that cross this border must pay transmission rates in both the Midwest ISO and in PJM. FERC also initiated Docket No. ER03-212 as an offshoot of Docket Nos. EL02-65 and EL02-111 to extend the investigation into the reasonableness of RTOR charges to the Midwestern utilities seeking to join PJM, i.e. American Electric Power, Commonwealth Edison and Dayton Power & Light, collectively known as the New PJM Companies.

The OCA intervened on October 8, 2002 and filed testimony recommending that FERC not eliminate the Through and Out rates at this time. The OCA, along with the Maryland Office of Peoples Counsel, filed an Initial Brief on February 7, 2003 and filed a Reply Brief on February 24, 2003. The OCA supported retention of the existing Through and Out rates because none of the proposed alternatives provided just and reasonable rates for Pennsylvania consumers.

On March 31, 2003, the Presiding Judge issued his Initial Decision essentially adopting the position advocated by the OCA that the Through and Out rates should not be eliminated at this time. On July 24, 2003, FERC issued an order overturning the Presiding Judge's ruling relating to the elimination of Through and Out rates between PJM and MISO and upholding the Judge's decision to allow a Seams Elimination Cost Adjustment charge to recover revenues previously recovered by the Through and Out rates.
The Commission initiated a new proceeding, Docket No. ER03-212, to investigate the Through and Out rates of former Alliance Companies that had not yet joined an RTO, i.e. AEP, ComEd, etc. The OCA intervened in that proceeding on August 13, 2003. As noted above, FERC is investigating seams issues between MISO and PJM as a result of the Alliance Companies RTO elections. These rate issues are intricately inter-twined with those RTO issues.

On November 17, 2003, FERC issued its order on rehearing affirming its decision to eliminate Regional Through and Out Rates, but extending the effective date to April 1, 2004 and provided further guidance on the development of a replacement charge for transactions that cross the PJM / MISO border known as a Seams Elimination Cost Adjustment (SECA) charge. The OCA, jointly with the Maryland Office of People’s Counsel, filed a request for rehearing on the SECA issues on December 17, 2003 challenging the justness and reasonableness of the SECA charges.

On January 16, 2004, FERC set this matter before a Settlement Judge in an attempt to encourage the parties to settle this case. The OCA actively participated in those proceedings. By order dated March 19, 2004, FERC approved a procedural settlement in EL02-111 and EL03-212 that would leave the RTOR charges in place through December 1, 2004 while the parties negotiate a permanent rate solution in an effort to avoid the transitional SECA charges from taking effect. The parties proposed four alternative solutions to regional transmission rates. The OCA joined with a group of other stakeholders in PJM and MISO to support a plan that would provide for regionalization of new facilities and license plate rate treatment of existing facilities within the combined super-region. To ease the transition to license plate rates for the New PJM Companies for existing facilities, that proposal would provide for payments totaling $108 million over 3.5 years. Payments from PJM Companies would be made from expiring charges, thus avoiding the necessity of implementing any increases in transmission rates in PJM zones.

The parties filed this proposal with the Commission on October 1, 2004. FERC added two new docket numbers to this case, Docket No. ER05-6-000 and EL04-135-000. The OCA filed comments supporting the license plate rate approach and opposing the regionalization of existing facilities proposed by AEP, Commonwealth Edison, Allegheny Power and others. FERC issued its order on these filings on November 18, 2004, adopting the Unified Plan Proponents proposal for license plate rates as a long term solution, but requiring a SECA payment totaling over $330 million for AEP alone. The OCA, along with every other party in the case, filed requests for rehearing on December 1, 2004 and December 20, 2004, attempting to reverse the SECA portion of the decision. Those rehearing requests remain pending before FERC.

On January 7, 2005, the OCA intervened in the SECA compliance filings made by the PJM, New PJM and MISO utilities. By order issued February 10, 2005, FERC set these matters for hearing. Procedural schedules and issue lists for hearings were developed. The OCA continues to monitor this case for its impact on Pennsylvania consumers. At this time, several settlement proposals are pending and litigation has commenced.
ER04-156-006, Allegheny Power Systems, et al.; ER05-513-000, PJM Interconnection, L.L.C.; and ER05-515-000, Baltimore Gas & Electric Company et al. Pursuant to a Settlement in ER04-156-000 approved by FERC, PJM and the PJM Transmission Owners (TOs) filed a series of new cases seeking approval to continue in place the existing license plate rate design of these companies; implement options for the TOs to either retain existing stated rates, implement a surcharge and a surcharge revenue crediting mechanism or implement formula rates to recover the costs associated with investment in new transmission facilities under Schedule 12 of the PJM Tariff. The OCA drafted and filed interventions, comments and protests in these dockets on February 22, 2005. The OCA supported the retention of license plate rates, but opposed the surcharge revenue crediting mechanism and formula rate proposals.

On November 22, 2005, the Joint Consumer Advocates, which includes the OCA, filed testimony responding to proposals to change PJM’s license plate rates. Under the two proposals, the rate design for transmission service would be changed from a single charge based on the zone where the energy was delivered, to a two part charge. The first part of the charge, called the highway charge, was for the use of high voltage transmission lines. The second part of the charge, the byway charge, was for the use of local transmission in the zone. Under the proposals, there would be a significant shift in costs recovered from customers within PJM. The Joint Consumer Advocate testimony opposed the shift to highway/byway cost recovery mechanisms at this time. The JCA witness did not find any efficiencies in the proposal and found the cost shifting to be improper given the historic design of the system.

The JCA also filed responsive testimony to additional proposals, including the proposal of FERC Staff for postage stamp rates. The JCA opposed a move to postage stamp rates arguing that it resulted in significant cost shifting without any demonstration of increased efficiencies. Hearings were held from April 18, 2006 through April 24, 2006 at FERC. The JCA filed a Post-hearing Brief in support of PJM’s current transmission rate structure and also filed a Reply Brief.

The Administrative Law Judge issued his Decision recommending the adoption of the postage stamp rate proposal. This proposal will significantly increase costs for several Pennsylvania utilities. The JCA filed Exceptions to this decision. At the end of the Fiscal Year, the matter remained pending before FERC.

PJM Stated Rate Filing, ER05-1181. On July 1, 2005, PJM filed revisions to its Open Access Transmission Tariff to change the rate design of PJM’s administrative cost recovery. PJM sought to change the recovery mechanism from a formula rate that flows through and collects its actual costs each year to a stated rate that is fixed for a period of time. PJM proposed a rate of $0.39/MWh for a five year period. The OCA, along with the consumer advocate offices of Maryland and D.C. filed a Motion to Intervene in the matter. Settlement negotiations were engaged in and resulted in a two part formula rate. The Settlement was subsequently approved by FERC.

Generator Run Status Rulemaking, RM05-16-000. FERC issued a rulemaking setting forth information filing requirements for generation plant owners regarding the run status and operation of their plants. FERC sought this information to assist it in monitoring the wholesale markets. The OCA, along with the advocate offices in Maryland, D.C. and other states filed a Motion to Intervene and Comments in support of FERC’s rulemaking. The Joint Consumer
Advocates supported FERC’s need for this information to properly perform its regulatory oversight functions.

**PJM Reliability Pricing Model, EL05-148-000.** On August 31, 2005, PJM filed the necessary tariff changes and operating agreement changes to implement its Reliability Pricing Model. The Reliability Pricing Model (RPM) is designed to replace the current capacity obligation and market in PJM. The OCA has worked extensively through the PJM committee process to address significant concerns with the RPM, particularly the potential for increased costs to consumers without any guarantee of improved, or even adequate, reliability. The OCA, along with other stakeholders, proposed an alternative model which was not adopted by PJM. The OCA joined with a coalition of other parties in protesting this filing. Extensive settlement negotiations were on-going at FERC at the end of the Fiscal Year.

**PJM Interconnection, L.L.C., ER06-826-000.** On May 27, 2005 FERC issued a Policy Statement on Market Monitoring Units under Docket No. PL05-1. On March 31, 2006, PJM Interconnection, L.L.C. (PJM) submitted revisions to the PJM FERC Electric Tariff for the primary purpose of bringing the PJM Tariff into conformity with FERC’s Policy Statement concerning the operations and procedures of the Regional Transmission Organizations’ Market Monitoring Units. The Market Monitoring Unit (MMU) is the unit within PJM that provides oversight of the markets charged with detecting potential market power issues and other issues affecting the competitiveness of the wholesale markets. The market monitoring function is one of the most critical aspects of ensuring competitive and workable wholesale markets free from abuse. The OCA joined with consumer advocates from several other states to oppose PJM’s filing. As proposed, PJM’s tariff revisions would reduce the oversight of the PJM markets by the MMU at a time when wholesale market prices are rising and the markets have exhibited considerable volatility. The Joint Consumer Advocates argued that FERC must ensure the independence of the MMU, ensure that the MMU has the tools and resources to effectively monitor the markets, and ensure that the MMU has open communication with FERC and FERC staff regarding problems it identifies. At the end of the Fiscal Year, FERC has issued an Order approving the tariff modifications, essentially as proposed by PJM. The OCA and other consumer advocates were working with other end use customers in PJM to request reconsideration of the decision.

**Petition For Declaratory Order of American Electric Power For Incentive Ratemaking Treatment For Its Proposed 765 kv Transmission Project, EL-06-50-000.** On January 31, 2006, American Electric Power Service Corporation (AEP) filed a petition for declaratory order seeking incentive rate treatment for its proposed 765 kV transmission line project (AEP Project or Project), a part of which will be located in Pennsylvania. AEP’s subsidiary, AEP Transmission Company, LLC (AEP Transco) is the entity charged with construction of the AEP Project. The projected cost of the project is $3 billion dollars. AEP sought three forms of extraordinary rate treatment (1) a return on equity in the high end of the range of reasonableness, or in the alternative a 200 basis point adder, be awarded; (2) full recovery of Construction Work in Progress (CWIP) on an expedited basis; and (3) recovery of all of the costs associated with planning and implementing the project on an on-going basis. The OCA joined with the consumer advocate offices of Ohio, New Jersey, Maryland, and the District of Columbia (JCA) to Protest this filing. JCA protested the filing on the basis that it: (A) was premature because AEP’s Project has not been reviewed or analyzed as part of any PJM process and preceded the completion of the Commission’s
Notice of Proposed Rulemaking regarding incentive ratemaking for transmission projects; (B) sought a return on equity that was unlikely to result in a level of rates that was just and reasonable; (C) sought extraordinary ratemaking treatment of expenses from ratepayers for a capital construction project, such as CWIP and pre-project/construction expenses before the Project has been reviewed or approved through the PJM RTEP process, before the Project has been determined to be cost beneficial, and before the Project is used and useful in the public service; and, (D) raised genuine issues of material fact which can only be resolved through evidentiary hearings on this matter. FERC approved the Petition granting the Company all of the relief that it sought.

Petition For Declaratory Order of the Allegheny Energy System For Incentive Ratemaking Treatment For A Proposed 500 kv Transmission Line Project, EL-06-54. Allegheny Energy, Inc. also filed a petition for declaratory order for incentive ratemaking treatment for a proposed 500 kv transmission line project which will run through Pennsylvania. Allegheny sought to receive four forms of extraordinary rate treatment (1) that a return on equity in the high end of the range of reasonableness, or in the alternative a 200 basis point adder, be awarded; (2) that it be allowed full recovery of Construction Work in Progress (CWIP) on an expedited basis; (3) that it be allowed to recover all of the costs associated with planning and implementing the project on an on-going basis; and (4) that it be authorized to recover all costs to date if the Project is abandoned through no fault of Allegheny. The OCA joined with the consumer advocate offices of Ohio, Maryland and the District of Columbia (JCA) to file a protest against this filing. On March 29, the JCA filed a Protest on the basis that the Petition: (A) was premature because Allegheny’s Project had not been reviewed or analyzed as part of any PJM process, and preceded the completion of the DOE congestion study and the NOPR regarding incentive ratemaking for transmission projects; (B) sought a return on equity that was unlikely to result in a level of rates that is just and reasonable; (C) sought extraordinary ratemaking treatment of expenses from ratepayers for a capital construction project, such as CWIP, pre-project/construction expenses and the right to recover all Project costs if the Project is abandoned, before the Project has been reviewed or approved through the PJM RTEP process, before the Project has been determined to be cost beneficial, and before the Project is used and useful in the public service; and, (D) raised genuine issues of material fact which can only be resolved through evidentiary hearings on this matter. FERC approved the Petition granting the Company all of the relief that it sought.

Application for Approval of the Merger of Public Service Enterprise Group Inc. with and into Exelon Corporation, Docket No. EC05-43-000. As discussed in last year’s Annual Report, on February 4, 2005, PECO and PSEG filed an Application for approval of the merger. The Application at FERC addressed issues regarding market concentration in the wholesale markets and proposed a mitigation plan. PECO and PSEG sought approval of the merger pursuant to the FERC Merger Guidelines. The OCA filed a Protest to ensure that the proposed merger met the FERC Merger Guidelines and to ensure that there was no adverse effect on the operation of the wholesale market and raised numerous concerns with the market power analysis and the proposed mitigation plan.

On May 9, 2005, PECO and PSEG filed a supplemental mitigation proposal at FERC. PECO and PSEG stated that they would implement the supplemental mitigation plan only if FERC approved the merger without hearing. Also, on May 24, 2005, the PJM Market Monitoring Unit
issued a Report on the proposed market power mitigation plan. The PJM MMU concluded that the plan was insufficently detailed to fully determine if market power was effectively mitigated. On May 27, 2005, the OCA filed a further Protest at FERC regarding the supplemental mitigation plan. In its further Protest, the OCA noted the PJM MMU Report and requested that FERC set the matter for hearings.

At its June 30, 2005 Public Meeting, FERC approved the merger as amended by PECO’s supplemental mitigation plan. In its Order, FERC rejected the Protests of all parties as well as the PJM Market Monitoring Unit concerns regarding the proposed mitigation plan. In its Order, FERC required that upon completion of the divestiture, Exelon file a compliance plan demonstrating its compliance with the Order and presenting a further analysis of the effectiveness of the actual divestiture. The OCA and many other parties filed requests for rehearing with FERC. Those rehearing requests were denied by FERC. Shortly after the end of the Fiscal Year, however, the merger was called off due to the inability to receive merger approval by the state regulatory commission in New Jersey.

**Energy Policy Act Of 2005**

The Energy Policy Act of 2005 brought some of the most significant changes to national energy regulation, policy and funding in over 70 years. As a result of the Act, FERC was required to undertake a significant number of rulemakings to promulgate new regulations in a broad range of areas affecting the regulation of electric and natural gas services. There are at least 32 mandatory actions required of FERC in the first year to 18 months. The OCA has joined with the National Association of State Utility Consumer Advocates (NASUCA) to monitor the rulemakings and actions, and provide comments to FERC as necessary. Identified below are the rulemakings where the OCA and NASUCA have filed, or are preparing comments.

**Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards, Docket No. RM05-30-000.** On September 1, 2005, FERC issued a Notice of Proposed Rulemaking to implement the provisions of the Energy Policy Act of 2005 that authorized FERC to certify an Electric Reliability Organization (ERO). The ERO’s function would be to propose and enforce mandatory Reliability Standards applicable to the bulk power supply system in North America. All Reliability Standards proposed by the ERO are to be reviewed and approved by FERC. The ERO is authorized to delegate its functions, subject to criteria established by FERC, to approved Regional Entities, and any Reliability Standards proposed by a Regional Entity must be approved by the ERO and by FERC. The proposed regulations sought to put in place the regulatory apparatus needed to implement these statutory provisions.

The OCA joined with NASUCA to draft comments. The NASUCA comments supported the overall thrust of the proposed rulemaking, but sought to emphasize four areas of particular importance to utility customers: (1) the need for consumer representation on the stakeholder and other committees of the ERO and the Regional Entities; (2) the funding of the ERO and Regional Entities in a manner that is equitable to consumers; (3) the need for a transparent and effective process of enforcing the mandatory Reliability Standards; and (4) the need for full and
prompt public disclosure of all confirmed violations of the Standards. The NASUCA comments were submitted on October 7, 2005.

Transactions Subject to Federal Power Act Section 203, Docket No. RM-05-34-000. On October 7, 2005, FERC issued proposed changes to its Merger Policy Statement to reflect changes to Section 203 of the Federal Power Act occasioned by Energy Policy Act of 2005 (EPAct 2005). EPAct 2005 made five key changes regarding FERC’s jurisdiction over merger, acquisitions, transfers and consolidations as follows: (1) required expeditious consideration with a 180 day time limit and the possibility of one 180 day extension; (2) increased from $50,000 to $10 million the value threshold to make transactions subject to Section 203 review; (3) extended the scope of Section 203 to transfer of generation facilities; (4) set the threshold for review of acquisition of securities of other public utilities to greater than $10 million and (5) required the Commission to examine cross-subsidization and pledges or encumbrances of utility assets. The OCA joined with NASUCA to file Comments. Of major concern to the OCA and NASUCA was that FERC retain sufficient authority to properly consider these transactions and that it have conditions in place to prevent cross-subsidization.

Promoting Transmission Investment Through Pricing Reform, Docket No. RM06-4. On January 11, 2006, the OCA joined with NASUCA to file comments in FERC’s proposed rulemaking regarding transmission investment under the Energy Policy Act of 2005 (EPAct 2005). Through this rulemaking, FERC proposed significant, broad-based incentives for the development of the transmission infrastructure. NASUCA opposed the broad-based incentives contained in the NOPR on several grounds. NASUCA argued that the incentives: 1) were not necessary for new transmission construction; 2) were not supported by a cost/benefit analysis; 3) were contrary to sound ratemaking principles and fair rate of return principles that form the basis of just and reasonable rates; and 4) were inconsistent with FERC’s own incentive ratemaking principles. In the summer of 2006, FERC issued its final rulemaking order adopting the incentives that it had proposed.

Electric Energy Market Competition Task Force, Notice of Inquiry, Docket No. AD05-17-000. Under Section 1815 of EPAct 2005, a Task Force was created to submit a report to Congress to conduct a study and analysis of competition within the wholesale and retail markets for electric energy in the United States. As part of this process, FERC issued a Notice of Inquiry setting forth numerous questions regarding the wholesale and retail markets. The OCA joined with NASUCA to file overview and general comments regarding competition in electric markets. The NASUCA Comments focused on the need for wholesale markets to be properly monitored and structured as well as the need for these markets to support a variety of retail market designs. The OCA also filed separate detailed comments providing additional information about the retail markets in Pennsylvania. The OCA’s Pennsylvania specific comments also addressed the need for the wholesale markets to provide the necessary products to support default service as well as retail competition models selected by the states.

Prohibition of Energy Market Manipulation, Docket No. RM06-3-000. Pursuant to Sections 315 and 1283 of EPAct 2005 FERC issued a Notice of Proposed Rulemaking that proposed new regulations prohibiting the use or employment of manipulative or deceptive devices or contrivances in connection with the purchase or sale of natural gas, electric energy, or transportation of transmission services that are FERC jurisdictional. The new regulations
closely tracked the prohibited conduct language in Section 10(b) of the Securities Exchange Act of 1934 and the Securities Exchange Commissions Rule 10b-5. The OCA joined with NASUCA filing comments that supported adoption of the new anti-market manipulation regulations. The comments also urged FERC to keep in place the existing Market Behavior Rules that were implemented as a result of manipulation of the Western energy markets in 2000-2001.

**PJM**

As noted above, the OCA either individually or in a coalition with other state consumer advocates, participated in a number of Federal Energy Regulatory Commission (FERC) proceedings arising out of filings made by PJM or by PJM members regarding wholesale market issues. These included:

**PJM’s Proposed Reliability Pricing Model (RPM).** The OCA has contested this proposal both in the PJM stakeholder process and after it was filed with FERC. The OCA has been concerned that this capacity payment model will increase rates for customers without ensuring the addition of needed capacity. The proposal, which received preliminary approval at FERC in spite of the opposition of a majority of PJM stakeholders, was set for settlement discussions in April. The OCA, in coalition with almost all other load representatives in the region, entered the settlement negotiations and sought to reduce the very large financial impacts on consumers. As of the end of the Fiscal Year, these negotiations were still ongoing.

**PJM’s revised market monitoring tariff.** Market Monitoring is a critical function in wholesale electricity markets. This function monitors market operations and design to ensure that market participants do not exercise market power and cause consumers to pay more than a fair market value for electricity. PJM filed a revised Tariff for Market Monitoring in March 2006. The OCA, in cooperation with other state consumer advocate offices in the region, filed a protest requesting that the Commission modify the tariff. The OCA’s concern centers around the need for stronger independence of the Market Monitoring function from PJM management. The Commission rejected protests and accepted PJM’s filing.

**PJM’s transmission expansion tariff.** Consumers in PJM pay millions of dollars of costs each year due to the inability of the electric transmission system to move cheap power to areas where it is needed. The OCA has urged that PJM establish an effective process through which the transmission system can be expanded, where cost-effective, to facilitate purchases of less expensive power. Following a year of stakeholder meetings, PJM filed a substantial tariff change designed to do that. OCA has intervened.

**Cost recovery for electric transmission infrastructure.** In January and April, PJM filed cost allocations related to its transmission expansion plan. The OCA intervened in this proceeding and has participated in settlement negotiations.

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 and Working Groups fall under the authority of the Members Committee. The OCA is a full, voting member of PJM but under a special section of the Operating Agreement that 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 that the MIC creates. Preparation of final recommendations for the MRC is done by the MIC.

• Transmission Expansion Advisory Committee (TEAC) – The TEAC meets quarterly to review 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.

• Tariff Advisory Committee – The TAC is responsible for ensuring that the final language of PJM’s Tariff and Operating Agreement filings is accurate in terms of the Members Committee’s intentions.

• Planning Committee (PC) – The PC proposes performance levels needed to enforce reliability standards. It also proposes modifications to the analytical methods used to determine how performance levels are established.

• Market Monitoring Advisory Committee (MMAC) – The MMAC meets with the Market Monitoring Unit to discuss general enforcement policies and to propose revisions to approaches.

• Demand Side Response Working Group (DSRWG) – The DSRWG is responsible to the MIC for development and modification to both the markets for demand resources and the methods used to determine how demand resources are compensated.

• Regional Planning Process Working Group (RPPWG) – The RPPWG is responsible to the MIC for modifying the rules and policies for expansion of the transmission system.

• 180-Day Working Group – The 180-Day Working Group was established under the settlement of FERC Docket No. EL03-236 (Scarcity Pricing) and is charged by the MRC to
examine the need for additional energy products. It will discontinue after its report at the end of 2006.

- 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 Boards plans. There are periodic meetings with PJM management designed to inform the PIEOUG members about current issues.
NATURAL GAS

Pennsylvania

Base Rate Proceedings

Pa. PUC v. National Fuel Gas Distribution Co., Docket No. R-00061493. On May 31, 2006, NFG filed a distribution base rate case, requesting an increase of $25.8 million or 7.2% over the Company's annual revenues at present rates. For the general residential class, an increase of about 7.3% was proposed. The Company also requested a 12.25% return on equity.

Included in NFG's filing was a proposed Enhanced Energy Efficiency (EEE) Rider that would break the link between the utility's gas sales and its base rate revenue receipts. Specifically, the rider would allow a surcharge on customer bills to reimburse the Company for a portion of lost margins when actual deliveries per customer are less than a targeted level. Conversely, when actual deliveries per customer are higher than a targeted level, the rider would provide for a refund to customers. In terms of residential rate design, NFG proposed to change to a seasonal rate design, increase the customer charge by 72%, from $12.00 per month to $20.64 per month, increase the first usage block by 48% and decrease the second usage block by 87%. NFG also proposed to implement a Merchant Function Charge (MFC) that would recover a portion of its uncollectibles expense and its storage working capital costs through a percentage increase in the purchased gas cost rate and a pilot program for purchasing the receivables of certain natural gas suppliers (NGS) that would include the ability to terminate a customer's service for nonpayment of the NGS portion of the bill.

The OCA filed a complaint, hired expert witnesses, and is participating in this proceeding. More than one-thousand two hundred and sixty (1,260) customers filed formal complaints against NFG's filing. Many other customers filed informal complaints that were docketed as protests. At the end of the Fiscal Year, this case was pending before the PUC.

Pa. PUC v. T.W. Phillips Gas and Oil Co., Docket Nos. R-00051178, A-122350F0005 and G-00061164. On February 13, 2006, T.W. Phillips Gas and Oil Co (TWP) filed a base rate case seeking permission to increase its annual revenues by $21.6 million, or 12.4% over existing rates. TWP also filed an Application to divest its natural gas wells and related production assets to a new subsidiary of the Company. The Company's application sought approval of an affiliated interest agreement whereby TWP would purchase natural gas from this new subsidiary. The OCA filed a formal complaint in the base rate case and a Protest and Notice of Intervention in the Application proceeding.

After discovery and public input hearings, extensive settlement negotiations were conducted. The parties reached an agreement that resolved all of the contested issues in both the rate case and the Application proceeding. The Settlement allowed TWP to increase its rates by $6.2 million, far less than the $21.6 million rate increase sought by the Company. The Settlement also provided for divestiture of the production facilities in an orderly manner and for the
Purchase of gas from the Company’s subsidiary at below-index prices. This will allow the Company’s customers to continue to have access to lower-priced local supplies of natural gas at a discounted rate. The Settlement also provided for an increase in low-income assistance funding to help low-income customers manage their household energy bills and avoid termination.

The Settlement was submitted to the ALJ on June 30, 2006. At the end of the Fiscal Year, the proposed Settlement was pending before the ALJ and the Commission.

**Pa. PUC v. PG Energy Co., Docket No. R-00061365.** On April 12, 2006, PG Energy filed a base rate case seeking permission to increase its annual revenues by $29.8 million, or 8.6% over existing rates. The OCA filed a formal complaint against the proposed increase. At the end of the Fiscal Year, the OCA was engaged in discovery and expected to present its recommendation to the Commission in testimony and briefs filed in accordance with the procedural schedule.

**Pa. PUC v. PPL Gas Utilities, Docket No. R-00061398.** On April 27, 2006, PPL Gas Utilities filed a base rate case seeking permission to increase its annual revenues by $12.8 million, or 6.2% over existing rates. The OCA filed a formal complaint against the proposed increase. At the end of the Fiscal Year, the OCA was engaged in discovery and expected to present its recommendation to the Commission in testimony and briefs filed in accordance with the procedural schedule.

**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. Each of the major gas utilities had their annual purchased gas cost (PGC) filings reviewed for the year 2005 and will also have their PGC filings reviewed during 2006. The OCA is a participant in each of these cases to ensure that, notwithstanding the recent gas wholesale price increases, 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 winter of 2005-2006 saw natural gas prices rise to record high levels due in part to the effects of Hurricanes Katrina and Rita and cold weather experienced during the early winter. Fortunately, these effects were somewhat tempered by warmer than normal weather in January and February 2006. The OCA continues to remain concerned about hardships imposed upon consumers due to fluctuating gas cost rates caused by instability in the wholesale natural gas markets. As a result of continued price volatility in the wholesale gas markets, the OCA’s focus in this year’s purchased gas cost cases continued to be whether Natural Gas Distribution Company (NGDCs) are taking the necessary steps to manage the risk associated with price volatility.

The OCA reviewed the gas purchasing practices of all the Pennsylvania 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. In particular, the OCA stressed the importance of hedging the purchases of natural gas supplies for injection into storage. With increased volatility in gas prices during the injection season, it is essential that NGDCs apply risk management strategies to injection season purchases in order to reduce price volatility. By adopting the OCA’s recommendations, the NGDCs will be able to significantly 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 and continued, in particular, to provide careful evaluation of utility contractual commitments with interstate pipelines to which significant purchased gas costs are attributable. In particular, the OCA continued to analyze the gas supply planning practices of gas utilities and NGDC decisions to renew capacity entitlement or acquire new capacity, especially in light of the Natural Gas Choice and Competition Act and the changing regulatory environment in the industry. The OCA also continued to assess the use of the capacity release and off-system sales markets by gas utilities to maximize offsets of costs to PGC customers. The OCA also continued to analyze possible subsidization between retail sales customers and transportation customers.

Other issues addressed by the OCA included gas companies’ proposals for performance-based gas purchasing programs. These include programs under which gas utilities’ gas purchases are compared to published gas indices, and the utility is rewarded or penalized for its performance; 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 2005-06:

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**Merger Proceedings**

Application of UGI Utilities, Inc. and Southern Union, Docket Nos. A-12011, A-125018, A-125146. On February 16, 2006, UGI Utilities, Inc. and Southern Union filed a Joint Application seeking approval under Chapters 11, 21 and 22 of the Public Utility Code, for the transfer by sale of Southern Union’s Pennsylvania operating division, PG Energy to UGI’s parent corporation, UGI Corporation (UGI Corp.). Pursuant to the terms of the Purchase and Sales Agreement, UGI Corp. will purchase PG Energy from Southern Union for approximately $580 million. On March 13, 2006, the OCA filed a Protest in order to ensure that the merger was approved only if (1) it is found to be in the public interest; (2) it provides substantial, affirmative benefits to UGI and PG Energy’s ratepayers; (3) it does not adversely affect retail natural gas competition in Pennsylvania; and (4) it is in accordance with the Public Utility Code. The OCA filed its direct testimony setting forth various conditions necessary to protect ratepayers from the risks related to this merger and to bring substantial affirmative benefits to customers. Of primary concern, the OCA recommended that the rates of each company be reduced to reflect a flow through of any merger savings or synergies and that a service quality plan be put in place to ensure that service quality is maintained or improved. The OCA also recommended that the proposal to transfer the gas supply assets of PG Energy to UGI be undertaken through an asset management agreement, and that a competitive bid be conducted. The OCA also recommended that employee issues related to the pension fund and retirement benefits be resolved before merger approval was granted. At the end of the Fiscal Year, the matter continued in litigation before the Administrative Law Judge.
Joint Application of Equitable Resources, Inc. and The Peoples Natural Gas Company, d/b/a Dominion Peoples, Docket No. A-122250. On March 31, 2006, Equitable Resources and Dominion Peoples filed a Joint Application seeking approval of the merger of Dominion Peoples into Equitable Gas Co. (Equitable). Pursuant to the terms of the Purchase and Sales Agreement, Equitable would purchase Dominion Peoples for approximately $970 million. On April 26, 2006, the OCA filed a Protest and Notice of Intervention to ensure that the merger was approved only if (1) it is found to be in the public interest; (2) it provides substantial, affirmative benefits to Equitable and Dominion People’s ratepayers; (3) it does not adversely affect retail natural gas competition in Pennsylvania; and (4) it is in accordance with the Public Utility Code. As of the end of the Fiscal Year, this case was pending before the PUC.

Chapter 14 Implementation

Implementation of Act 201 of 2004 (Chapter 14), Docket No. M-00041802. As discussed in last year’s Annual Report, on December 14, 2004, Act 201 became effective. Act 201 provided new statutory requirements for customer deposits; termination of customers, including winter termination; payment agreements; reconnection of customers; and other customer-service related matters. Act 201 substantially modified the existing consumer protection rules for customers of electric, natural gas, and water utilities in Pennsylvania. The OCA participated in the Commission-initiated Roundtable to discuss the various implementation issues that arose from the Act. The OCA also filed Comments discussing some of the key implementation issues in more detail. In particular, the OCA sought a fair and orderly implementation of the provisions of Chapter 14 in order to protect the health, safety and due process rights of Pennsylvania consumers. Some of the key issues the OCA addressed were the impact of Chapter 14 on pending complaints, the proper interpretation of the term payment agreement in Chapter 14, and the need for complete and understandable termination notices, particularly for winter terminations.

The Commission issued its first Implementation Order providing its interpretation of the Act. The Commission concluded that it no longer had the authority to order a payment agreement if a customer had entered into a previous payment arrangement with the utility. The Commission did not address the termination notice issues in its first Implementation Order, but it did direct each utility to file a compliance plan by the middle of April 2005 detailing its procedures for complying with the new Act.

The Commission held a second Roundtable on July 1, 2005 to consider further issues regarding termination, reconnection, payment arrangements, deposits, protection from abuse orders and consumer education. The OCA participated in this Roundtable and filed follow up Comments. On July 21, 2005, the OCA participated in a Roundtable to address issues related only to Philadelphia Gas Works (PGW). Some of the issues addressed in that Roundtable include the procedures regarding PGW’s ability to terminate customers in the winter with incomes between 150% and 250% of the federal poverty level, the content of notice to customers to inform them of PGW-specific rules, procedures regarding PGW liens and judgments, and medical certification procedures. The OCA then filed comments on August 3, 2005 regarding all of the issues.
The Commission also issued a Reconsideration Order in July regarding its first Implementation Order. In the Reconsideration Order, the Commission called for further comments on the interpretation of the “one payment agreement” language in the Act. The Commission’s Implementation Order had concluded that the Commission no longer had the authority to order one payment agreement if the customer had agreed to a payment agreement with the utility. The OCA argued against this interpretation and continued its arguments in its comments on the Reconsideration Order. At its Public Meeting of November 10, 2005, the Commission voted to reconsider its interpretation of the “one payment agreement” language and to issue a revised interpretation. The revised interpretation adopted the position of the OCA. Under this interpretation, the Commission found that it had the authority to enter one payment agreement for a customer. The Commission will now accept complaints regarding payment agreements entered into between a utility and a customer and review those agreements for compliance with the law.

The Commission issued its Second Implementation Order on September 12, 2005. In its Order, the Commission adopted many of the positions set forth by the OCA. Of particular note, the Commission 1) set forth requirements that utilities pursue a good faith attempt to verify whether a household is protected from winter termination prior to terminating service; 2) called for revisions in termination notices to better inform customers of their rights; 3) clarified that tendering a bad check does not qualify for immediate termination without notice in the winter; 4) clarified that the amount to avoid termination is the amount listed on the notice; 5) clarified the medical certification procedures; 6) clarified the upfront payment needed to restore service; and 7) determined that a customer can catch-up on the terms of a payment agreement and avoid termination. As to PGW specifically, the Commission found that PGW is required to confirm that a household is not protected from termination by statute prior to proceeding with the termination and that PGW-specific termination notices should be developed.

In accordance with the Second Implementation Order, the OCA suggested draft termination notices to the Bureau of Consumer Services for all utilities and for PGW. The OCA also reviewed the notices prepared by BCS from the samples provided and offered additional suggestions. BCS then issued the final notices which adopted some of the OCA’s suggestions.

In October, 2005 PGW filed two Petitions regarding the Second Implementation Order. First, PGW filed a Petition for Rescission of the Commission’s Second Implementation Order regarding the portion of the Order that required PGW to verify the income of a household before sending a termination notice to the household in the winter. The OCA filed an Answer supporting the Commission’s original decision. On December 1, 2005 the PUC granted PGW’s Petition and reversed its earlier decision.

Second, PGW filed a Petition for Declaratory Order asking the Commission to declare that PGW could require customers to make more of an upfront payment to have service restored than what the Commission indicated in its Second Implementation Order. PGW argued that the Commission too narrowly construed the language of the statute. The OCA again filed an Answer supporting the Commission’s Second Implementation Order. The OCA argued that the Commission correctly read the language of the statute to create a maximum upfront payment
that may be required before a customer’s service is restored. The OCA also requested that PGW be required to recontact any customer who had been asked for more than the maximum upfront payment and provide them with the correct amounts to have service restored. At its Public Meeting of November 10, 2005, the Commission voted to deny PGW’s Petition for Declaratory Order. The Commission agreed with the OCA that the language of the statute was clear and not subject to any other interpretation as to the level of upfront payments required to restore service. The Commission also directed PGW to recontact each customer that had been asked for more than the statutory amount and inform them of the correct amount needed to restore service. At the end of the Fiscal Year, implementation of Chapter 14 was ongoing in accordance with these Orders.

In Re: Biennial Report to the General Assembly and Governor Pursuant To Section 1415, Docket No. M-00041802F0003. At its Public Meeting of March 16, 2006, the Commission issued an Order requesting comments on the requirement of Section 1415 that calls for a Biennial Report to the General Assembly and the Governor regarding Chapter 14. Through the Order, the Commission proposed that electric distribution companies collect and provide data to the Commission Staff to assist in assessing the impact of Chapter 14 on collections, terminations, uncollectible balances, and other utility operations. The OCA filed comments on May 8, 2006 and Reply Comments on May 23, 2006. In its Comments and Reply Comments, the OCA generally supported the Commission’s proposal to collect data from the utilities, but the OCA recommended that the Commission also conduct a survey of customers, similar to the survey conducted by the National Energy Assistance Director’s Association (NEADA) to assess the impact of Chapter 14 on customers. The NEADA survey solicits information from a customer perspective about paying utility bills, including information as to the choices customers make in paying their bills (e.g. going without prescription medication to pay the utility bill). The OCA also recommended that the Commission obtain data in more detail, such as by income level and directed to some of the significant changes, to properly assess the impact of Chapter 14 on customers. The Commission issued its Order adopting some of the OCA’s recommendations. The Commission also established a Collaborative Working Group to consider data collection issues. The OCA will monitor this collaborative throughout the next Fiscal Year.

Miscellaneous Gas Cases

Re NFG Distribution Company’s Temporary Operational Takeover of Nido’s Ltd., t/d/b/a Kaylor Gas Distribution, Docket No. M-00031781 and Application for Approval of Abandonment of Service by Kaylor Gas, Docket No. A-120007F2001. As discussed in last year’s Annual Report, on November 26, 2003, the PUC issued an Emergency Order in the above-captioned proceeding, ratified at Public Meeting of December 4, 2003, directing National Fuel Gas Distribution Company (NFGD) to temporarily take over the operation of Nido’s Ltd., Inc. t/d/b/a Kaylor Gas Distribution (Kaylor) for the purpose of remedi ing documented safety problems on Kaylor’s system. NFGD filed a request for an emergency hearing, and at the hearing NFGD, Kaylor and the PUC’s Law Bureau Prosecutry Staff submitted a Stipulation and Settlement. Under the Stipulation and Settlement, operational control of the Kaylor system was to be returned to Kaylor, thus relieving NFGD of temporary operational control. Kaylor agreed,
among other things, to operate the system consistent with PUC requirements, perform all billing and collection functions, deposit all revenue received into an escrow account, pay all bills rendered by NFGD and T.W. Phillips, cooperate with NFGD on all issues, and provide 24/7 phone contact for the PUC, NFGD and customers. NFGD agreed to enter into an arrangement to provide continuing assistance and to complete numerous activities designed to restore safe operations. NFGD also was permitted to recover any unpaid costs for natural gas from NFGD ratepayers through NFGD’s Section 1307(f) mechanism and to request recovery of other unpaid costs through a tariff rider. The OCA intervened in this proceeding, and in the Application for Abandonment of Service at Docket No. A-120007F2001, on December 23, 2003. The OCA received the ALJ’s Recommended Decision approving the Settlement on December 29, 2003. On December 31, 2003, the OCA filed Exceptions to the Recommended Decision. In its Exceptions, the OCA raised the following issues: (1) whether proposed provisions of the settlement that place the costs of serving Kaylor customers on NFGD provide adequate compensation to NFGD and its customers for these costs; (2) whether it is possible to determine whether all safety issues have been resolved, without the detailed arrangements between the companies for the provision of continued assistance; and (3) the PUC should ensure that all parties expeditiously begin work on alternative proposals to address the Kaylor situation.

On April 23, 2004 at a Prehearing Conference held in M-00031781, Kaylor indicated to the parties and the ALJ that it was in the process of selling the Company and that after the terms and conditions of the sale were finalized, the Company would file a new abandonment application seeking PUC approval of the sale and transfer of the Company to the new owner. The ALJ suspended the procedural schedule in this matter at the request of the parties.

On April 12, 2005, Nido’s filed an Amendment to the Application for Abandonment of Service for Kaylor (Kaylor Amendment), Docket No. A-120007F2001. On the same date, Nido’s filed an Application for Abandonment of the Shadyside Gas Operations, (Shadyside Application), Docket No. A-120007F2000. Both cases were consolidated under the second docket. The Kaylor Amendment and Shadyside Application stated that all gas utility operations were being transferred to Orwell Natural Gas Company, an Ohio utility. The OCA intervened in both application proceedings to ensure that the interests of the customers of Kaylor and Shadyside Gas were protected.

On April 26, 2006, the parties filed a proposed settlement with the ALJ that resolved the Abandonment Applications and other contested issues in all of the related proceedings. The proposed settlement provided for an orderly transfer of all of the Shadyside customers to other natural gas distribution companies. It also provided for the transfer of 60 of the 78 Kaylor customers to other natural gas distribution customers. The remaining Kaylor customers will either be converted to an alternative fuel source or will directly connect to a local gas well. The proposed settlement also provided funds to assist customers who are being converted in paying necessary conversion costs. At the end of the Fiscal Year, the proposed settlement was pending before the ALJ.

Pa. PUC v. Columbia Gas of Pennsylvania, Inc., Docket No. R-00049783. As discussed in last year’s Annual Report, on September 1, 2004, Columbia Gas of Pennsylvania, Inc. (Columbia) filed a tariff supplement proposing to introduce two new sales services to its customers, Price Protection Service (PPS) and Optional Sales Service (OSS). The tariff filing also proposed
several other miscellaneous changes to its tariff language to update and clarify the rules, terms and conditions of service offered by the Company. PPS is a fixed-rate sales service that will be offered to residential and small commercial customers. OSS is a fixed-rate sales service that will be offered to large commercial and industrial customers. On December 14, 2004, the OCA filed a complaint against the proposed tariff supplement. In response to the Company’s direct the OCA filed direct testimony on May 26, 2005 that generally supported the implementation of a fixed-rate pilot program with various restrictions and consumer safeguards. On September 12, 2005, the ALJ issued a Recommended Decision recommending approval of the proposed Riders PPS and OSS as modified. On November 4, 2005, the Commission entered an Order approving Columbia’s proposed Riders PPS and OSS. Natural gas suppliers filed a Petition for Reconsideration on November 18, 2005. Columbia filed a Petition for Reconsideration on November 21, 2005. The Commission subsequently entered an Order denying the Petitions for Reconsideration allowing the services to be offered to customers.

Peoples Independent Producers Group v. Dominion Peoples, Docket No. C-20054393 and Petition for Emergency Order of Peoples Independent Producers Group, Docket No. P-00052162. As discussed in last year’s Annual Report, on April 21, 2005, Peoples Independent Producers Group (PIPG) filed a formal complaint against Dominion Peoples objecting to Dominion Peoples’ enforcement of new contractual water vapor standards on local natural gas producers and imposition of what PIPG alleged was a non-tariffed, unjust, unreasonable and unduly discriminatory production enhancement fee. On the same date, PIPG also filed a Petition for Emergency Order requesting that the Commission issue an Emergency Order prohibiting Dominion Peoples from implementing the proposed new water vapor standards and enjoining Dominion Peoples from shutting in any local production wells or requiring producers to pay a production enhancement fee. The OCA intervened in this proceeding on April 29, 2005. On the same date, the Commission entered an Order granting the Petition for Emergency Order in part. The Commission’s Order established a limited stay of the proposed new water vapor standards and enjoined Dominion Peoples from shutting in any local production for a period of 30 days. An Emergency Hearing was held on May 18, 2005 to address PIPG's Petition for an Emergency Order. On May 23, 2005, the ALJ issued an Emergency Order staying Dominion Peoples’ enforcement of the new water vapor standards until resolution of the underlying complaint proceeding. The Commission ratified that Emergency Order in a Secretarial Letter issued June 13, 2005. By Order entered September 26, 2005, the underlying complaint case was assigned to mediation. At the end of the Fiscal Year, the proceeding was still in mediation. The OCA will continue to monitor this proceeding and participate in the mediation process to ensure that Dominion Peoples’ customers are not harmed and that locally produced gas remains available to serve Pennsylvania natural gas customers.

Petition of UGI Utilities, Inc. – Gas Division to Expand Participation in LISHP, Docket No. P-00052190. On November 1, 2005, UGI Utilities, Inc. - Gas Division (UGI) filed a Petition seeking Commission permission to (1) double the enrollment in UGI's Low Income Self-Help Program (LISHP) from 4,000 to 8,000 participants; (2) increase the annual maximum LISHP discount from $840 to $1146 for residential heating customers and from $560 to $614 for residential non-heating customers; and (3) to implement a funding mechanism to recover LISHP program costs. Shortly after the Petition was filed, UGI held a series of meetings with interested parties to try to reach an agreeable resolution to the issues raised in the Petition. Those meetings resulted in a Stipulation in Settlement of Petition that addressed the issues raised in
UGI’s Petition. The proposed Settlement was filed with the Commission on November 23, 2005. The OCA filed a Statement in Support of the Stipulation on November 28, 2005. On December 1, 2005, the Commission entered an Order approving the Settlement.

Petition of Philadelphia Gas Works for Waiver of PUC Regulations to Permit the Continued Billing of the Inappropriate Request for Service Charge on a Separate Portion of the Basic Service Bill, Docket No. P-00052187. On September 28, 2005, Philadelphia Gas Works (PGW) filed a Petition for Waiver of PUC Regulations. In its Petition, PGW requested a waiver of 52 Pa. Code §56.13 to permit PGW to continue to include on a separate line of the basic service bill the “Inappropriate Request for Service Charge” (IRSC). PGW assesses the IRSC when a customer reports a non-existent gas leak in order to obtain the non-regulated, optional appliance repair service. The Office of Consumer Advocate filed an Answer to the Petition, but did not oppose waiver of 52 Pa. Code § 52.13 for PGW. The OCA made clear, however, that customers will not be terminated for non-payment of this charge and ensured that the charge is maintained as part of “Non-Basic Charges” on the bill. At the close of the Fiscal Year, the Commission had not acted on the Petition.

Customer Assistance Program Expansion Filing of the Peoples Natural Gas Co. d/b/a Dominion Peoples, Docket No. R-00051093. On November 2, 2005, Dominion Peoples filed Supplement No. 65 to Dominion Peoples’ Tariff Gas – PA PUC No. 43 that provides for (1) expansion of Dominion Peoples’ Customer Assistance Program (CAP) beyond its current level of 9,000 participants; (2) elimination of the maximum annual CAP credit of $840 per customer; and (3) implementation of rate changes to reflect the incremental costs associated with the ramp-up of the CAP and the elimination of the maximum CAP credit. The OCA intervened in this proceeding and has participated in settlement discussions with the Company and other parties. The OCA, OSBA, and Company reached a Settlement that allowed for the expansion of the CAP program, elimination of the maximum CAP credit, implementation of a targeted usage reduction program, and appropriate cost recovery. At the end of the Fiscal Year, the Commission has assigned consideration of the Settlement to an ALJ for evidentiary hearings.

Petition of Equitable Gas Company for Authorization to Use a Portion of an Equitrans, L.P. Refund to Benefit Low-Income Customers, Docket No. P-00052192. On November 23, 2005, Equitable Gas Company (Equitable) filed a Petition informing the Commission that through its parent, Equitable Resources, Inc. and the Equitable Resources, Inc. Foundation (Equitable Foundation), a grant of $2 million was being made to Equitable Gas Company to assist low-income customers in meeting their energy needs this winter. The Petition also sought Commission approval to pursue another $7 million of available funding in the form of a supplier refund that was anticipated as a result of settlement of a general rate case at the Federal Energy Regulatory Commission involving one of Equitable’s interstate pipeline suppliers, Equitrans, L.P. The anticipated settlement will result in a pipeline refund of approximately $9 million from Equitrans. The Petition sought permission to dedicate the residential share of the $9 million – approximately $7 million – to provide additional assistance to low-income customers this winter. In its Petition, Equitable stated that the $2 million contribution from the Equitable Foundation will be split with $1 million going to the $1 Energy Fund to assist low-income customers whose service has been terminated and $1 million going to the Equitable Gas HELP Grant to assist customers who are not income-eligible under existing assistance programs to meet their energy needs during this difficult winter. The Petition also proposed that upon
approval of the Petition, Equitable will utilize $7 million of the anticipated Equitrans supplier refund to further expand its commitment to the $1 Energy Fund by an additional $1 million. The remaining $6 million of the supplier refund will be used to extend the HELP Grant Program to approximately 18,000 additional customers. The OCA filed an Answer in Support of the Petition on December 6, 2005. On December 15, 2005, the Commission entered an Order granting the relief sought in Equitable's Petition.

Natural Gas Stakeholders Working Group Regarding Natural Gas Choice and Competition Act, Docket No. I-00040103. On October 6, 2005, the Commission issued its “Report to the General Assembly” regarding competition in Pennsylvania’s retail natural gas supply services market. In that report, the Commission concluded that there was not “effective competition” in the retail natural gas supply market on a statewide basis at this time. As required by the Natural Gas Choice and Competition Act, the Commission must convene the Natural Gas Stakeholders to explore avenues, including legislative changes, to increase retail competition. 66 Pa.C.S. § 2204(g). On January 20, 2006, the Commission issued a Secretarial Letter requesting interested stakeholders to attend a Commission-sponsored collaborative. The Commission’s notice split the collaborative up into various subgroups to work on different issues. The first meetings of the subgroups took place on March 30, 2006. At the end of the Fiscal Year, the subgroup collaboratives were continuing to meet. The OCA continues to participate in all subgroup meetings and will be an active participant in the collaborative.

Federal

FERC Gas Cases

Equitrans, L.P., Docket Nos. RP04-97-000 and RP04-203-000. As discussed in last year’s Annual Report, on December 1, 2003, Equitrans filed a request to increase rates and revenues by $25 million, or more than 56% annually. Equitable Gas Company, a Pennsylvania company, comprises over 80% of the load on Equitrans’ system and would see increased rates of $21 million under this filing. The OCA intervened in this proceeding on December 11, 2003 protesting this rate increase. On March 9, 2004, FERC issued an order consolidating RP04-97-000 proceeding with the proceeding at Docket No. RP04-203-000. The OCA and other active parties engaged in a series of settlement conferences at FERC in an effort to resolve this proceeding, as well as related proceedings. Equitrans filed to implement a single rate for certain facilities. The OCA intervened in the gathering rate proceeding and protested Equitrans’ filing on February 22, 2005. After extensive settlement negotiations, the parties were able to reach a settlement agreement that resolved all of the issues raised in the base rate proceeding and related-dockets. On December 9, 2005, Equitrans filed an uncontested offer of settlement. The proposed settlement was certified as uncontested by the ALJ on January 18, 2006. The FERC approved the settlement on April 5, 2006. The Settlement represented a reasonable resolution of the issues and claims arising in the consolidated proceedings and resolved many contentious issues in the consolidated proceedings. The Settlement resulted in a significant reduction in the overall cost of service for the pipeline and addresses rate design and retainage issues in a manner that is reasonable and fair to all of the parties and also resolved the issues associated with Equitrans’ claim for prior period base gas loss.
NY Public Service Commission, PA Public Utility Commission and PA Office of Consumer Advocate v. National Fuel Gas Supply Corp., Docket No. RP06-298-000. On April 7, 2006, the New York Public Service Commission (NYPSC), the Pennsylvania Public Utility Commission (PA PUC) and the Pennsylvania Office of Consumer Advocate filed a joint complaint against National Fuel Gas Supply Company (NFGS) pursuant to Sections 5(a) and 13 of the Natural Gas Act, 15 U.S.C. §§ 717(a) and 7171 alleging that NFGS rates are unjust and unreasonable. In particular, the complaint alleged that NFGS has been earning windfall profits from the sale of over-recovered retained gas from shippers. The complaint alleged that NFGS has been earning a return on equity in excess of 20% over the past several years. The complaint asked the Commission to lower the retainage factors on NFGS’ system and determine a going-forward cost of service based upon a return on equity of 10.17 percent. At the end of the Fiscal Year, the complaint was pending before the FERC, and the parties were engaged in settlement negotiations.

Energy Policy Act Of 2005

The Energy Policy Act of 2005 brought some of the most significant changes to national energy regulation, policy and funding in over 70 years. As a result of the Act, FERC is required to undertake a significant number of rulemakings to promulgate new regulations in a broad range of areas affecting the regulation of electric and natural gas services. There are at least 32 mandatory actions required of FERC in the first year to 18 months. The OCA has joined with the National Association of State Utility Consumer Advocates (NASUCA) to monitor the rulemakings and actions, and provide comments to FERC as necessary. Identified below are the gas-related rulemakings where the OCA and NASUCA have filed, or are preparing comments.

Rate Regulation of Certain Underground Storage Facilities, Docket Nos. RM05-23-000 and AD04-11-000. On December 22, 2005, pursuant to Section 312 of the Energy Policy Act of 2005 (EPAct 2005), the FERC issued a Notice of Proposed Rulemaking that proposed to amend the Commission’s regulations to establish criteria for natural gas storage operators to obtain market-based rates for storage services. On February 27, 2006, the OCA joined with NASUCA filing comments that pointed out that the FERC NOPR was too vague and needed more specificity. The comments urged the FERC to first set forth more specific regulations for comment by interested parties.
TELECOMMUNICATIONS

Pennsylvania

In this Fiscal Year, the telecommunications industry has been impacted most significantly by continuing transformation in the form of mergers and acquisitions of major telecommunications companies. As discussed further below, steps toward the restructuring of the industry were highlighted this year by the acquisition of MCI by Verizon and the acquisition of AT&T by SBC Communications. The Verizon acquisition of MCI was particularly significant in Pennsylvania given Verizon's large presence throughout the Commonwealth. Additionally, there were other non-Bell operating company mergers that further illustrated the changing nature of telecommunications.

In Pennsylvania, the telecommunications industry was also greatly impacted by the continued implementation of Act 183, legislation that was signed into law in November 2004 and that revised the way in which telephone companies are regulated. Additionally, there were a variety of activities pertaining to access charges and Lifeline service, which are both issues that impact the price of basic local service for consumers.

Merger Proceedings

Joint Application of Verizon and MCI for Merger Approval, Docket No. A-310401F0006. As discussed in last year’s Annual Report, on March 7, 2005, Verizon and MCI applied to the PUC for approval of a proposed merger between these companies. The OCA filed a protest on April 25, 2005 expressing concern over the potential loss of competition and the failure of the Companies to flow through any merger-related savings and other benefits to consumers. In addition, the OCA raised quality of service issues relating to post-merger network performance, and the companies' ability to enhance or improve their quality of service. The OCA filed testimony on the allocation of merger savings as well as the competitive and quality of service issues.

OCA’s final position advocated in favor of a five year rate freeze, a requirement to offer stand-alone DSL to all of its customers, acceleration of universal broadband deployment, service quality monitoring, and divestiture of duplicative assets. OCA filed its Main Brief on October 4, 2005 and its Reply Brief on October 18, 2005 to respond to various issues raised by Verizon.

On November 16, 2005, the Administrative Law Judge issued an Initial Decision that approved the Joint Application without imposing any conditions on the merger. Among other things, the ALJ determined that the Joint Applicants met their burden of proving that the merger satisfied all applicable legal standards. In particular, the ALJ determined that the benefits cited by the Joint Applicants, although general in nature, are benefits that may occur as a result of the proposed merger.
On November 28, 2005, the OCA filed Exceptions in response to the Initial Decision. The OCA argued that the ALJ erred in approving the Joint Application without ensuring that Pennsylvanians will receive substantial affirmative benefits as a result of the merger, as required by law.

On January 11, 2006, the PUC issued its order approving the merger without conditions, with Vice Chairman James Cawley dissenting. The PUC determined that consumers would benefit from the merger as a result of an emerging multimedia platform. It determined that market concentration in the enterprise market was not significant and that various types of competition would emerge in different ways. It also used the FCC’s conditions to determine that no further conditions would be required.

On February 9, 2006, the OCA filed a Petition for Review of the PUC decision at Commonwealth Court. Since the record before the PUC and the PUC Order included proprietary information from Verizon and MCI, the OCA, Verizon and PUC jointly filed an Application for Motion to Seal the Record with Commonwealth Court. The Court approved that Application. The OCA filed its brief on May 31, 2006. In the brief, the OCA argued that the PUC Order does not meet the “substantial affirmative public benefit” standard required to approve a utility merger in Pennsylvania.

The Commission and Verizon each filed a Brief in response to the OCA’s Brief and argued that the Commission’s Order approving the merger should be affirmed. The OCA’s appeal was pending before the Commonwealth Court as of the end of the Fiscal Year.

Joint Application of SBC and AT&T for Merger Approval, Docket Nos. A-311163F0006, A-310213F0008 and A-310258F0005. As discussed in last year’s Annual Report, on February 28, 2005, SBC and AT&T applied to the PUC for approval of a proposed merger between these companies. The OCA filed a protest on April 4, 2005, contending that the merger would reduce competition and failed to provide affirmative benefits to consumers.

On June 23, 2005, the OCA filed its testimony. In its testimony, the OCA emphasized the impact on competition in the telecommunications industry if this merger is approved. The OCA argued that the applicants had not met their burden of proving that the proposed merger will meet the applicable standards for approval established by law. As such, the OCA recommended that the Commission not approve the merger. Alternatively, the OCA argued that, if the Commission were to approve the merger, it should only do so if the companies were willing to make a strong commitment to compete for residential customers in Pennsylvania. In the alternative, if the merged company did not make such a commitment, the OCA recommended that the merged company should be required to transfer their Pennsylvania assets to a competitive carrier who was willing to make such a commitment to compete. Without any such commitments, the OCA argued that the merger should be denied. OCA filed Main and Reply Briefs.

On September 14, 2005, the ALJ issued an Initial Decision recommending approval of the merger, conditioned upon a guaranteed minimum level of investment in Pennsylvania over a five year period.
On October 6, 2005, the PUC ruled that it would approve the merger without any conditions. The PUC determined that the ability of the combined SBC and AT&T to compete in the Pennsylvania marketplace would produce sufficient affirmative benefit. The PUC also ruled that there were no significant market power issues involved in this proposed merger in Pennsylvania.

Subsequent to the merger approval, the PUC voted to investigate an announcement by AT&T that it planned to close a customer call center in Pennsylvania. The PUC was concerned that this announcement may have been inconsistent with commitments made by AT&T in the merger proceeding regarding employee and service levels. After the PUC action, AT&T announced that it would keep the Pennsylvania call center open.

Joint Application of The United Telephone Company of Pennsylvania d/b/a Sprint, and of Sprint Long Distance, Inc., for all approvals required under the Pennsylvania Public Utility Code in Connection with Changes of Control of The United Telephone Company of Pennsylvania d/b/a Sprint, and of Sprint Long Distance, Inc., Docket Nos. A-313200F0007 and A-311379F0002. On August 26, 2005, Sprint filed an Application to spin off its local wireline operating company and long distance company from the parent corporation.

OCA filed testimony in this proceeding and contested the Plan for changing the ownership of the local public utility. The OCA argued that the spin-off would produce excessive debt on the new local service company, which could affect its ability to provide adequate service. As a result, the OCA argued that conditions should be applied to the change in ownership.

On November 30, 2005, the OCA and several other parties entered into a settlement with Sprint. The settlement contained a number of conditions including a freeze on basic local rates increases through June 30, 2009 and financial conditions that would restrict the manner in which the local operations could be encumbered by additional debt.

The PUC reviewed and conditionally approved the Settlement by Tentative Order entered March 22, 2006. The PUC requested a letter of assurance from Sprint that the spun-off local company would maintain an adequate workforce to serve the needs of Pennsylvania consumers.

After receipt of a commitment letter from Sprint, the PUC entered a Final Order on April 6, 2006 approving the Settlement as in the public interest, with recognition of the original provisions and workforce commitment tendered by Sprint. The PUC approved issuance of the certificates of public convenience requested by the Applicants.

OCA filed a protest on January 23, 2006. OCA’s protest questioned whether the post-spin-off and post-merger wireline local service company would have sufficient capitalization and assets to provide safe and adequate service to Alltel local exchange customers. On January 23, 2006, Alltel filed an amendment to its application, which requested PUC approval of the issuance of securities. The amendment provided more information, but it did not ameliorate the OCA’s concerns.

OCA engaged in discovery and filed direct, supplemental direct, and rebuttal expert testimony. OCA presented its case and conducted cross-examination of the Companies' witnesses at the March 31, 2006 hearing. OCA also engaged in settlement negotiations with the Alltel Companies and other parties. OCA, the Alltel companies, the Office of Small Business Advocate and Office of Trial Staff entered into a Settlement agreement that was filed with the PUC on April 7, 2006. The settlement adequately addressed certain financial issues by, among other things, restricting the Company from offering any additional guarantees or liens on parent company debt through March 31, 2008. The settlement also included an accelerated deployment of broadband services, service quality protections, and a cap on basic local service rates through June 1, 2009.

OCA filed a statement in support of the settlement with the PUC on April 14, 2006. In the statement, OCA identified the settlement provisions which provided for rate stability, preservation of service quality, and insulated Alltel customers from affiliated financial dealings. The PUC approved the Settlement.

**Access Charge Proceedings**

AT&T Communications of Pennsylvania, LLC v. Verizon North Inc. and Verizon Pennsylvania Inc., Docket No. C-20027195. As discussed in last year’s Annual Report, in 2002, Verizon PA and Verizon North filed an access reform petition. Under the Petition, Verizon North would reduce the access charges that are paid by long distance companies, but increase the local rates charged to Verizon PA and Verizon North basic service customers. This was modeled after a settlement filed by Sprint and a coalition of smaller companies titled the Rural Telephone Company Coalition (RTCC). The OCA joined in the RTCC settlement that allowed for the RTCC to raise their local rates up to an $18.00 cap, but required that increased revenues above that level must come from a state Universal Service Fund that is funded by all Pennsylvania telecommunications companies.

The OCA initially opposed any basic service rate increases for Verizon PA and Verizon North and argued that the Companies’ costs did not justify such an increase. The OCA subsequently entered into a settlement with Verizon that would reduce Verizon North's high access rates to Verizon Pa. levels and increase basic residential and business rates by less than $1.00 per line per month.

The ALJ issued a Recommended Decision that generally accepted the Verizon/OCA proposed settlement.
On July 28, 2004, the PUC issued an Order adopting the rates set forth in the Petition for Resolution as discussed above. This has had the effect of reducing the Verizon North access rates to the level of Verizon Pennsylvania. It also increased monthly local rates by less than $1.00 per line. The Order also contained a requirement, however, that litigation should continue in the case in order to determine some unresolved issues in the proceeding concerning access. Specifically, those policy issues identified by the Commission included the following: (1) a recommendation of the “next steps” for access reform; (2) a recommendation on whether access charges should be reduced “to cost”; and (3) a recommendation on the elimination of the carrier charge.

On August 9, 2004, Verizon filed for Reconsideration of the Order. Verizon contended that further litigation should take place in a separate proceeding and the current proceeding should be closed given the resolution of the rate issues in that case. On August 19, 2004, OCA filed a response that supported Verizon concerning the closure of the current case.

On November 23, 2004, the PUC entered an order that rejected the Verizon petition for reconsideration and affirmed its earlier order. On January 18, 2005, the PUC issued an order resolving additional questions raised by parties in the proceeding. The PUC denied the request of the long distance companies to require retroactive access reductions. The PUC agreed with the OCA request that changes being considered at the FCC concerning InterCarrier Compensation must be reviewed in order to determine what effect this may have on this case.

On June 8, 2005, the OCA filed extensive direct testimony in this proceeding. OCA argued against any further immediate reduction in access charges and increases in local rates, but offered an alternative plan that would gradually reduce Verizon access charges over a five year period.

On December 7, 2005, the ALJ issued a Recommended Decision (RD). The RD would require Verizon to reduce its access rates to intrastate levels within 1-2 years. The RD also required that all of the first $1.50 of rate increases come from Residential customers. Further, the RD exempted all competitive rates that generate access charges from any obligation to pay for the reduced access rates.

The OCA filed a number of exceptions to the RD. OCA argued that the PUC should not require rate increases to fund further intrastate access reductions until the FCC completes its ruling on Intercarrier Compensation reform (ICC). FCC action may result in some federal funding in order to assist in access rate reductions.

Further, OCA argued that the PUC should spread the cost of access reductions over all lines that produce access reductions. In this manner, the cost of access reductions will not be concentrated on a smaller number of lines for basic residential and small business services. OCA argued that all lines should share equally in paying for the access rate reductions. At the end of the Fiscal Year, this case was pending before the PUC.

Investigation Regarding Intrastate Access Charges and IntraLATA Toll Rates of Rural Carriers, and the Pennsylvania Universal Service Fund, Docket No. I-00040105. As discussed in last year’s Annual Report, in an Order issued on December 20, 2004, the PUC considered revising
the intrastate access charges of the non-Verizon/rural telephone companies. The OCA had agreed to a settlement with Sprint and the Rural Telecommunications Carrier Coalition (RTCC) that resulted in local rate increases in order to reduce access charges. This settlement preserved an $18 per month cap on tariffed local exchange service. Companies that required revenues above $18 would obtain that money from the state Universal Service Fund (USF) which is funded by all Pennsylvania telecommunications companies. The PUC was considering whether this type of USF should continue or be modified and whether additional access reductions were appropriate.

On May 23, 2005, the OCA, RTCC, and Office of Trial Staff filed a Motion to defer this investigation until after the FCC ruled on intercarrier compensation issues. The Motion emphasized that changes in a state order on intrastate access charges will likely be required as a result of any FCC order, and the Pennsylvania rural companies will likely benefit through additional funding resulting from FCC action. On June 8, 2005, the ALJ denied the Motion.

By order entered August 8, 2005, however, the PUC granted interlocutory review and allowed the OCA and other moving parties a stay of the proceeding. The stay is for 12 months or until the FCC issues an order and opinion in the pending Intercarrier Compensation period, whichever comes earlier. The PUC Order set forth specific issues to be addressed and developed on the record, at the end of the stay. In the absence of FCC action or grant of an extension by the PUC, the stay was set to expire in August 2006. At the end of the Fiscal Year, this case was pending before the PUC.

FCC Intercarrier Compensation – Workshop and Solicitation of Comments on Missoula Plan, Docket No. M-00061972. As part of the PUC’s analysis and consideration of the Missoula Intercarrier Compensation Reform Plan regarding various intercarrier compensation issues, the PUC solicited detailed input from interested members of the public regarding the Plan. The Plan currently being considered by the FCC seeks to unify intercarrier charges for the majority of lines and move intercarrier rates charged for all types of traffic closer together. The Plan contains provisions that affect matters that are under the jurisdiction of the PUC such as the setting of intrastate access charges.

The OCA submitted Comments and Reply Comments to the PUC as part of their review of the Plan and made a presentation at the PUC’s workshop. The OCA highlighted issues which the OCA believes should be raised by the PUC in their Comments to the FCC. The matter was pending at the FCC at the close of the Fiscal Year.

Chapter 30 (Act 183) Related Proceedings

rates annually by $16,765,000. This was an amount allowed under the new Chapter 30 formula that permits Verizon to raise its rates each year in an amount equal to the rate of inflation minus 0.5%. The Verizon PA filing proposed to increase dial tone line and other non-competitive rates for residential and business services by $15,535,000. Verizon PA proposed to track or bank the remaining $1.2 million annual increase based on a proposed banking methodology.

Based on Verizon North’s price stability mechanism, as revised under Act 183, Verizon North calculated it would be allowed to increase rates annually by $3,257,000. The Verizon North filing proposed to increase dial tone line and other non-competitive rates for residential and business services by $3,188,000. Verizon North proposed to track or bank the remaining $69,000 annual increase based on a proposed banking methodology.

OCA filed a formal complaint against both filings on January 10, 2006. OCA alleged that the Companies were proposing to collect an increase earlier than allowed under their Chapter 30 Plan and utilized an improper banking mechanism of the uncollected balance. OCA requested that the PUC resolve the contested issues prior to allowing the proposed rate increases to take effect.

By Order entered March 22, 2006, the PUC allowed Verizon to implement the rate increase, subject to the complaints filed by OCA and OSBA. The PUC held that Verizon’s filing appeared to comply with its Chapter 30 Plan and Act 183. The PUC accepted Verizon’s banking methodology as a modification to the Verizon Chapter 30 Plan. The PUC allowed Verizon to mirror the banking provisions approved for United Telephone/Sprint, which restrict banked amounts to a four-year term.

On April 6, 2006, the PUC allowed the Verizon North rate increase to take effect, subject to the complaints filed by OCA and OSBA. As in the case of the Verizon PA filing, the PUC accepted Verizon North’s banking methodology and plan to bank a portion of the increase.

On April 24, 2006, the PUC allowed the formal complainants a hearing. OCA committed to continue as a party and monitor issues pursued by other parties such as the OSBA. The OSBA and Verizon have exchanged prefiled testimony and have waived hearings. The OSBA and Verizon will file briefs in support of their positions on the outstanding issues. The OCA will continue to monitor issues raised by the active parties. At the end of the Fiscal Year, these cases were pending before the PUC.

Filing and Reporting Requirements on Local Exchange Carriers, Docket No. M-00041857. As discussed in last year’s Annual Report, the PUC issued an order on April 15, 2005 that proposed revisions in the filings made by telephone companies under Act 183. The OCA filed Comments in response to that Order on May 3, 2005. The OCA contended that the PUC should maintain the Lifeline Tracking Reports consistent with the revised Lifeline rules in Act 183. The OCA also contended that LECs should file information with the PUC, as proposed by the FCC, in order to make certain that federal universal service funds are properly used. The OCA further contended that the PUC should clarify portions of its order concerning its authority over cramming and slamming, and continue to require reports concerning service quality.
On June 2, 2005, the OCA filed additional comments and focused particularly on the need to continue requiring Lifeline reports. The OCA explained how the PUC considered Lifeline reports in the past as a type of “universal service report,” thereby qualifying as a required report pursuant to 66 Pa.C.S. § 3015(e)(5). The PUC had made recent changes to Lifeline eligibility and the OCA argued that it would make sense to continue to monitor enrollment to consider the effect of these changes.

On December 30, 2005, the PUC entered an order that continued to require LECs to file Lifeline reports. The PUC adopted the OCA argument that § 3015(f)(1)(i) and (ii) requirements for filing certain reports support the filing of Lifeline reports. The PUC found that the reports relate to rates and are also important in order to determine whether the Lifeline related requirements are being enforced under Chapter 30. Further, the PUC found that the benefits of the reports substantially outweigh the minimal burden of preparation.

The PUC directed staff to streamline the Lifeline report format. On February 24, 2006, OCA staff met with members of the Bureau of Consumer Services to address what information should still be required in future reports.

Rulemaking Re: Section 3015(f) Review Regarding Lifeline Tracking and Other Reports, Docket No. M-00051900. On October 5, 2005, the PUC entered a Tentative Order regarding a section 3015(f) review of certain reporting requirements for local exchange carriers. In the Tentative Order, the PUC directed that further review of certain reporting requirements be conducted to determine whether Lifeline tracking reports and the accident and service outage reports can be required. The OCA filed Comments in response to the Tentative Order contending that the public benefit of Lifeline services is very high compared to the burden of preparing the Lifeline tracking report. The OCA also commented that the service outage reporting requirement is important to ensure reasonable, adequate and reliable utility service consistent with the Public Utility Code. The PUC entered an Order on December 30, 2005 finding that the Lifeline tracking reports and the service outage reports meet the standards prescribed by Section 3015 and will continue to be required. The Commission found that accident reports are no longer required.

Proposed Rulemaking for Revision of Chapter 63 of Title 52 Pa. Code Pertaining to Regulation of Interexchange Telecommunications Carriers and Service, Docket No. L-00050170. The PUC opened a rulemaking by Order entered March 29, 2005 to revise regulations governing intrastate interexchange carriers (IXCs) consistent with Act 183. OCA filed comments on January 17, 2006 and reply comments on February 1, 2006. OCA recommended changes to the draft regulations to clarify that while Chapter 30 took away the PUC’s authority to fix the rates charged by intrastate IXCs, the Act still preserved the PUC’s authority to regulate the provision of service.

IRRC issued comments on the final rulemaking which noted that further clarification is needed. The OCA was awaiting a final ruling by the PUC in the rulemaking as of the end of the Fiscal Year.

Chapter 30 plan that was recently revised in December 2004 pursuant to Act 183. Commonwealth proposed changes to provisions regarding notification, reporting, cost recovery and consideration periods. The OCA filed an Answer to the Company’s Petition on December 14, 2005 arguing that Commonwealth’s cost recovery proposal was premature and opposing certain of the changes in notice procedures. On February 10, 2006, the PUC adopted an Order approving Commonwealth’s Petition.

**Additional Telecom Cases**

**Development of an Efficient Loop Migration Process**, Docket No. M-00031754. As discussed in last year’s Annual Report, the OCA filed testimony on December 23, 2004 concerning how a customer of a competitive local exchange carrier (CLEC) that provides competing service by leasing portions of Verizon’s network, known as UNE-P, would be transferred to the competitor’s service that is not provided via UNE-P. The OCA was concerned that, as the UNE-P method of providing competitive service may be terminated or repriced at higher rates, large numbers of residential customers may encounter problems having their competitive service migrated from UNE-P to non-UNE-P service.

OCA’s testimony raised concerns that allowing Verizon to take 26 days to transfer a customer receiving service from a competitor through UNE-P to the competitor not using UNE-P may unreasonably delay the transfer process and frustrate consumers that wish to establish new service. The testimony also proposed that the PUC should require Verizon to follow through on its offer that it would continue to allow CLECs to use a UNE-P like service during this transition period. Further, the testimony opposed Verizon’s attempt to raise charges for the loop migration process above those that had earlier been developed by the PUC in a recent proceeding. Hearings were held in March 2005.

The OCA was able to agree on a settlement with the other parties that required Verizon to notify the OCA in the event that a customer loses service as a result of a transfer from UNE-P service to non-UNE-P service. On May 5, 2005, ALJ Chestnut approved the settlement of this issue and recommended it for approval by the PUC.

On April 13, 2006, ALJ Chestnut issued a decision on other issues raised by other parties in the case. Verizon filed exceptions to that decision on May 22, 2006. The OCA filed reply exceptions on May 31, 2006 which supported the ALJ’s determination. At the end of the Fiscal Year, this case was pending before the PUC.

**Generic Investigation Regarding Virtual NXX Codes**, Docket No. I-00020093. As discussed in last year’s Annual Report, on October 8, 2002, the PUC initiated an investigation of assigning telephone numbers to a customer in an area where the customer is not physically located, referred to as virtual NXX codes. The OCA filed Comments on November 18, 2002.

The OCA explained in those Comments that it was concerned with the proliferation of NXX codes in Pennsylvania and the effect that this may have on the addition of further area codes in Pennsylvania. However, the OCA cautioned that the best way to meet this concern was not to
prohibit the use of virtual NXX codes. OCA explained that prohibiting virtual NXX codes may inhibit competitors’ opportunity to expand local calling areas to the benefit of consumers. The use of virtual NXX codes also appeared quite similar to the incumbents’ offering of foreign exchange service, which has been an accepted telephone service for many years. Further, such a prohibition may be difficult to enforce. OCA participated in a presentation to the Commission staff on February 26, 2003 summarizing these points. OCA filed similar Reply Comments on March 13, 2003.

On February 9, 2004, the ALJ filed her Investigation Report that cited with approval many of the arguments made by the OCA in this proceeding. The ALJ generally reiterated many of the arguments posed without recommending specific actions. On May 19, 2004, the PUC issued an Order in this case. The PUC indicated that it would receive further recommendations from the Law Bureau on this issue and would later issue an order concerning other policy changes that it might require.

On April 18, 2005, the OCA filed Further Comments in this proceeding. On October 14, 2005, the Commission entered a Policy Statement declaring the use of virtual NXX codes to be lawful in Pennsylvania. The Commission further deferred any further determination on the use of virtual NXX codes until the resolution of the FCC’s intercarrier compensation proceeding.

Petition for Appeal From Action of Staff Filed by the Pennsylvania Telephone Association, Docket No. M-00031772. On December 17, 2002, OCA filed a letter requesting access to certain telephone company service records in accordance with the PUC regulations. By letter of December 3, 2003, PUC Secretary McNulty determined that the OCA should be given access to such records. On January 9, 2004, PTA appealed this determination.

On December 6, 2005, the PUC ruled that the OCA would not have access to company service complaint data, but would be permitted to review company exceptions reports where service was found to violate PUC regulations. The OCA requested such exceptions reports in accordance with the order, but did not receive them.

On June 15, 2006, the PUC Secretary asked Verizon to identify the reports which it had filed for the purpose of providing them to OCA. Verizon responded with a Motion for Protective Order and request for waiver of the public access provisions of the regulations. OCA filed an Answer to the Verizon Motion. The OCA has argued that the reports should be public and that the question was previously resolved by the PUC in the 2005 Order. As of the end of the Fiscal Year, this matter was awaiting resolution by the PUC.

Petition of the Office of Consumer Advocate for a Rulemaking to Amend 52 Pa. Code Chapter 63 (Relating to Telephone Service), Docket No. P-00021985. OCA filed this petition to update Pennsylvania’s telephone service quality regulations with the PUC on October 2, 2002. The OCA contended that certain service quality standards are not strong enough and others simply incorporate outdated standards. By Order entered February 13, 2006, the PUC acknowledged the merit of a review of the existing regulations. In light of the passage of time since the OCA filed its initial petition and supporting comments, however, the PUC requested updates and supplemental comments from the OCA and other interested parties.
OCA filed extensive comments with the PUC on April 18, 2006. The OCA Comments addressed the need for new service quality standards based on the variety of technologies used to provision telephone service and the need to preserve or strengthen existing service quality standards. The PUC has not yet acted on the Comments filed.

Service Electric Application Cases, Docket No A-310651F00002AMA-AMG. On September 23, 2005, Service Electric Telephone Company filed an Application seeking approval to expand its facilities-based competitive local exchange service into the territory of seven rural local exchange companies in Pennsylvania. Those rural telephone companies filed formal Protests in response to the Application. The OCA formally intervened into the proceeding before the Commission on December 16, 2005 to monitor the proceeding and protect the interests of Pennsylvania’s telecommunications users. Ultimately, all of the parties were able to reach a settlement of the outstanding contested issues. On June 7, 2006, Service Electric filed an Amendment to its Application incorporating the provisions of that Settlement. The Settlement was approved by the Commission.

Petition of Verizon Pennsylvania and Verizon North, Inc. for Partial Waiver of Commission’s Customer Deposit Calculation Regulation, Docket Nos. P-00052180 and P-00052181. On August 23, 2005, Verizon and Verizon North filed a Petition with the PUC seeking a waiver of customer deposit calculation requirements set forth in Section 64.36 of the PUC’s regulations. The OCA filed an Answer to the Petition on September 12, 2005 contending that the petition should be modified to limit the calculation of the maximum deposit determination based on the average of basic service charges, and not based on total basic and toll service charges as Verizon proposed. The OCA had no opposition to the other modifications in the Petition. By Order entered December 6, 2005, the Commission agreed with the OCA and granted the Petition with that modification.

**Federal**

**FCC Proceedings**

In the matter of Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, CC Docket No. 02-33. As discussed in last year’s Annual Report, on May 3, 2002, the OCA filed comments concerning the FCC’s proposal to redefine high speed Internet access over the telecommunications network as an information service, rather than a telecommunications service.

OCA contended that redefining this service as an information service would likely reduce the amount of competition in the telecommunications area for this service. Presently, the incumbent local exchange carriers, known as ILECs, must offer their equipment to competitors in order to offer competitive services in this area. Redefining this service as an information service would likely eliminate this competitive opportunity.

The OCA filed Comments along with other NASUCA offices from Maine, Maryland, Ohio, California, Connecticut and New Hampshire. In these Comments, the OCA advocated that
wireline broadband Internet access services should not be declared an information service because such a determination would limit the FCC’s ability to achieve important Congressional and FCC goals. The OCA also argued that such a classification would inhibit the unbundling of network elements, thus making competition more difficult, and also remove basic public protections and state commission authority. The OCA also submitted an alternative method of allocating the cost of wireline broadband Internet access services between intrastate and interstate services. Finally, the OCA cautioned that a reclassification of wireline broadband Internet access services would jeopardize existing universal service funding obligations and thus jeopardize the universal service system. The OCA filed similar Reply Comments. The FCC stated that it would take up many of these issues in a general Notice of Proposed Rulemaking regarding various Voice Over Internet Protocol issues.

On September 23, 2005, the FCC issued its order in this proceeding and ruled that DSL services would no longer be considered as common carrier services under Title II of the Communications Act. This will remove many regulatory requirements under FCC authority.

Petition of the Verizon Telephone Companies for Forbearance under 47 U.S.C. § 160(c) from Title II and Computer Inquiry Rules with Respect to Their Broadband Services, Docket No. 04-440. As discussed in last year’s Annual Report, on December 22, 2004, Verizon filed a petition with the FCC to eliminate all Title II Common Carrier requirements concerning its broadband services. OCA is concerned that this may restrict the open access that consumers currently enjoy on the Internet.

The ability to access content of their choice and broadly use Internet applications is an important benefit of Internet use. If the Verizon petition is granted, the OCA contended this opportunity may be restricted. This may take place particularly with regard to the consumers’ ability to access Voice over Internet Protocol, or VoIP, competing telephone service providers over their broadband connections.

OCA filed comments on behalf of NASUCA on February 8, 2005 and Reply Comments on March 10, 2005 to preserve these policies of nondiscrimination for consumers.

Verizon later limited the relief sought to high speed business services. FCC granted Verizon the more limited relief sought in the subsequent petition.

Developing a Unified Intercarrier Compensation Regime, Docket No. CC Docket No. 01-92. As discussed in last year’s Annual Report, on December 14 and 17, 2004, the OCA made filings in this proceeding on behalf of NASUCA in response to a filing made by the Intercarrier Compensation Forum (ICF). The OCA also made presentations to the FCC Wireline Competition Bureau and four of the FCC’s Commissioners’ offices on December 16, 2004.

Generally, the OCA responded to the ICF proposal and explained that: it was not necessary to eliminate all intercarrier compensation rates by state and federal authorities; a phased reduction over a number of years was more appropriate; and the FCC should not preempt state jurisdictions concerning intrastate access charges. OCA advocated that it was more appropriate to use the existing ratemaking and universal service mechanisms rather than new surcharges that would be placed upon consumer bills.
On March 3, 2005, the FCC issued its Order seeking comments concerning Intercarrier Compensation. NASUCA filed its Comments on May 23, 2005. NASUCA advocated for a phase down, but not elimination, of Intercarrier Compensation. NASUCA argued that the FCC should not attempt to preempt state authority over intrastate access charges and that carriers can recover lost revenues through existing mechanisms without requiring rate increases.

On July 18, 2006, a coalition of telecommunications carriers under the auspices of the National Association of Regulatory Utility Commissioners Task Force on Intercarrier Compensation submitted the Missoula Intercarrier Compensation Reform Plan to the FCC. The sponsors of the Missoula Plan contend that they have submitted a comprehensive approach that unifies intercarrier compensation charges for the majority of lines, and moves all intercarrier rates charged for all traffic closer together. The FCC has solicited comments and reply comments on the Missoula Plan due October 25, 2006 and December 11, 2006, respectively in the context of the FCC’s Intercarrier Compensation proceeding at this docket. The OCA is working with NASUCA in drafting Comments as part of that proceeding.

**IP-Enabled Services**, WC Docket No. 04-36. As discussed in last year’s Annual Report, the OCA, as part of NASUCA, filed extensive comments with the FCC concerning IP enabled services or Voice Over Internet Protocol (VOIP) services. NASUCA did not advocate that such VOIP services should be subject to economic regulation by the FCC. However, NASUCA advocated that many other consumer protections should be offered for VOIP services. Such services can be considered as telecommunications services and in many cases are sold as such. VOIP should offer 911 as do other services. Privacy protections should also be maintained - including Caller ID blocking. It is particularly important that, as established incumbents such as Verizon convert their existing services to Internet Protocol, that those services not be wholly deregulated as a result. The FCC has not yet acted in this proceeding. **E911 Requirements for IP-Enabled Service Providers**, WC Docket No. 05-196. As discussed in last year’s Annual Report, on June 3, 2005, the FCC issued an order in this docket that would require IP service providers to provide e911 service within 120 days of publication. As noted above, NASUCA has contended that VoIP providers must offer e911 service.

The OCA worked with NASUCA to draft comments in this proceeding. NASUCA supported the FCC recommendation and advocated that the authority to require such service provision is best determined as a matter of Title II common carrier jurisdictional authority.

**In the Matter of Consumer Protection in the Broadband Era**, WC Docket No. 05-271. The FCC issued a Report and Order and Notice of Proposed Rulemaking (NPRM) on September 23, 2005 seeking comments on how to establish a new regulatory framework for broadband Internet access services offered by wireline companies. OCA led in the development and filing of NASUCA comments advocating that the FCC adopt certain consumer protection standards for these services and providers. These standards would include non-discrimination on broadband networks, protections of consumers’ expectations of privacy, additional funding for broadband service availability, and other consumer protections. NASUCA filed comments on January 17, 2006. OCA coordinated the preparation of NASUCA Reply Comments which were filed on March 1, 2006. The FCC has not yet acted in this proceeding.
In the Matter of Telephone Number Portability, CC Docket No. 95-116. On March 31, 2006, AT&T Inc. filed a petition with the FCC seeking authority to recover costs incurred by certain AT&T (formerly SBC) local exchange companies. AT&T asked for permission to treat costs of implementing long-term number portability as exogenous costs and so eligible to collect through future rates charged to end users. AT&T calculated its under-recovered costs at $211 million. Verizon filed comments with the FCC asking for similar authority to recover $100 million from all Verizon local exchange customers (including Pennsylvania consumers).

The FCC set a 7-day period for comments and 4-day period for reply comments. OCA prepared and filed on behalf of NASUCA reply comments. NASUCA asked the FCC to deny AT&T recovery of these costs.

The FCC ruled in favor of AT&T’s petition, allowing recovery of these number portability costs from local service customers through the subscriber line charge. The FCC rejected the arguments of NASUCA that opposed AT&T’s request. Following the FCC ruling, Verizon Communications filed a similar request for authority to increase subscriber line charges for Verizon PA customers to recover similar, past implementation costs. An appeal of the FCC Order by the New Jersey Office of Ratepayer Advocate is pending.

In the Matter of Telecommunications’ Carriers Use of Customer Proprietary Network Information (CPNI) and Other Consumer Information, CC Docket No. 96-115. The FCC issued a Notice of Proposed Rulemaking (NPRM) on February 14, 2006 asking for comments on whether existing regulations to protect the privacy of consumer information should be expanded. The FCC’s CPNI regulations apply to both wireline and wireless carriers. OCA contributed to NASUCA Comments filed on April 28, 2006 in support of the need for improved FCC regulations. OCA also contributed to NASUCA Reply Comments filed on June 2, 2006.

**Legislative Testimony**

On May 18, 2006, Senior Assistant Consumer Advocate Philip McClelland testified before the U.S. Senate Commerce, Science, and Transportation Committee on behalf of NASUCA. Mr. McClelland addressed pending federal legislation sponsored by Senators Stevens and Inouye that would reform the federal Universal Service program, and advance telephone competition and broadband deployment. Mr. McClelland pointed to the need to preserve stable funding for universal service support, to promote broadband deployment subject to clear funding limits, and to maintain the right of consumers to use broadband services in a network that is open and neutral to consumers and content providers.
WATER

Base Rate Proceedings


Public input hearings were held on February 27, March 1 & 2, 2006. The OCA submitted testimony by four experts recommending that the PUC allow no more than a $10.1 million increase in revenues. After rebuttal and surrebuttal testimony was filed, the parties reached a full settlement of all issues. The settlement proposed additional total annual operating revenues of $24.9 million, instead of the $38.8 million increase that the Company initially proposed. This represented an overall increase of 9.2% instead of the proposed 14.4% increase. Further, the Company agreed not to file a request for another general water rate increase before November 18, 2007, which provided some degree of rate stability for Aqua PA’s customers.

Under the terms of the settlement, the Company acknowledged that its purchased water costs have increased at a faster rate than the average rate of increase in its overall operating and maintenance expenses due to increases in the rates of the municipal systems from which it purchases water. The Company agreed to assess its use of purchased water as a reliable, cost-effective source of supply versus other feasible alternatives. In this regard, the Settlement specifically provided that the Company will use its best efforts to minimize the cost of water it purchases to meet its customers’ needs and to pursue alternative sources of supply where doing so is feasible and cost-effective.

The Company also agreed to reduce its proposed increase in the customer charge for its Main Division customers. In its filing, the Company proposed a monthly charge of $12, but agreed to set the charge at $11.50, the rate recommended by the OCA.

With respect to its customers in Midway Manor in Luzerne County, where water service quality has been an issue, as evidenced by customer testimony at the Shavertown Public Input Hearing, the Company agreed to defer imposition of the Settlement rates until the completion of service improvements to address the complaints of customers at the public input hearing, or until November 1, 2006, whichever is later.

The PUC approved the Joint Petition for Settlement without modification by Final Order entered July 20, 2006.

OCA filed a Complaint against the proposed tariff on February 8, 2006. Formal Complaints or Notices of Appearance were filed by the Office of Trial Staff (OTS), the Office of Small Business Advocate (OSBA), Verdelli Farms, Inc. (Verdelli) and one customer, James A. Ream. More than 135 customers filed letters of protest against the rate increase. By Order adopted and entered on March 16, 2006, the Commission suspended the proposed effective date of Tariff Water – Pa. P.U.C. No. 7 to October 30, 2006, and instituted an investigation into the reasonableness of the proposed rates.

Public input hearings were held on May 2, 2006 and May 4, 2006, in Mechanicsburg and Kingston Township, PA, at which time five UWPA customers testified. The parties were able to reach a Settlement that was submitted to the ALJ on May 25, 2006.

The proposed Settlement provided for an annual revenue increase of approximately $5.9 million, or 24.9%. The rate design provided for in the Settlement was better overall for the customers than the Company’s original proposal.

The impact on a typical residential customer using 5,000 gallons of water per month is as follows:

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<th>Main Division</th>
<th>Center Square Division</th>
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<td>Current Rates</td>
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<td>$16.25</td>
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<td>Proposed Rates</td>
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<tr>
<td>Settlement Rates</td>
<td>$34.18</td>
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The settlement provided for a significantly lower customer charge from that originally proposed by the Company in its filing. A customer charge of $8.50 allows lower-usage customers to avoid an even greater percentage increase in rates than they would have experienced with UWPA’s proposed customer charge of $9.46.

A substantial amount of the increased revenues sought by the Company was related to the costs of construction of a new Hummelstown water treatment plant. The Settlement prohibited UWPA from charging new (higher) rates until the Company certified to the Commission that the new Hummelstown plant is providing service to customers. At this time, the Company projects that the new plant will be in service by September 30, 2006.

The proposed Settlement also prohibited the Company from proposing another general rate increase for twenty months. Accordingly, if the Hummelstown treatment plant was operational on September 30, 2006, UWPA could not file another general rate increase before June 1, 2008. Thus, UWPA’s ratepayers will be assured of some level of rate stability.

The rates contained in the proposed Settlement would substantially mitigate the increase experienced by customers in the Center Square Division. The Center Square service territory was acquired by UWPA in February 2000. As part of the Order approving the acquisition, the Company agreed to maintain the current level of rates charged to customers, which were a $4.50 customer charge and $2.35 per thousand gallons of water volumetric charge per month. In its original filing, UWPA proposed to increase rates for the Center Square customers to the
Main Division rates. Under the proposed Settlement, rates for Center Square customers would increase by only half the amount proposed by UWPA. Thus, while the Settlement helped to move customers in the acquired Center Square territory toward Main Division rates, it did so more gradually than UWPA’s initial proposal.

The proposed Settlement reduced the amount currently charged for the Company to test water meters for accuracy and makes those rates consistent with the Commission’s regulations at 52 Pa. Code § 56.8(h). The Settlement also changed language contained in UWPA’s current tariff to clarify that water main extension design deposits are not charged to Bona Fide Service Applicants, which was consistent with Commission regulations at 52 Pa. Code § 65.21.

Also as part of the Settlement, the Company agreed to install back-up generation at its Market Street water treatment plant in Mechanicsburg, PA in response to the concern raised by a Fire Chief during the May 2, 2006 public input hearing.

The PUC approved, without modification, the Joint Petition for Settlement as in the public interest by Final Order entered July 20, 2006.

York Water Company, Docket No. R-00061322. On April 27, 2006, York Water filed a request to increase its current revenues by approximately 16.2% or $4.5 million. The OCA filed a Formal Complaint against the increase on May 19, 2006.

York Water serves an estimated population of 156,000 in York County. York sought to increase the average residential customer bill for 5,000 gallons of usage from $24.30 per month on the gravity system to $28.54 per month; and from $32.72 per month on the pumped system to $38.03. As of the end of the Fiscal Year, this case was pending before the PUC.

City of Bethlehem, Docket No. R-00050680. As discussed in last year’s Annual Report, on June 29, 2005, City of Bethlehem filed for additional annual revenues of $884,633, or 14.3%, from its 12,898 customers outside the City’s boundaries. The proposed revenue increase for inside customers was $1,477,876. The City proposed to increase the customer charge from $6.50/month to $7.48/month, (15%), and the volumetric charge from $3.060/thousand gallons to $3.519/thousand gallons. Under the City’s proposal, the bill for a residential customer using 5,000 gallons per month would have increased from $34.80 to $40.04. The OCA filed a complaint against the proposed increase on July 21, 2005. The parties were able to arrive at an overall settlement of all issues presented by the rate filing. The City originally filed for a total revenue increase of $2,362,509, or approximately a 15% increase to the present water rates. As a result of extensive negotiations, the Joint Petitioners reached the following agreement:

● to permit a $1,600,000 total revenue increase, or approximately a 10.2% increase to present residential water rates;
● to allocate the proposed increase such that customer charges (the fixed charge that a customer pays every month for water service) would increase by approximately 8.8%, and consumption charges (the amount charged for the actual water used) would increase by approximately 10.8%, which will allow consumers greater control over their total bill by encouraging water conservation techniques;
● to not permit Bethlehem to file any new requests for a rate increase prior to June 29, 2007;

● to change the Line Extension rules in its tariff to reflect the Public Utility Commission’s latest regulations on Line Extensions, which benefits residential customers by possibly requiring a lower contribution from an individual customer for connection to the water system;

● to change the Deposit Requirements in its tariff from a potential 6-month deposit for some customers to a maximum 4-month deposit requirement, which benefits customers by requiring less of an up-front payment for access to the water system;

● to clarify the term “late” as it is used in the tariff so customers can more readily understand payment and disconnection policies; and

● to make applications for water service available on the City’s Web Site, which will allow customers to download the application form instead of having to go to the City’s offices to procure an application form.

The impact of the Settlement on an average residential customer with a 5/8 meter, using 15,000 gallons of water per billing period (3 months) would be as follows:

| Current Charges | = $65.40 |
| City’s Proposed Charges | = $75.23 |
| Agreed-To Charges | = $72.06 |

The Office of Consumer Advocate supported the terms and conditions of the Settlement as in the public interest and, along with the other signatories, requested approval through the Joint Petition for Settlement of Rate Investigation on November 17, 2005. The PUC approved the settlement in its entirety and without modification on December 8, 2005.

Newtown Artesian Water Co., Docket Nos. R-00050529 and P-00052161. As discussed in last year’s Annual Report, on June 30, 2005, Newtown Artesian Water Company filed a request with the PUC to raise rates charged to customers for water service and requested an opportunity to earn an additional $662,318 (15.5%) in annual revenues. Under the Company’s request, rates for the average residential customer using 16,000 gallons of water per quarter would have increased from $70.58 to $84.09, or by 19.4%. Rates for the average residential customer using 15,000 gallons of water in the Indian Rock Rate Area would have increased from $87.00 to $97.36 per quarter, or by 10.65%. The OCA filed a Formal Complaint on July 25, 2005.

In the rate filing, the Company attempted to use deferral cost accounting and amortization for several abandoned development and expansion projects, without Commission Approval. As discussed in last year’s Annual Report, the Company had petitioned for Commission approval for this deferral cost accounting at Docket No. P-00052161. The OCA filed an answer in that proceeding requesting that the PUC reject the Petition because Commission approval of the Petition would constitute impermissible single-issue and retroactive ratemaking. Moreover, NAWC had failed to show that the proposed 10 year amortization period was justified and that the traditional basis for a PUC grant of deferral accounting exists. The OCA also argued that the Commission must not guarantee to NAWC the recovery of the deferred costs, the justness
and reasonableness of which must be proven in a separate base rate proceeding. On October 27, 2005, the Commission adopted the OCA’s alternative argument by ruling that NAWC was permitted to use deferred cost accounting and amortization, but that such approval applied only for accounting purposes and could not be construed as a determination for ratemaking purposes.

A public input and four mediation sessions were held in the rate case. During the course of the mediation, the OCA conducted extensive formal and informal discovery. Through the OCA’s investigation, the OCA concluded that significant errors existed in the Company’s initial filing. Ultimately, the parties reached a settlement and on November 18, 2005, submitted a joint petition for approval of settlement to the presiding officer. The settlement proposed an increase of the Company’s total annual operating revenues of $180,000, or 4.2%, instead of NAWC’s initially proposed increase of 15.5%. Additionally, following Commission approval of the joint settlement, NAWC would be prohibited from filing another general rate increase for another 18 months.

On December 20, 2005, the ALJ issued a recommended decision in which he recommended approval of the settlement. On January 13, 2006, the PUC adopted the Recommended Decision.

City of Lancaster – Sewer, Docket No. R-00049862. As discussed in last year’s Annual Report, on November 15, 2004, the City of Lancaster – Sewer filed for a rate increase of $650,465, or 54.5%. The OCA filed a formal complaint on behalf of customers from outside the City, whose rates are regulated by the PUC. The OCA filed testimony addressing accounting issues and an issue related to the allocation of costs for the City’s storm water and wastewater lines. The OCA’s final position was that the Lancaster rate increase request should be denied in its entirety, based on all of the OCA accounting adjustments and using the overall rate of return awarded by the PUC in the Sewer Fund’s last rate increase request.

On June 28, 2005, the Recommended Decision recommended rejecting the City’s proposed Supplement No. 31 because the rates contained therein were not just and reasonable or otherwise in accordance with the Public Utility Code and applicable regulations. The R.D. further recommended that the Commission issue an Opinion and Order directing the City to file a tariff allowing for recovery of no more than $83,026 in additional base rate revenue. While the ALJ did not adopt every one of the OCA’s adjustments, the OCA supported the overall outcome contained in the R.D. and many of the specific determinations made therein including adoption of the OCA’s allocation adjustment. However, in response to the R.D., the City filed extensive Exceptions regarding a multitude of issues. As such, the OCA filed Reply Exceptions on July 28, 2005.

On August 11, 2005, the Commission adopted an Opinion and Order in this matter. The Commission’s Order adopted each issue that the OCA contested in the proceeding. The City filed an appeal of the Commission’s final order. The OCA intervened and supported the Commission’s Order before Commonwealth Court.
Oral argument was held before Commonwealth Court on April 3, 2006. The appeal was still pending as of the end of the Fiscal Year.

**Wonderview Water Company**, Docket No. R-00050659. As discussed in last year’s Annual Report, on June 6, 2005, Wonderview Water filed a request to increase its annual revenues by $13,745, or 23.08%. Under the Company’s present rates, the average residential customer would see an increase from $33.32 to $41.01 per month. The Company serves 150 residential customers in a portion of Main and Catawissa Townships, Columbia County. The OCA filed a formal complaint on August 5, 2005. The OCA’s consulting engineer conducted a site visit of the operations. The parties conducted numerous settlement negotiations which resulted in a settlement among the parties. The settlement proposed an increase of $8,800 (14.78%) rather than $13,745 as originally proposed by the Company. The impact on a customer’s bill would be an increase from $33.32 to $38.22 rather than $41.01 as proposed by the Company. The OCA’s accounting analysis showed that this amount was within a range of outcomes if we litigated the case. In addition, the Company agreed not to file another case any earlier than 18 months after the PUC approved the increase proposed in the settlement. The Company also agreed to modify its affiliated interest agreement in response to issues raised by OCA and OTS. The ALJ issued a recommended decision on January 24, 2006 recommending approval of the settlement. On March 6, 2006, the PUC adopted the settlement.

**Glendale Yearound Sewer Company**, Docket No. R-00050607. As discussed in last year’s Annual Report, on June 30, 2005, Glendale Yearound Sewer Company filed a request to increase its annual base rate revenues by $90,302, or 38.92%. Under the Company’s proposal, the proposed rates would increase from $62.70 to $87.06 per quarter for the average residential customer. The Company serves 1,364 customers in portions of White and Chest Townships, Cambria County. The OCA filed a formal complaint on August 5, 2005.

A public input hearing was held in the service territory on November 15, 2005 at which time eleven people testified. The testimony was very helpful to OCA in identifying issues to be addressed by the settlement. After extensive negotiations, the parties were able to reach a settlement that addressed additional revenues, and a tariff issue raised by numerous customers. The proposed increase was lowered from $90,302 to $49,951 (from 38.9% to 21.53%). The impact on a customer was an increase from $62.70 to $76.32 rather than $87.06. The settlement also addressed billing issues that were raised by customers. A number of customers have multiple lots within the service territory. Some of those customers may be able to take certain steps to qualify for one usage rate. The Company agreed to send a letter to those customers to explain the tariff provisions and how the customer can qualify for one usage rate under the Company’s tariff. Based on the OCA’s site review, it was clear that the Company expects to add capacity at its wastewater treatment plant. The OCA is concerned that the small customer base would not be able to support the additional costs related to that capacity. The Company agreed to reevaluate its needs for additional capacity at the wastewater treatment plant and forward its evaluation to the OCA and OTS. The ALJ recommended approval of the settlement and the PUC approved it by entry of an order dated February 2, 2006.

**Pocono Waterworks Company, Inc.,** Docket No. R-00050673. As discussed in last year’s Annual Report, on June 30, 2005, Pocono Waterworks filed a request to increase its annual
base rate revenues by $18,370, or 28.93%. Under the Company’s request, rates would increase from a per fixture flat rate to about $50 per month. The Company serves 171 customers in Hamlin, Salem Township, Wayne County. The OCA filed a formal complaint on August 30, 2005. A public input hearing was held in the service territory. The parties were able to reach a settlement that addressed a number of service issues as well as the Company’s proposed rate design. On April 10, 2006, the ALJ recommended approval of the settlement. Five of the formal complainants joined the settlement. The ALJ noted that the testimony at the public input hearing addressed many service issues. He found that the settlement provisions addressed the Company’s service issues, communications with customers and a number of affiliate issues. The PUC entered an order adopting the Recommended Decision on May 19, 2006.

Mesco, Inc., Docket No. R-00050678. On July 5, 2005, Mesco filed a request to increase its annual base rate revenues by $48,300, or 76.65%. Under the Company’s proposal, the proposed rates would increase from $90 to $159 per quarter. The Company serves 175 residential customers in a portion of Monaghan Township, York County. The OCA filed a formal complaint on August 11, 2005. A public input hearing was held on October 19. On January 5, 2006, the parties submitted a settlement petition. The proposed settlement provided that Mesco could receive an increase of $15,000 (23.68%) when it retained an independent certified operator who will manage its system for the 18 month term proposed in the settlement. The impact on a residential customer’s rates would be an increase to $111.31, or 23.68% per quarter. If Mesco retained the independent certified operator, then it would be able to implement an additional revenue increase of $15,000. If Mesco met all of the conditions of the settlement and implemented a total annual revenue increase of $30,000, it would constitute an increase of approximately 47.34% over current revenues and the impact on a residential customer’s rates would be an increase to $136.61 per quarter.

The settlement also addressed a number of issues raised by the customers and identified by OCA during its investigation. Specifically, Mesco is required to make $3,000 per year available to the certified operator for maintenance of the plant and system. There is a 12 month stay out that begins when the latter of the rate approvals is implemented. The ALJ recommended approval of the settlement on January 24, 2006. On March 6, 2006, the PUC adopted the settlement.

Marietta Gravity Water Co., Docket No. R-00050814. On July 28, 2005, Marietta Gravity Water Company (MGWC) filed Supplement No. 52 to Tariff Water-PA. P.U.C. No. 4 proposing changes in rates designed to produce $114,000 or 18.2 % in additional annual water revenue. OCA and six customers filed complaints. One complaint contained a petition signed by approximately 120 people.

Public input hearings were held on December 14 in Marietta, PA, at which time 8 customers testified. The active parties participated in a number of mediations, conference calls, and discussions resulting in a Joint Petition for Settlement. The proposed Settlement provides for net annual revenue increase of no more than $88,062, or 13.8%. Specifically, the Company would be permitted to increase base rate revenues by $98,222, or 24.5%, and would decrease Pennvest charges by $10,159, or -4.3% In addition, the Company agreed to separate the
present and proposed Pennvest charges from present and proposed base rate revenues in its next rate filing. The impact on a customer using 12,000 gallons per quarter would be as follows:

<table>
<thead>
<tr>
<th>Current Rates</th>
<th>$108.03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Rates</td>
<td>$127.65</td>
</tr>
<tr>
<td>Settlement Rates</td>
<td>$122.70</td>
</tr>
</tbody>
</table>

Under the proposed Settlement, the Company cannot file another rate case before eighteen months from the entry date of a PUC order approving the settlement, assuring some level of rate stability.

The Settlement contained a number of provisions related to the service provided by MGWC. The Company agreed to provide its customer complaint log to the OCA and OTS on a quarterly basis during the time these rates are in effect. In addition, the Company agreed to provide its iron and manganese test results on the finished water on the same schedule. The Company agreed to conduct pressure and flow tests on designated hydrants within six months of the execution of this agreement. The Company agreed to give the Borough and Pioneer Fire Company notice of the tests and the results of the tests. MGWC shall conduct training and education sessions, regarding the hydrants, with Pioneer upon request by the Borough or Pioneer.

In addition MGWC agreed to review the color coding of the hydrants, and, where necessary, to repaint the hydrants to properly reflect the size of the main serving each hydrant. The repainting must be completed by August 31, 2006.

The parties also agreed to a number of provisions regarding the service provided to MGWC customers in York County. These customers are served using separate sources. The Company agreed to revise and clarify the water conservation/restriction notice to York County customers and to mail that revised notice as soon as possible. In addition, the Company agreed to study options for increasing storage capacity for the York County customers. The study will be provided to OCA and OTS within six months of the effective date of new rates. In addition, the Company agreed, starting in 2006, to regularly flush (two times per year) its mains used to serve its York County customers. The Administrative Law Judge recommended approval of the Settlement and on March 3, 2006, the PUC entered an Order adopting the Settlement.

**Meadows Sewer Company, Docket No. R-00050672.** On August 1, 2005, Meadows Sewer filed a request to increase its annual base rate revenues by $55,472, or 28.65%. Under the Company’s proposal, the average residential customers would see an increase from $89.26 per quarter to $114.75 per quarter. The Company serves 252 customers in a portion of Middlesex Township, Cumberland County. The OCA filed a formal complaint on August 11, 2005. The parties were able to reach a settlement of the issues. The proposed settlement provides for an increase of $23,800 or 12.3% rather than $55,465, or 28.6% as proposed by the Company. The impact on a customer is an increase from $89.26 to $100.20, rather than $114.75 as proposed by the Company. Meadows also agreed to file an affiliated interest agreement and investigate the feasibility of obtaining metered water usage data to be used for wastewater billing. Meadows will provide a report to the OCA within 90 days of the PUC’s order in this case.
Meadows also agreed that it will not file another rate increase request until at least 27 months after PUC approval of this rate increase. On February 21, 2006, the ALJ recommended approval of the settlement. On April 7, 2006, the PUC adopted the settlement.

City of Dubois – Bureau of Water, Docket No. R-00050671. On October 28, 2005, the City of DuBois filed for a general rate increase to the customers served outside its municipal boundaries. The City requested an increase in annual revenues of $129,349, or 36.4%. Under the City’s proposal, the impact on an average residential customer would have been an increase from $40.30 to $54.95 per month. The OCA filed a formal complaint, as did Sandy Township. Efforts to settle the case during mediation were not successful. The OCA filed rate of return and accounting testimony, recommending that the City receive no more than $91,163, or 25.65%.

The parties were able to reach a settlement at the start of the hearings. The proposed settlement was forwarded to the ALJ on July 7, 2006. The settlement provided for a revenue increase of no more than $92,000, or 25.88% increase to customers outside the City's boundaries. The settlement also provided for a decrease in the minimum allowance (from 3,000 to 2,000 gallons per quarter for residential customers) to begin a gradual reduction as approved by the PUC in the City’s last rate case. The impact on a residential customer using 10,000 gallons per quarter was an increase from $40.30 to $49.65, rather than $54.95 as proposed by the City. The proposed settlement also contained a two year stay-out to maintain a reasonable level of rate stability for the customers. The ALJ approved the settlement and on August 23, 2006, the PUC entered an order approving the new level of rates and other provisions in the settlement.

City of Lancaster-Water Fund, Docket No. R-00051167. On December 9, 2005, the City of Lancaster (City) filed Supplement No. 37 to Tariff Water-Pa. P.U.C. No. 6 to become effective February 14, 2006, containing proposed changes in rates, rules, and regulations calculated to produce $999,995 in additional annual revenues, a 13.7% increase in present rates for customers residing outside the City. On December 22, 2005, the OCA filed a formal Complaint against the proposed increase in rates. After discovery was completed, a Settlement was reached by all parties.

The Settlement provided for an increase of no more than $950,000. The City agreed that it will not file a water base rate case any earlier than twenty-four (24) months from the entry date of the Commission Order in this case. In future base rate case filings, the City agreed to submit supporting information required by the Commission’s then effective regulations that is consistent with the level of jurisdictional rate increase produced by the rate study completed by the City in support of its rate increase request. This condition benefits all stakeholders in that the additional information will alleviate the need for time consuming and costly discovery processes as to some areas of the case. In its next general base rate case filing, the City shall update the information contained in the Uniform System of Accounts Account No. 322 – Mains over 6” to reflect a proper allocation between jurisdictional and non-jurisdictional customers. This condition will allow the parties to accurately evaluate the City’s distribution system and assign costs accordingly. The impact of this Settlement on an average residential customer with a 5/8 meter, using 15,000 gallons of water per billing period (3 months) is:

Current Charges: $58.20
City's Proposed Charges $66.15
Agreed-To Charges $65.70

On May 16, 2006, the Administrative Law Judge recommended approval of the Settlement and on June 6, 2006, the PUC entered an Order approving it.

Clean Treatment Sewerage Co., Docket Nos. R-00061390 and C-20065904 et al. On March 17, 2006, Clean Treatment filed a tariff supplement to become effective May 17, 2006, which proposed to make customers responsible for purchasing, installing and maintaining individual grinder pumps. Rough estimates indicated that the cost to a customer to purchase and install would be approximately $5,000 to $6,000 each. Approximately 17 customers filed Formal Complaints, which were individually docketed as “C” dockets. The OCA filed a Notice of Intervention on May 31, 2006. At the Prehearing Conference the Company agreed to advise the ALJ within two weeks if it intended to withdraw its filing; if not, a procedural schedule would be set. On June 15 and 21, 2006, Clean Treatment filed two additional tariff supplements extending the effective date to February 15, 2007. On September 30, 2006, Clean Treatment held a customer meeting in its service territory. On October 12, 2006, the Company filed another tariff supplement suspending the proposed effective date of the tariff to August 14, 2007. Currently, the parties are waiting to learn if the Company will withdraw its filing or hearings will be scheduled.

Emporium Water Company, Docket Nos. R-00061297 and R-00061454. On March 29, 2006 Emporium Water filed two alternative supplements to reflect increased base rates. Supplement 20OR was based on an operating ratio methodology and would have increased annual revenues by $342,092(54.3%). Supplement No. 20RR was based on rate base/rate of return and would have increased annual revenues by $316,144(49.85%). At the same time, Emporium filed a petition requesting waiver of the PUC regulations to allow it to use an operating ratio to calculate its proposed revenues and rates. The PUC’s regulation on operating ratios, 52 Pa. Code § 53.54(b)(4), permits companies with annual revenues below $250,000 to propose the operating ratio methodology as an alternative in a base rate case. The OCA filed formal complaints in both dockets, as well as an answer to the Petition, opposing the waiver of the PUC’s regulation. On May 19, 2006, the PUC entered an order suspending the rate base/rate of return filing. The Commission subsequently entered an Order rejecting the operating ratio filing.

The OCA filed direct testimony recommending reductions in rate base, O&M, and overall rate of return, including use of the Company’s actual capital structure to fully reflect the low cost PennVest debt and a lower return on equity, consistent with the PUC’s order in the last Emporium rate case. As a result, the OCA recommended an increase of no more than $236,901. At the end of the Fiscal Year, this case was pending before the PUC.

Columbia Water Co., Docket No. R-00061496. On April 28, 2006, Columbia Water Company filed a request to increase its annual revenues by $519,500, or 15%. The OCA filed a formal complaint. The PUC initiated an investigation and at the end of the Fiscal Year, the case was pending before the PUC.
Miscellaneous Rate Proceedings

Petition of Pennsylvania-American Water Company For Approval To Implement A Tariff Supplement Establishing A Collection System Improvement Charge (CSIC), Docket No. R-00027982. As discussed in last year’s Annual Report, on November 26, 2002, PAWC filed a Petition to implement a surcharge of up to 5% to apply to its wastewater customers. The purpose of the surcharge was to enable the Company to collect the costs of infrastructure improvements from customers between rate cases, as they are able to do for water customers since the “Distribution System Improvement Charge” was approved in 1996. On December 10, the OCA filed a Formal Complaint against this proposed tariff change, asserting that there is no statutory authority for this CSIC. In contrast, the General Assembly amended the Public Utility Code in 1996 specifically to permit such a charge for water companies.

The OCA filed an Answer to the Petition asserting that the proposal should be denied because it constituted impermissible single-issue ratemaking and violated the rule against retroactive ratemaking. The OCA argued further that the Company had not shown that the increase it proposed was “just and reasonable” nor that ratepayer funding for accelerated wastewater infrastructure improvements was needed. The PUC suspended the filing on January 15, 2003. After testimony was filed, technical evidentiary hearings were convened on May 6, 2003 and public hearings were held in the Pocono Country Place and Lehman Pike territories on May 7-8, 2003. The active parties submitted Main Briefs on May 20, 2003 and Reply Briefs on May 29, 2003.

The OCA argued in brief that the General Assembly has permitted only water utilities, not wastewater utilities, to apply surcharges to recover return and depreciation on replacement plant placed into service between rate cases. The Pennsylvania Industrial Energy Coalition (PIEC) case decided by the Commonwealth Court and affirmed by the Supreme Court specified that capital costs associated with new plant should not be collected through surcharges and that Section 1307 of the Code should not be used to “disassemble the traditional ratemaking process.”

In a Recommended Decision issued July 2, 2003, the ALJ ruled that the PUC had statutory authority to permit the requested surcharge for wastewater systems and recommended approval of the CSIC. A Final PUC Order issued on November 7, 2003 accepting the ALJ’s recommendation to permit the surcharge. The OCA filed a Petition for Review with the Commonwealth Court on November 13, 2003. Oral argument before a three-judge panel of the Commonwealth Court was heard on June 9, 2004. The Court heard reargument en banc on November 3, 2004.

On March 14, 2005, the Commonwealth Court issued its Opinion, authored by Judge Hannah Leavitt, in favor of the Consumer Advocate. The majority of the Court concluded that the CSIC was not an appropriate method under the Public Utility Code for a utility to recover capital costs such as those incurred for infrastructure replacements. The Court contrasted surcharges, which allow for dollar-for-dollar recovery of expenses outside of the normal ratemaking process, with the concept of using the test year to establish just and reasonable base rates. The Court majority reasoned that the effect of the CSIC charge was to change a single line item in the
base rate to account for expenses attributable to capital investment, while ignoring other components. Permitting such a surcharge would violate the matching principle embedded in the test year concept established by 66 Pa. C.S. § 315.

The Court rejected the Company’s argument that Section 1307(a) of the Code provides sufficient authority to the PUC to permit the surcharge. The Commonwealth Court’s Pennsylvania Industrial Energy Coalition decision had distinguished 1307(a) from 1308, stating that it was not to be used to recover capital costs. Section 1315 of the Code prevented recovery of physical facilities through a surcharge, because there was no opportunity in the proposed surcharge process for the plant to be shown to be “used and useful” prior to including the costs in rates. The Court further reasoned that the enactment of Section 1307(g), which permits only water companies to recover infrastructure costs through surcharges, was a clear indication that Section 1307(a) was not broad enough to permit such surcharges for other utilities. Otherwise, 1307(g) would be rendered “mere surplisage” contrary to the rules of statutory construction.

Finally, the Court concluded that any increase in rates that affects 5% of the customers and is in excess of 3% constitutes a general rate increase pursuant to Section 1308(d). Because the surcharge could have increased rates by as much as 5%, it would constitute a general rate increase and could not be implemented without the due process hearings required by 1308(d).

On April 13, 2005, the PUC and PAWC filed Petitions for Allowance of Appeal before the Pennsylvania Supreme Court in Docket Nos. 315 MAL 2005 and 316 MAL 2005, respectively. The Commonwealth Court's Order was stayed pending action on the PUC’s Petition by the PA Supreme Court. On April 27, 2005, the OCA filed Briefs in Opposition to each of the Petitions, arguing that the PUC and PAWC had not met their burdens of showing “special and important reasons” warranting review of the Commonwealth Court’s Order denying the CSIC.

On March 7, 2006, the Supreme Court denied both the PUC and PAWC Petitions for Allowance of Appeal. The Commonwealth Order holding that the PUC does not have statutory authority to approve a surcharge designed to collect capital costs associated with new plant by any type of utility is now final. The amount collected under the surcharge - - amounting to $85,200 - - will now be refunded to customers.

Popowsky v. Pennsylvania-American Water Company – Wastewater Division, Docket No. C-20042816. The OCA filed a Formal Complaint against the three tariffs submitted by the PAWC Wastewater Division pursuant to the PUC Order approving Collection System Improvement Charges (CSIC) on March 1, 2004. This was done in order to specifically preserve the customers’ right to refunds of the surcharge amounts in the event that the Commonwealth Court reversed the PUC Order approving the CSIC. The OCA requested that the Formal Complaint be stayed pending the outcome of the appeal.

As the Supreme Court has denied both the PUC and PAWC Petitions for Allowance of Appeal, the Commonwealth Court’s holding that the PUC has no statutory authority to approve infrastructure surcharges is now final. The Company agreed to refund approximately $80,000, plus 6% interest, to the Wastewater Division customers pursuant to a Joint Petition for
Settlement, which sets forth the Company’s refund plan. The ALJ issued the Initial Decision finding the Joint Petition to be in the public interest and the PUC adopted the ALJ’s decision.

Applications and Other Petitions

Application of Pennsylvania-American Water Company (PAWC) for Approval of a Change in Control to be Effected through a Public Offering of the Common Stock of American Water Works Co., Inc., Docket No. A-212285F0136. On May 5, 2006, PAWC filed an application seeking approval of the spin-off of its parent company, American Water Works Co., Inc. (AWW). The spin-off would occur through an initial public offering (IPO) of AWW’s common stock. After the IPO is completed, AWW would be an independent, publicly traded company, headquartered in the United States. In essence, the proposed transaction would reverse a transaction approved by the PUC in September 2002, and consummated less than three years ago. At that time, the PUC permitted RWE, a multinational holding company headquartered in Germany, to acquire all of the common stock of AWW which, up to that time, was a stand-alone publicly traded company.

The OCA is analyzing the effect that the proposed transaction would have on Pennsylvania consumers if permitted to go forward. The OCA submitted an intervention and protest on June 9, 2006. This case is pending before the PUC at the end of the Fiscal Year.

Application of Penn Estates Utilities, Inc., Utilities, Inc. of Pennsylvania, and Utilities, Inc. – Westgate, Docket Nos. A-210072F0003 and C-20055305, et al. On August 17, 2005, three utilities, Penn Estates Utilities, Inc., Utilities, Inc. of Pennsylvania, and Utilities, Inc. – Westgate Division submitted an application to the PUC for approval of a stock transfer leading to a change in control of the parent corporation, Utilities, Inc.. Specifically, the utilities requested approval of a stock transfer from the current grandparent corporation, Nuon Global Solutions USA, Inc. to Hydro Star, LLC, currently a subsidiary of AIG. In such cases, the PUC must decide whether the applicants have shown that the transfer would be (1) in the public interest and (2) that it would provide substantial affirmative benefits to the ratepayers of the three utilities.

The OCA engaged in fact-gathering in the Westgate service territory for several months, having been contacted by the “Concerned Citizens of Westgate” in June 2005 about the water quality problems in that portion of the Utilities, Inc. service territory. Tests by a DEP-certified laboratory showed that levels of Total Dissolved Solids exceed the Maximum Contaminant Levels set forth in federal and state regulations for that secondary contaminant. Also, the sodium levels in the samples taken were nearly quadruple the recommended levels in EPA guidelines.

The OCA submitted a Protest in the Application Docket on behalf of the Concerned Citizens of Westgate to inform the PUC that water quality problems exist in the Westgate portion of the Utilities, Inc. service territory. The OCA proposed that, as a condition of the approval of the stock transfer, the Applicants be required to remedy the water quality issues.

On January 25, 2006, the OCA and Utilities, Inc., submitted a Joint Petition for Settlement of the application docket to the ALJ. The Joint Petition, as approved, requires Utilities, Inc. to make all
of the operational and administrative changes necessary to purchase water from the City of Bethlehem, a neighboring utility with an ample supply of high quality water, and to abandon its current well sources. The Company will also make a short-form rate filing to reflect the elimination of expenses and rate base items associated with use of its current sources and to include the cost of purchased water for all of its customers’ domestic and fire protection needs. The rate increase is not to exceed 72% above revenue levels reported in the most recent Utilities, Inc.-Westgate base rate filing.

The Company has also agreed to make several changes which will mitigate the effect of the rate increase on Westgate customers. The Company will issue monthly, rather than quarterly bills and will revise its bill format to show the customer charges and usage more clearly.

The ALJ issued the Initial Decision recommending that the Joint Petition be approved without modification. No exceptions were filed and on March 1, 2006, the PUC issued a Final Order declaring that the Initial Decision would be final as a matter of law pursuant to 66 Pa.C.S. §332(h). On March 16, however, the Commission voted to reconsider the matter over concerns about corporate “transparency” at the grandparent corporate level, referencing recent investigations concerning AIG. On March 31, 2006, an Opinion and Order issued requiring reconsideration and remand for further proceedings as deemed necessary.

The Company was also preparing simultaneously to proceed under the terms of the approved settlement to make the operational changes necessary to change the water source for the Westgate community to the City of Bethlehem. The filing was provided to the OCA by June 6 and was filed with the PUC by June 16.

Since the base rate increase case was filed, the OCA has been engaging in discovery and settlement negotiations. The effective date of the tariff supplement was postponed to September 18, 2006. The cases are still pending at the PUC as of the end of the Fiscal Year.

Application of City of Lebanon, Docket Nos. A-220010, P-00052195, C-20055689, P-00062198, and C-20065773. On December 30, 2005, the City of Lebanon (City) filed an application seeking a Certificate of Public Convenience to supply water service beyond its municipal boundaries. The City planned to “take back” the assets of the Lebanon County Authority (Authority), dissolve the Authority, and then commence to supply water service to many of the surrounding townships and boroughs (munis) previously served by the Authority. Many of the involved munis and numerous individual citizens filed Protests and Complaints with the Public Utility Commission (PUC), opposing the Application and subsequent takeover of the Authority. On March 8, 2006, the OCA intervened in this proceeding to protect the interests of the ratepayers outside of the City who would fall under PUC jurisdiction if the Application was approved. On April 14, 2006, Governor Rendell signed Act 28 of 2006 into law, which requires a municipality like the City to obtain at least 75% approval from the surrounding munis for any takeback of assets relating to water service, such as the Authority. Accordingly, the ALJ stayed the Application proceeding to allow the City time to garner the approval of the munis for the dissolution of the Authority prior to any further PUC action.
Application of Aqua, Pennsylvania, and Country Club Gardens Water Co., Docket Nos. A-210104F0066 and Docket No. A-210620F2000. Aqua Pennsylvania filed an application requesting approval to begin service to the Country Club Gardens Water Company customers in Lehigh County. Protests were filed by a number of municipalities and municipal authorities in the area. The OCA intervened to protect the interests of the customers of Country Club Gardens Water and Aqua Pennsylvania. As of the end of the Fiscal Year, this case was pending before the PUC.

**Rulemakings & Petitions**

Petition of Aqua Pennsylvania, Inc. for a Statement of Policy on Water and Wastewater Acquisitions, Docket Nos. P-00052155 and M-00051926. On March 11, 2005, Aqua PA filed a Petition seeking the issuance of a Statement of Policy concerning depreciated original cost information for acquired systems. Over the past two years, Aqua PA had been meeting with Commission staff to discuss acquisition-related issues and had amicably resolved most of them. The purpose of the Statement of Policy was to memorialize existing understandings and to resolve remaining issues. The Proposed Statement would encourage the following:

- The assets of the acquired company to be booked at original cost when first devoted to public service, less accrued depreciation, if the original cost is ascertainable.
- Preparation of an original cost study within six months of the closing.
- The acquiring utility to request from the seller for inclusion in the study records relating to contributions in aid of construction and original cost documents.
- The Commission not to deny an application for lack of or incomplete records.

The OCA was concerned that the Proposed Policy Statement may not be consistent with certain provisions of the Public Utility Code, especially 66 Pa.C.S. § 1327. The OCA expressed these concerns by submitting comments following the publication of the Petition and proposed policy statement in the Pennsylvania Bulletin. On May 6, 2005, the OCA filed comments opposing the proposed policy statement. Comments in opposition were also filed by NAWC-PA chapter, and the Municipal Authorities Association. Aqua-PA filed reply comments.

In December, 2005, the PUC entered an order in which it adopted many of the provisions proposed by Aqua. However, in response to the comments filed by OCA and others, the PUC modified or rejected other provisions. The Order was published for comments which were filed in March, 2006 by OCA, Aqua, Pennsylvania American, and others. This proceeding was pending as of the end of the Fiscal Year.

**Investigations**

In Re Investigation Into Pennsylvania-American Water Company’s High Fluoride Concentration Incident and of Existing Notification and Reporting Requirements, Docket No. I-00050109. At the December 15, 2005 Public Meeting, Chairman Wendell Holland and Commissioner Kim Pizzigrilli directed the Law Bureau and the Bureau of Fixed Utility Services to investigate an
incident that occurred at the PAWC Yellow Breeches Treatment Plant in Fairview Township, Cumberland County on December 10, 2005. As a result of operator error, excessive levels of fluoride were released into drinking water affecting approximately 34,000 Cumberland and northern York County PAWC customers. The Order required that the PUC determine the following:

(1) whether all operational aspects of the utility were functioning such that the utility could respond to the emergency in a timely manner;
(2) whether the public received information in a timely manner;
(3) whether adequate supplies of drinking water were provided in convenient locations;
(4) whether information provided to the public was sufficient to inform of the effects of excessive fluoride;
(5) whether the reporting requirements in the PUC’s regulations at 52 Pa. Code § 67.1 were followed;
(6) whether enhancements need to be made to the PUC’s reporting requirements; and
(7) whether additional steps can be taken by the PUC to assist utilities in responding to future emergencies.

The OCA submitted Comments on February 7, 2006, supported by two Affidavits, one by a self-employed professional engineer (also a PAWC customer) and the other by a customer who has had experience in public communications. The OCA provided a number of recommendations regarding the type of notice that would be most appropriate in the situation presented, and offered suggestions on the content and form of such notice, i.e. that e-mail, Reverse 911, website updates and text messaging should be considered. On February 22, 2006, Law Bureau and FUS submitted their report to the Commission. The report adopted many of the Comments of the OCA.

On March 2, 2006, the Commission issued an Order (by 4-0 vote) to release the report of Law Bureau and FUS to the public, to issue a policy statement on public notice standards relating to unscheduled water service interruptions, to institute a proposed rulemaking to amend Section 67.1 of its existing regulations to define the term service interruption and remind utilities of their obligation to retain updated emergency response plans and closing this docket. Commissioner Holland issued a Statement agreeing with the recommendations contained in the report and Commissioner Pizzingrilli moved to amend Section 67.1 of the Commission’s regulations.

Proposed Rulemaking for Revision to Chapter 67 of Title 52 of the PA Code Pertaining to Service Outages, Docket No. L-00060177. In an order entered on May 5, 2006, the PUC initiated a rulemaking proceeding to consider proposed revisions to 52 Pa. Code § 67.1. When the order is published, the OCA will have an opportunity to file Comments.

Policy Statement Relating to Unscheduled Water Service Interruptions and Associated Actions, Docket No. M-00061956. In an order entered on June 3, 2006, the PUC issued a proposed policy statement regarding unscheduled water service interruptions. When the order is published, the OCA will have an opportunity to file Comments.
CONSUMER COMPLAINT PROCEEDINGS

Introduction

In addition to litigation in which the OCA responds to utility filings, the OCA also intervenes in numerous proceedings in support of individual consumers or groups of consumers or initiates its own formal complaint proceedings on behalf of groups of customers. Summaries of some of these cases follow.

Telephone - Service Quality, Improper Billing, And Extended Area Service Cases

Modem Hijacking Complaints, Docket Nos. C-20043754, C-20043774, and F-01600063. As discussed in last year’s Annual Report, the OCA filed interventions in these complaint cases. The cases presented similar facts, all alleging that Verizon billed for and attempted to collect on behalf of its affiliate, Verizon Long Distance, disputed international toll charges that resulted from an Internet scam known as “modem highjacking.” The Complainants alleged that the charges related to calls to little-known locations such as Tuvalu, Sao Tome and the Cook Islands, for example, and the per-minute rates were as much as $8.00. The charges appeared to result from the download of an automatic dialer from certain Internet sites. Unbeknownst to the customer, the dialer caused the modem to place calls to obscure locations at very high rates and the customer only became aware of this occurrence when the next phone bill was received.

These Formal Complainants disputed the charges at the first opportunity by calling Verizon and, in some cases, calling the PUC Bureau of Consumer Services. Under the Commission’s regulations contained within Chapter 64, once a customer communicates to Verizon that he or she disputes the charge, the carrier should take no further action to bill or collect for the charge while the dispute is pending. The regulations also prohibit suspension of basic telephone service for nonpayment of disputed long distance charges.

On March 9, 2005, the OCA, Verizon PA and Verizon North entered into a Settlement Agreement that called for refunds or credits to the formal complainants and to anyone else who contested such charges on their Verizon Long Distance bills. If a customer no longer had the bill on which the charges appeared, Verizon agreed to assist in retrieving bills and providing refunds. The Agreement was submitted to the Public Utility Commission as an informational filing and the parties did not seek PUC approval of the Agreement.

Verizon provided information periodically on the number of refunds and credits given to customers and former customers pursuant to the settlement. The OCA continued to monitor the compliance information to ensure that eligible consumers have received the full amount of the refunds they are entitled to pursuant to the settlement. As of March 2006, over 4200 Pennsylvania consumers received a total of more than $227,000 in refunds and credits as a result of the Verizon settlement.

Lipson v. Verizon, USBI, Telliss and One Call, Docket No. C-20055724. The OCA submitted its Intervention and Public Statement in this Formal Complaint docket in which the Complainant
alleged that unauthorized international long distance calls to Sweden appeared on his January 2005 telephone bill. Following a round of discovery, the parties engaged in settlement negotiations which resulted in settlements between the OCA and each of USBI, Telliss and One Call requiring those companies to provide refunds or credits to any customer that complains of unauthorized international charges that appear to have resulted from “modem hijacking.”

Those agreements were submitted to the PUC on January 11, 2006 and a press release issued advising customers that they may be entitled to refunds or credits for unauthorized long distance telephone charges. The OCA forwarded the names and addresses of all refund claimants to the three entities so that refunds can be sent or credits applied to the customers’ telephone bills. As of March 2006, over $3,000 had been returned to Pennsylvania consumers through refunds and credits by USBI, Telliss and One Call.

Popowsky v. Commonwealth Telephone Company, Docket No. C-20043751. As discussed in last year’s Annual Report, on September 23, 2004, the Consumer Advocate submitted a Formal Complaint on behalf of the Commonwealth customers of the Uhlerstown exchange, Bucks County, alleging inadequate service. The local calling area for Uhlerstown is small and excludes a substantial part of the Uhlerstown community of interest, specifically Doylestown. The OCA sought to have Doylestown included in the Uhlerstown local calling area to help reduce the toll bills of the Uhlerstown customers.

Public Hearings were held and eventually a Settlement was reached. By Order of September 2, 2005, the PUC approved the Joint Petition for Settlement without modification, which required Commonwealth to poll the Uhlerstown customers to determine whether a majority is in favor of EAS from Uhlerstown to Plumsteadville and Doylestown.

The poll was conducted and the results reported by the Secretary. Of the 945 customers polled, 532 returned valid ballots. 98.12% of the ballots were in favor and only 1.88% against EAS implementation.

The Company therefore submitted a tariff supplement within 60 days to allow for toll-free calling from Uhlerstown to Doylestown and Plumsteadville.

Verizon Pennsylvania, Inc., Docket No. F-01827233. On August 23, 2005, a Complaint was filed against Verizon by a customer alleging, primarily that Verizon has no policy in place to handle calls to its call center from consumers with mental or cognitive disabilities. The customer’s underlying complaint was that Verizon customers who subscribe to autopay, as he does, may be more susceptible to be crammed with unwanted telecommunications services than customers who do not subscribe to autopay. The customer raised other issues pertaining to his service from Verizon, such as unwanted charges. The OCA intervened in his proceeding before the PUC on February 8, 2006 and informally assisted the consumer in resolving the underlying issues related to his Complaint. The OCA further endeavored to explore Verizon’s practices with regard to handling complaints from consumers with mental or cognitive disabilities.
Water – Service Quality and Line Extension Cases

Balla, et al. v. Redstone Water Company, Docket No. C-992270, et al. As discussed in last year’s Annual Report, on November 8, 2000, the ALJ issued an Initial Decision recommending sustaining complaints of inadequate service in favor of the Complainants and OCA. The ALJ recommended adopting OCA’s recommendation to require an engineering feasibility study to determine the most cost-effective method for bringing the water into compliance with safe drinking water standards and to assure that its system provides water pressures that comply with applicable regulatory standards. On February 8, 2002, the Commission entered an order adopting the ALJ’s recommendation and ordered the Company to perform a feasibility study and an implementation plan within one year, with quarterly reports to the Commission and OCA.

Redstone filed an appeal with the Commonwealth Court and the OCA intervened. The case was briefed and argued before a panel of judges, after which the panel decided the case in favor of Redstone on the basis that the PUC did not have jurisdiction over water quality, citing Rovin v. Pa. P.U.C., 94 Pa. Cmwlth. 71, 502 A.2d 785 (1985). The OCA and the PUC, joined by the Pa. Department of Environmental Protection, petitioned for reargument of the case on the basis that the PUC has jurisdiction over water quality issues for regulated utilities under the Public Utility Code, in that it must ensure that water provided must be “suitable for all household purposes.” In response, the Court granted the petition for reargument, simultaneously withdrawing the panel decision. On the eve of the reargument, the Company received a PaDEP Safe Water Grant Agreement in the amount of $23,000 to fund the PUC-ordered engineering feasibility study. Consequently, the Company later withdrew its appeal.

The OCA monitored the progress of the engineering feasibility study which had been due to be completed in November 2002. After two extensions of time to complete the study, it was submitted to the PUC, the PaDEP and the OCA in early February 2003. The OCA filed Comments with the PUC on the study explaining why the study was not in compliance with the PUC Order. With Reply Comments, the Company submitted additional materials to attempt to show that it had complied with the PUC Order and the terms of the grant agreement with PaDEP.

In August 2003, the OCA submitted Supplemental Comments on the additional materials and submitted petitions to both PUC and DEP requesting that further action be taken to require compliance with the PUC Order and the Safe Drinking Water Acts.

On December 16, 2004, Chairman Wendell F. Holland moved that Redstone take immediate steps within sixty days of a Final Order to implement certain conditions stated in the Order by filing with PennVest to obtain funding to make the improvements described in its engineering report or, in the alternative, to divest by selling the system to a viable entity. Chairman Holland gave substantial weight to the Petitions that had been submitted by Redstone customers in June 2003 seeking further action by the PUC and the DEP against Redstone, asserting that their bills were still high and the service had not improved. All told, over 50% of the customers had expressed dissatisfaction with the water and service quality. Chairman also noted that the engineering study’s recommendation to take no further action was clearly flawed and based on information selectively provided by Redstone, not on the full record.
The Motion resulted in an order offering Redstone one of two options: (1) To implement a permanent tie-in to the Tri-County Joint Water Authority in order to achieve the most economical and effective method to ensure that the water received by Redstone’s customers meets quality and pressure standards, or 2) To sell the system at a reasonable price to a viable entity having the requisite technical, financial and managerial expertise to provide a permanent solution to the customers’ longstanding complaints.

The Motion passed unanimously. A Tentative Opinion and Order calling for comments by interested parties issued on March 2, 2005. The OCA, Redstone, the DEP and thirty-three customers of Redstone submitted comments, with all but Redstone in support of the PUC Order. The Final Order was issued on June 28, 2005, containing virtually the same provisions proposed in the December 2004 Motion and contained within the Tentative Opinion and Order. The Company submitted Purchase and Sale Agreements to the PUC for all of its systems. The Royal system will be sold to the Fayette County Municipal Authority and the Allison and Crescent Heights systems will be sold to Pennsylvania-American Water Company. (The Crescent Heights system was the focus of the OCA’s efforts in the PUC Complaint docket.)

On March 10, 2006, the Commission published the notice of Pennsylvania-American Water Company’s application for approval of the sale of the Redstone Crescent Heights and Allison systems setting the deadline of March 27, 2006 for the submission of protests. The OCA was able to confirm that PAWC expects to be able to interconnect the Crescent Heights system with its Brownsville system within sixty days of the closing.

The Commission has now approved the Applications necessary for the proposed transaction to be consummated.

Kathleen Sylvester et al. v. W.P. Water Co. and W.P. Sanitary Co., Docket No. C-20055453 et al.. Between October 2005 and January 2006, eleven customers filed formal complaints against these companies regarding the quality of their water and wastewater service. Specifically, customers experienced severely low water pressure, outages and cloudy water, poor customer service and billing, strong odors near the sewage treatment plant and back-ups of sewage in their basement. The OCA filed interventions in several of the complaints in order to ensure that the company provides adequate water quality, water pressure and sewage treatment, properly operates, maintains and repairs the systems, responds to and tracks customer complaints and provides bills that comply with Commission regulations. The OCA’s engineer conducted an inspection of the companies’ systems (pursuant to a subpoena granted by the presiding ALJ), met with customers and reviewed the PaDEP’s records on these companies. The OCA filed written testimony by its engineer and regulatory analyst and participated in six days of evidentiary hearings. The OCA subpoenaed the attendance of a DEP Water Quality Specialist Supervisor at the May 23, 2006 hearing and worked with the PaDEP to develop the record in this proceeding. The PUC’s Law Bureau is also an active party and presented the testimony of its engineering expert. Cases are simultaneously pending against the companies for violation of laws and regulations administered by the PaDEP and PA Fish and Boat Commission. As of the end of the Fiscal Year, these cases are pending before the PUC.
Cindy Parks v. Pennsylvania-American Water Co., Docket No. C-00015377. As discussed in last year's Annual Report, the OCA intervened in this main extension case on June 14, 2001. Approximately thirteen hundred Hickory Pa, Washington County residents are in need of water service. The residents obtain water for household purposes from wells, cisterns or springs. Public Hearings were convened in Mount Pleasant Township on September 9, 2002 during which a total of sixty-two witnesses testified. The hearings were attended by over three hundred people. After testimony and hearings, briefs were filed. On April 30, 2003, the ALJ filed an Initial Decision rejecting the OCA position and the consumer complaints.

On August 7, 2003, the Commission issued its Opinion and Order on the matter denying the OCA's Exceptions and adopting the ALJ's Initial Decision effectively dismissing the three Complaints filed in the matter. Among other things, the Commission held that the public need argument raised by the OCA does not invalidate the Commission's main extension regulations which govern this case. The Commission also rejected the OCA's customer numbers as too speculative. On September 5, 2003, the OCA filed a Petition for Review with the Commonwealth Court.

The OCA argued that the Parks Order is inconsistent with well-established appellate law requiring main extensions for ordinary utility service without mandatory capital contributions by service applicants; that the failure to require service without service applicant contributions was an error of law in light of the overwhelming evidence of public need; that the regulations are unlawful as applied in the case, as they do not require consideration of public need nor of the overall effect on the utility's operation of providing the service without service applicant contributions, and that the Order is unsupported by substantial evidence.

Oral argument was heard on March 31, 2004. The Court issued a 5-2 decision in favor of the PUC and PAWC on July 11, 2004. The Court majority determined that the PUC's regulations were reasonable and that the PUC's opinion and order should be affirmed. A minority of two, President Judge Colins and Judge Smith-Ribner, accepted the OCA's position that the regulation was unreasonable in application because it worked to deprive an entire community of a potable source of water. The minority would have reversed and remanded the Order for this reason.

On August 12, 2004, the OCA filed a Petition for Allowance of Appeal to the Pennsylvania Supreme Court. The OCA urged the Court to grant the Petition and to hear the appeal (1) because the issue of whether the PUC's regulation was properly applied consistent with Section 1501 of the Public Utility Code is a question of first impression in Pennsylvania and (2) because access to a supply of water that meets the standards set forth in the federal and state Safe Drinking Water Acts is an issue of public importance and essential to the public safety and welfare.

On February 11, 2005, the Pennsylvania Supreme Court granted the OCA Petition for Allowance of Appeal. Oral argument was heard on May 16, 2005. The parties are now awaiting a decision by the Supreme Court.
Morra v. PAWC, Docket No. C-00014733. As discussed in last year’s Annual Report, the OCA intervened in this Formal Complaint case in order to assist the Complainants in obtaining public water service from Pennsylvania-American to their neighborhood in Hanover Township, Washington County for residential and fire protection purposes. The OCA and its water engineering consultant conducted a site visit and discovery. After testimony and hearings, briefs were submitted. The OCA requested that PAWC be required to provide service to the McCracken Hill community to alleviate the health and safety problems associated with the inadequate and contaminated water supplies. The Initial Decision issued on October 14, 2003; the OCA submitted exceptions on November 3, 2003. The PUC entered an Order denying the exceptions. The OCA filed a Petition for Review of the Order with the Commonwealth Court on February 13, 2004. A stay of this appeal was granted pending a decision on Parks v. PUC in the Supreme Court, 725 MAL 2004. Status reports requesting continuation of the stay have been submitted to the Commonwealth Court on a regular basis.

Collier Township v. PAWC, Docket No. C-20016207. As discussed in last year’s Annual Report, Collier Township filed a Formal Complaint against Pennsylvania-American Water Co. on September 4, 2001, seeking service to approximately forty families within its municipal boundaries. While the majority of the Township currently receives service from PAWC, several areas have an inadequate natural supply and various types of contamination in that supply. Families are dependent on cisterns and hauled water, which is extremely expensive in comparison to utility service. The OCA intervened on October 31, 2001. Public Hearings were convened on August 27 and thirty witnesses testified in support of the public need for water utility service. After testimony and hearings, briefs were filed by the parties. The ALJ issued an Initial Decision dismissing the Complaint and the OCA filed Exceptions. The PUC denied the Exceptions and adopted the ALJ’s Initial Decision. The OCA filed a Petition for Review with the Commonwealth Court on May 28, 2004. A stay of this appeal has been granted pending a decision on Parks v. PUC in the Supreme Court, 725 MAL 2004.

Keith A. Tomkins, et al. v United Water of Pennsylvania, Docket Nos. C-20043414 et al. As discussed in last year’s Annual Report, on or around October 4, 2004, Mr. Tomkins and 33 other United Water of Pennsylvania (United) customers in Dallas, Luzerne County, Pennsylvania, filed Formal Complaints with the PUC, describing problems relating to United’s water quality, outages, customer service, maintenance, and lack of adequate notice and responsiveness. The OCA intervened on December 8, 2004. Complainants presented testimony in support of their complaints and the OCA filed testimony of two expert witnesses that addressed the cause of dirty water complaints and recommended improvements to water service, customer notice, and responsiveness by United to customer complaints. Following hearings, the parties engaged in lengthy settlement negotiations which led to a written settlement document that was submitted to the Presiding Officer on September 16, 2005. On November 29, 2005, the ALJ issued her Initial Decision. She recommended approval of the settlement finding that it addressed the complainants’ concerns as well as additional matters.

The PUC issued a Final Order approving the Initial Decision and the Joint Petition for Settlement. The Company has substantially complied with the terms of the settlement and the water quality and customer communication issues are resolved.
Rahn, et al v. Pennsylvania-American Water Company, Docket No. C-20054919. Thirty customers in Sinking Springs, PA (Berks County) filed a Formal Complaint against PAWC seeking an order from the Public Utility Commission requiring PAWC to do a geophysical study of their area following the development of a sinkhole in conjunction with a main break. The customers requested the OCA’s assistance with the case and the OCA submitted a Notice of Intervention and Public Statement in the matter. Spring Township and Wilson School District also filed Formal Complaints alleging violations of the Public Utility Code. The ALJ consolidated the two with the Rahn Formal Complaint. The case was pending at the end of the Fiscal Year.

Electric and Gas – Service Quality and Marketer Complaint Cases

Raymond Gaines, et al., v. Allegheny Power, Inc., Docket No. C-20066211. A consumer submitted a formal complaint attached to which was a petition bearing dozens of signatures of Allegheny Power customers who were dissatisfied with the level of reliability of the electric service. The Complaint alleges recurrent lengthy outages in the New Freeport area in the past year. OCA intervened on April 14, 2006. This case was pending before the PUC at the end of the Fiscal Year.

Petition of Utility.com, Inc. for Waiver of the Regulations of the Commission Related to Ninety (90)-Day Notice Requirement for Abandonment of Service, 52 Pa. Code Section 54.14(b). As discussed in last year’s Annual Report, OCA filed an Answer to this Petition involving an electric marketer that abandoned service to Pennsylvania customers without appropriate notice. The OCA also opposed release of the marketer’s $250,000 bond until the PUC had evaluated all of the circumstances of Utility.com’s abandonment of service and withdrawal from the market. The OCA also filed a Petition for Order to Restrict the Release of Bond and to Provide Other Appropriate Relief on January 31, 2001.

Subsequent to the filing of its Petition for Waiver, Utility.com dropped many of its customers, contrary to the regulations governing the orderly withdrawal of a supplier from the market, terms of the Supplier Tariff and contrary to its Terms of Service with its customers. The OCA alleged that customers were deprived of savings that they would have experienced had Utility.com complied with these obligations. As such, the OCA requested an Order that the bond not be returned and that all payments received from Pennsylvania customers be placed into an escrow account until an accounting is made. The PUC granted the OCA’s Motions and ordered that the bond not be released unless and until all complaints surrounding the departure from the generation market were resolved. The Commission ordered hearings on the OCA’s complaint, and several utilities intervened and filed formal complaints which were joined with the OCA’s.

Subsequently, OCA participated in the Utility.com creditors’ committee in a California proceeding in order to represent Pennsylvania consumers’ interests. The OCA served discovery on a number of Pennsylvania utilities in order to obtain sufficient information to substantiate the residential customers’ lost savings claims.

OCA initially obtained refunds from Utility.com of approximately $70,000 that had been paid in advance (such as through budget billing) by Pennsylvania consumers. The first round of
refunds went primarily to customers served by Duquesne Light Co. and Allegheny Power. An additional $55,000 was set aside for refunds to customers of the remaining distribution utilities, thus bringing the total refunds recovered by the OCA on behalf of Pennsylvania Utility.com customers at that time to $125,000.

In addition, the OCA filed four Affidavits and two Memoranda of Law in support of the former Utility.com customers’ lost savings claims. The OCA contended that customers should also be reimbursed for savings they lost due to the departure of Utility.com without adequate notice. The calculation of the Pennsylvania customers’ lost savings claims was approximately $650,000. This information was submitted to the PUC through affidavit.

In August 2003, the OCA received a dividend check from the general assignee of the Utility.com estate in California in the amount of $80,205 toward the former Utility.com customers “lost savings” claim, filed by the OCA on their behalf. In June 2004, an additional check was received for approximately $16,000. This brought the total lost savings payments to $197,108. Together with the refunds of $125,081, the total amount recovered by OCA for Pennsylvania customers to date is $322,189.

The OCA procured updated customer name and address information from the six utilities whose customers had been purchasing generation from Utility.com at the time of its bankruptcy. The OCA then sent those customers a pro rata share of the pay-out received on the proofs of claims filed by OCA in the California general assignment proceeding.

The checks to the former Utility.com customers were issued on December 19, 2005 and a press release was issued throughout the Commonwealth to advise former customers that they would be receiving a share of the fund that resulted from the OCA’s claims in the California proceeding. At this juncture, all but $9,853 of the funds have been returned to the former Utility.com customers. The OCA coordinated with the Department of Treasury to determine the best method of returning the remaining balance that consists of uncashed checks to the former customers. The money associated with the uncashed checks is categorized as “unclaimed property” under 72 P.S. §1301.9.6. and was transferred to the Department of Treasury’s unclaimed property fund in July 2006.
CONSUMER AND LEGISLATIVE OUTREACH

*Testimony, Presentations and Speaking Engagements*

Consumer Advocate Sonny Popowsky and others 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>Activity Details</th>
</tr>
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<tbody>
<tr>
<td>7-7-05</td>
<td>Representative Smith and Senator Scarnati’s Senior Citizen Spectacular</td>
<td>Punxsutawney, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>7-16-05</td>
<td>“Taking it to the Street” Community Resource Day and Festival</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>7-27-05</td>
<td>Representative Thomas Tangretti’s Senior Fair</td>
<td>Greensburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>7-29-05</td>
<td>Chapter 14 Roundtable</td>
<td>Harrisburg, PA</td>
<td>Presentation to PUC on Chapter 14 implementation</td>
</tr>
<tr>
<td>7-29-05</td>
<td>Meeting with Delegation from Zambia</td>
<td>Harrisburg, PA</td>
<td>Meeting with Zambian regulators on the role of the OCA</td>
</tr>
<tr>
<td>8-5-05</td>
<td>Representative Martin Causer’s Senior Expo</td>
<td>Bradford, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>8-11-05</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>
</tr>
<tr>
<td>8-16-05</td>
<td>Representative Mario Scavello’s Senior Citizen Expo</td>
<td>Tannersville, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>8-17-05</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>
</tr>
<tr>
<td>8-17-05</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>
</tr>
<tr>
<td>Date</td>
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<tr>
<td>8-20-05</td>
<td>Representative Merle Phillips' Sunbury River Festival</td>
<td>Sunbury, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>8-24-05</td>
<td>Senator Stewart Greenleaf’s Community Night</td>
<td>Hatfield, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>8-31-05</td>
<td>Representative Todd Eachus’ Senior Expo</td>
<td>Hazleton, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-1-05</td>
<td>Representative Bob Bastian’s Senior Expo</td>
<td>Friedens, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-1-05</td>
<td>Global Warming Meeting of the National Council on Energy Policy</td>
<td>Washington, DC</td>
<td>Participate in roundtable on global warming policy</td>
</tr>
<tr>
<td>9-7-05</td>
<td>Representative W. Curtis Thomas’ Consumer Fair</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions, distribute materials, and Q&amp;A’s regarding Chapter 14.</td>
</tr>
<tr>
<td>9-12-05</td>
<td>Representative Thomas Creighton and Representative Roy Baldwin’s Senior Expo</td>
<td>Manheim, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-13-05</td>
<td>Representative Brett Feese and Representative Steven Cappelli’s Senior Citizen Expo</td>
<td>Muncy, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-13-05</td>
<td>Senator Williams’ Press Conference</td>
<td>Philadelphia, PA</td>
<td>Remarks on the PECO merger</td>
</tr>
<tr>
<td>9-15-05</td>
<td>Southwestern PA Human Services, Inc. and Representative Timothy Solobay’s Senior Expo</td>
<td>Washington, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-15-05</td>
<td>Representative George Kenney’s Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-16-05</td>
<td>Representative Rob Kauffman’s Senior Fair</td>
<td>Shippensburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-20-05</td>
<td>Representative Dwight Evans’ “Quality of Life” Town Meeting</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
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<tr>
<td>9-22-05</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>9-22-05</td>
<td>PennFuture Energy Retreat</td>
<td>Harrisburg, PA</td>
<td>Participate in discussion of PA energy future</td>
</tr>
<tr>
<td>9-23-05</td>
<td>Representative Marc Gergely’s Senior Fair</td>
<td>McKeesport, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-27-05</td>
<td>Press Conference held by Senator Vincent Hughes and Senator Jay Costa</td>
<td>Harrisburg, PA</td>
<td>Remarks regarding State LIHEAP funding</td>
</tr>
<tr>
<td>9-28-05</td>
<td>Monroe/Pike Area Energy, Utilities &amp; Aging Consortium, Inc.</td>
<td>Bushkill, PA</td>
<td>Present session on telephone issues/Review consumers’ phone bills and suggest savings</td>
</tr>
<tr>
<td>9-29-05</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>9-29-05</td>
<td>Representative Arthur Hershey’s Senior Expo</td>
<td>Oxford, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-30-05</td>
<td>Representative Daynin Leach’s Lower Merion Senior Expo</td>
<td>Ardmore, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-30-05</td>
<td>Representative Joshua Shapiro’s Senior Expo</td>
<td>Rydal, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-1-05</td>
<td>Representative Mario Civera’s Family Day</td>
<td>Upper Darby, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-6-05</td>
<td>Representative Jeff Pyle’s Senior Citizen Expo</td>
<td>Ford City, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
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<tr>
<td>10-6-05</td>
<td>Representative Gene DiGirolamo’s Senior Expo</td>
<td>Bensalem, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-6-05</td>
<td>Representative Dwight Evans’ “Quality of Life” Town Meeting</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-7-05</td>
<td>Senator Jane Orie’s Senior Expo</td>
<td>Penn Township, PA (Butler County)</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-7-05</td>
<td>Representative T.J. Rooney’s Senior Citizen Fair</td>
<td>Bethlehem, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-7-05</td>
<td>Senator Connie Williams’ Senior Expo</td>
<td>Plymouth Meeting, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-11-05</td>
<td>Representative Elinor Taylor’s Senior Expo</td>
<td>West Chester, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-11-05</td>
<td>Representative David Levdansky’s “Living Wisely Fair”</td>
<td>South Park, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-11-05</td>
<td>Philadelphia City Council Hearing</td>
<td>Philadelphia, PA</td>
<td>Testimony regarding national gas prices</td>
</tr>
<tr>
<td>10-12-05</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>10-12-05</td>
<td>Representative David Levdansky’s “Living Wisely Fair”</td>
<td>Jefferson Hills, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-13-05</td>
<td>Representative Mark Keller’s Senior Expo</td>
<td>Shermans Dale, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>Date</td>
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<tr>
<td>10-13-05</td>
<td>Representative Curt Sonney’s Senior Expo</td>
<td>Corry, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-14-05</td>
<td>Senator Sean Logan and Representative Joe Markosek's Senior Wellness and Safety Expo</td>
<td>Monroeville, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-14-05</td>
<td>TriCounty Area Chamber of Commerce Senior Jubilee</td>
<td>Pottstown, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-14-05</td>
<td>Representative Chris Ross’s Senior Expo</td>
<td>Kennett Square, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-19-05</td>
<td>On-Line Publishers 50+ Senior Expo</td>
<td>Carlisle, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-20-05</td>
<td>Representative John Perzel’s Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-21-05</td>
<td>Representative Douglas Reichley’s Senior Health Fair</td>
<td>Allentown, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-21-05</td>
<td>Representative Dick Stevens’ Senior Expo</td>
<td>Grove City, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-21-05</td>
<td>Representative Scott Boyd’s Senior Expo</td>
<td>Lancaster, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-21-05</td>
<td>Representative Mark McNaughton's Senior Expo</td>
<td>Lykens, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-27-05</td>
<td>Representative John Perzel’s Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>Date</td>
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<tr>
<td>10-27-05</td>
<td>Representative Mark Mustio and Senator John Pippy's Senior Expo</td>
<td>Moon Township, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-27-05</td>
<td>Representative Fred McIlhattan's Senior Expo</td>
<td>Monroe Township, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-27-05</td>
<td>Representative Mike Veon and Senator Jerry LaValle's Senior Fair</td>
<td>Monaca, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-27-05</td>
<td>Concerned Citizens</td>
<td>Franklin, PA</td>
<td>Presentation on the high price of natural gas</td>
</tr>
<tr>
<td>10-28-05</td>
<td>Warren-Forest Eldercare Council's Senior Expo</td>
<td>Warren, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-28-05</td>
<td>Senator John Pippy's Senior Expo</td>
<td>South Park, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-28-05</td>
<td>Representative Michael Diven's Senior Expo</td>
<td>Castle Shannon, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>11-1-05</td>
<td>Governor’s Energy Summit</td>
<td>Harrisburg, PA</td>
<td>Participate in meeting with the Governor on the response to the winter energy crisis</td>
</tr>
<tr>
<td>11-3-05</td>
<td>Representative Jake Wheatley Consumer Meeting</td>
<td>Pittsburgh, PA</td>
<td>Meet with consumers regarding natural gas prices and consumer protection rules</td>
</tr>
<tr>
<td>11-4-05</td>
<td>Energy Coordinating Agency</td>
<td>Philadelphia, PA</td>
<td>Presentation on Chapter 14</td>
</tr>
<tr>
<td>11-5-05</td>
<td>Senator Vincent Hughes: “Show Me the Money, It's Cold Outside”</td>
<td>Philadelphia, PA</td>
<td>Workshop on knowing your rights as a utility consumer</td>
</tr>
<tr>
<td>11-7-05</td>
<td>Representative Ron Marsico’s Senior Expo</td>
<td>Hershey, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>11-10-05</td>
<td>Representative Dwight Evans: “Quality of Life” Town Meeting</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>Date</td>
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<tr>
<td>11-10-05</td>
<td>PUC Winter Reliability Assessment Special Public Meeting</td>
<td>Harrisburg, PA</td>
<td>Preparing Now For Winter: Supply, Price and Service</td>
</tr>
<tr>
<td>11-10-05</td>
<td>PA Utility Law Project Statewide Meeting</td>
<td>Harrisburg, PA</td>
<td>Presentation on Chapter 14 Presentation on Lifeline service</td>
</tr>
<tr>
<td>11-12-05</td>
<td>NBC 10 Consumer Expo</td>
<td>Fort Washington, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>11-13-05</td>
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<td></td>
<td>Seminar on “How to Reduce Your Utility Bills This Winter”</td>
</tr>
<tr>
<td>11-29-05</td>
<td>Joint presentation with Insurance Consumer Liaison sponsored by WQED</td>
<td>Pittsburgh, PA</td>
<td>Seminar on “How to Reduce Your Utility Bills This Winter”</td>
</tr>
<tr>
<td>12-1-05</td>
<td>Senator Robert Tomlinson’s Senior Citizen Expo</td>
<td>Bristol, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>12-3-05</td>
<td>Representative W. Curtis Thomas’ Energy Crisis Neighborhood Summit</td>
<td>Philadelphia, PA</td>
<td>Seminar on “How to Reduce Your Utility Bills This Winter”</td>
</tr>
<tr>
<td>12-7-05</td>
<td>Representative Jewell Williams’ Energy and Safety Awareness Conference</td>
<td>Philadelphia, PA</td>
<td>Presentation on how to lower energy bills and the role of the OCA</td>
</tr>
<tr>
<td>12-9-05</td>
<td>Testimony before FERC on behalf of NASUCA</td>
<td>Washington, DC</td>
<td>Technical conference on electric reliability</td>
</tr>
<tr>
<td>1-12-06</td>
<td>WTVE Channel 51</td>
<td>Reading, PA</td>
<td>On air interview talking about how consumers can save money on their energy bills</td>
</tr>
<tr>
<td>1-19-06</td>
<td>Meeting with Pike County Commissioners and citizens</td>
<td>Milford, PA</td>
<td>Meeting to discuss Pike County electric rates</td>
</tr>
<tr>
<td>1-26-06</td>
<td>Joint presentation with Insurance Consumer Liaison sponsored by Representative Mundy</td>
<td>Kingston, PA</td>
<td>Seminar on “How to Reduce Your Utility Bills This Winter”</td>
</tr>
<tr>
<td>1-26-06</td>
<td>Representative Cherelle Parker’s Town Hall Meeting</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>2-8-06</td>
<td>OAG Consumer Help Fair</td>
<td>Harrisburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
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<tr>
<td>2-9-06</td>
<td>Office of Consumer Advocate Help Fair</td>
<td>Mt. Lebanon, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>2-9-06</td>
<td>Office of Consumer Advocate Information Fair</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>2-14-06</td>
<td>Testimony before the House Environmental Resources and Energy Committee</td>
<td>Harrisburg, PA</td>
<td>Energy Policy for Pennsylvania</td>
</tr>
<tr>
<td>2-15-06</td>
<td>NARUC-DOE National Electricity Delivery Forum</td>
<td>Washington, DC</td>
<td>“Electric Reliability Organization-Consumers’ Perspective”</td>
</tr>
<tr>
<td>2-16-06</td>
<td>Representative Jewell Williams’ Utility and Energy Efficiency Conference</td>
<td>Philadelphia, PA</td>
<td>Seminar on “How to Reduce Your Utility Bills This Winter”</td>
</tr>
<tr>
<td>2-16-06</td>
<td>Representative Cherelle Parker’s Town Hall Meeting</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>2-22-06</td>
<td>PA Department of Insurance Commissioner’s College</td>
<td>Harrisburg, PA</td>
<td>Seminar on “How to Reduce Your Utility Bills This Winter”</td>
</tr>
<tr>
<td>3-10-06</td>
<td>Representative John E. Pallone’s Senior Expo</td>
<td>New Kensington, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>3-16-06</td>
<td>Representative Cherelle Parker’s Town Hall Meeting</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>3-21-06</td>
<td>Senate Public Health and Welfare and Senate Consumer Protection and Professional Licensure Committees</td>
<td>Harrisburg, PA</td>
<td>Testimony regarding Low Income Energy Assistance</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
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<tr>
<td>3-24-06</td>
<td>Representative Steven Nickol’s Senior Expo</td>
<td>New Oxford, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>4-6-06</td>
<td>Representative Cherelle Parker’s Town Hall Meeting</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>4-7-06</td>
<td>Representative Scott Petri’s Senior Expo</td>
<td>Ivyland, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>4-10-06</td>
<td>Senator Vincent Fumo’s Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>4-18-06</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>4-21-06</td>
<td>Senator Joe Conti’s Senior Citizen Expo</td>
<td>Fairless Hills, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>4-25-06</td>
<td>Energy, Utilities and Aging Consortium Roundtable</td>
<td>Kersey, PA</td>
<td>Educational Roundtable on How to Save $ on Phone Bills</td>
</tr>
<tr>
<td>4-27-06</td>
<td>Senator Robert Jubelirer’s Constituent Services Expo</td>
<td>Altoona, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials. Also, reviewed consumers’ phone bills and suggested savings.</td>
</tr>
<tr>
<td>5-4-06</td>
<td>Representative Cherelle Parker’s Town Hall Meeting</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-9-06</td>
<td>Display for National Drinking Water Week at the PUC</td>
<td>Harrisburg, PA</td>
<td>We provided information about how the OCA helps water consumers, conservation and gardening tips for saving water and money.</td>
</tr>
<tr>
<td>5-10-06</td>
<td>Display for National Drinking Water Week at the PUC</td>
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<tr>
<td>5-11-06</td>
<td>Display for National Drinking Water Week at the PUC</td>
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<tr>
<td>5-9-06</td>
<td>Energy, Utilities and Aging Consortium Roundtable</td>
<td>Camp Hill, PA</td>
<td>Educational Roundtable on How to Save $ on Phone Bills</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
<td>Location</td>
<td>Description</td>
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<tr>
<td>5-11-06</td>
<td>Senator Bob Regola’s Senior Citizen Expo</td>
<td>Greensburg, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-12-06</td>
<td>Senator Jane Clare Orie’s Senior Expo</td>
<td>Pittsburgh, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-12-06</td>
<td>Representative Jewell Williams’ Consumer Fair</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
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<tr>
<td>5-18-06</td>
<td>Testimony on behalf of NASCUA before the Senate Commerce, Science and Transportation Committee</td>
<td>Washington, D.C.</td>
<td>Reform of Universal Service and the Communications, Consumer’s Choice and Broadband Deployment Act of 2006.</td>
</tr>
<tr>
<td>5-24-06</td>
<td>Pennsylvania Legal Aid Network Conference</td>
<td>Harrisburg, PA</td>
<td>Participate in a session updating legal aid advocates about Chapter 14</td>
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<tr>
<td>5-25-06</td>
<td>Senator Stewart Greenleaf and Senator Rob Wonderling’s Senior Expo</td>
<td>Fort Washington, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
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<tr>
<td>5-31-06</td>
<td>Representative Richard Grucela’s Senior Citizen’s Fair</td>
<td>Mt. Bethel, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>6-7-06</td>
<td>Philadelphia City Councilwomen Donna Reed Miller and Marian Tasco’s Community Resource and Information Meeting</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>6-9-06</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>
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<tr>
<td>6-15-06</td>
<td>Senator Robert Wonderling’s Constituent Services and Health Expo</td>
<td>Red Hill, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>6-22-06</td>
<td>Testimony before the PUC</td>
<td>Harrisburg, PA</td>
<td>Discussion of issues and possible policy action that would mitigate potential significant increases in electricity prices</td>
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OCA CALL CENTER

The OCA’s toll free number – **800-684-6560** – was implemented in April 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 6 PM, Monday through Friday. Many benefits for consumers have already been realized, but there will be long-term benefits as well. The addition of the toll free number and consumer service representatives is another way to expand our outreach to all Pennsylvania utility consumers regarding the ongoing changes in utility regulation.

During Fiscal Year 2005-06, we had nearly 33,000 consumer contacts in the Call Center, including requests for shopping guides, phone calls, letters and e-mail.

Summarized here are some examples of our assistance to individual consumers:

- We assisted a consumer who tried to set up a new service account with her utility, only to be advised that she had a debt from a previous address. Her account had been taken over by a collection agency and that agency negotiated a settlement with her, which was not agreed to by the utility. When we contacted the utility, they agreed to abide by the settlement and the customer was given a zero balance, which enabled her to establish new service in her name.

- We assisted a woman who had recently contacted her utility company following her divorce. She wanted her service in her name, but the company was requiring a security deposit before they would give her service. She had a good credit score, but the company told her that she must pay the deposit. Our office contacted the utility and advised them that this was not allowed because she had been living in the home and paying the bills all along. They agreed to waive the deposit and put the service in her name.

- We assisted a man who complained that his budget billing had suddenly increased by 226%. We contacted the company and found out that they had underbilled the customer the previous month, which caused an increase in the budget amount. We managed to get the matter straightened out to his satisfaction.

- We received a call from a consumer who had a payment arrangement with his water company. His bills included water and wastewater charges, but the water company never sent the wastewater company the correct amount that he had submitted. He was advised by the wastewater company that this is a frequent problem. We contacted the water company and they made the adjustment on his account, and sent the wastewater company the correct amount owed.

- We assisted a mother who had sent in a security deposit to have her daughter’s gas turned on. She mailed the deposit by overnight mail and the company had signed for the check, but the company claimed they never received it and they would not turn on the service until the check was received. We contacted the gas company and gave
them the tracking information and the name of the person who signed for the envelope. Her daughter’s service was turned on the next day.

- We assisted a woman who was in a dispute with her gas company over a payment she had made. She said she had proof that she made the payment, but the company claimed they never received it. We contacted the company on her behalf and when they looked at the account more closely, they realized that the payment had been received and posted to the wrong account. The payment was transferred and the problem was resolved.

- We negotiated a settlement with a gas company on behalf of a consumer who owed a lot of money due to her family’s ill health and the loss of a child. We contacted the utility company and managed to get them to agree on trimming the payment down to an amount that the customer could afford. They also agreed to credit the customer for all of the late charges that had accumulated.

- We assisted a young woman who had received collection notices for gas service at an address where she had never lived. Although the apartment complex gave her an affidavit stating that she had never lived at the address, the collection agency was still sending her notices. We contacted the gas company on her behalf and gave them the same information. They were able to straighten the matter out and have the collection pulled from the agency.

- We assisted a customer who was having problems with her gas company. She kept receiving estimated bills even though she was reading her meter and calling it in to the company. The bills she received were estimated much too high because no one was living in the house at the time. We contacted the company to request an actual meter read. The matter was resolved to the customer’s satisfaction when they gave her a corrected bill.

- We were contacted by a young man who tried to set up gas service in his name. The company was asking him to pay a $667 security deposit. When he asked if he could pay it in installments, they denied his request. He did not have enough money to pay it all at once and contacted our office for assistance. We contacted the company and the company agreed that if he provides proper proof of identification, they will allow him to make the deposit in three installments.

- A man contacted us because he needed our assistance in dealing with his gas company. In reviewing his elderly father’s gas bills, he realized that the bills were extremely high and that something was wrong. He contacted the company and they came out to check his meter. They realized they had been billing him incorrectly and that he was due a credit of over $8,000. The Company promised a refund check, but the check had not arrived and he felt the company was taking much too long. We contacted the company and they rushed the check through and sent it right out to him.
• We were contacted by a consumer who had just been terminated and was extremely upset with his gas company. He received a termination notice and he immediately contacted the company to advise them that he had just forgotten to pay the bill. He told them that he would pay the bill immediately by using his electronic banking payment. The company representative advised him that they would not terminate if he made the payment, which he did. His service was then turned off and a security deposit along with a reconnect fee was required to turn his service back on. He told them that a company representative had assured him that this would not happen, but there was no record of who he spoke with at the company. We contacted the company on his behalf and they had received his payment. They agreed to waive the security deposit and the reconnect fee.

• We assisted a disabled couple, at the request of their case worker, who were having a problem getting their telephone service transferred from one address to another. It was imperative that they have service immediately and we were able to facilitate the transfer with no lapse in service.

• A customer contacted us because she received her telephone bill and it included charges for internet service that she did not have with that company. She could not manage to have the charge removed from her bill, so she contacted our office. We called the phone company and got everything straightened out to her satisfaction.

• We assisted a woman who had a billing dispute with her long distance carrier. She had the same company for long distance and her internet service. She cancelled her long distance, but kept the internet service. She paid her bill in full and was advised by the company that she would not receive any further billing for her long distance. When the next bill arrived, she had been billed for long distance service. She had since received two bills and she had been unable to resolve this problem herself. We contacted the company and resolved the matter for her.

• We assisted a disabled woman who was having problems with her telephone company. The person who was responsible for paying her bills was not paying them and her service was shut-off. She attempted to reach the company, but was never able to speak with a customer service representative. We contacted the company and they put her on a payment plan that she could afford.

• We received an e-mail from a customer who indicated that he was a new customer of a telephone company. He was extremely frustrated because they did not have his address correct in their system, and he was not receiving his bills. He had called their customer service number repeatedly and the problem was not resolved. He indicated to us that he had spent hours on hold trying to resolve this simple problem. We contacted the company and had his address corrected immediately.

• We helped a man who was terminally ill and was desperately trying to resolve an issue with his telephone company. He had been billed a charge for repair service to his home
even though the Company had assured him there would be no charge. We contacted the company and had the matter resolved very quickly.

- We were contacted by a man who had been complaining to his telephone company for a year about static on his line. The company told him that an aerial cable was accidentally buried as an underground cable about ten years ago. They told him that they would fix it, but after a year he was getting frustrated with their answers. We contacted the telephone company and they agreed to replace the cable right away. By the end of the next day, the problem was fixed and the customer was satisfied.

- We assisted a man who was very frustrated with his new DSL service. He ordered the service, received the equipment, tried to set it up but it didn’t work. He then received a bill for two months of service. He called the company and was advised that the billing begins as soon as you order the equipment, regardless of whether the service is running or not. He cancelled the service and was very upset with the billing. We contacted the company and found out there was a problem with a broken link. His bill was adjusted and the company gave him sixty days of free service.

- A customer advised us that he was offered DSL service for an extra $10 per month on his telephone bill. He agreed but when the equipment arrived he realized that it wasn’t compatible with his telephone jack. When he called the company he was advised that sometimes this happens and that they charge $95 to install the new connection. He felt that they should have warned him of the possibility before selling him the service. We called the company and they agreed to install the new jack at no charge.

- We received a call from a man who reported that his DSL service was disconnected in error. The company told him that they would restore his service the same week, but after three weeks, he still did not have service. We contacted the company and they indicated that they were having a problem resolving it. The company then expedited the resolution, restored his service and gave the customer a three month credit on his service.

- We assisted a woman who ordered DSL from her telephone company, which resulted in her entire service being disconnected for three days. We found out that the company had made a mistake and accidentally switched her service and that she should not have been without service for more than one hour. Her service was immediately restored and the company gave her one free month of service.

- We assisted a man who was having major service issues with his telephone company. He was unable to obtain a dial tone and could not even dial 911 in case of an emergency. All of his attempts to resolve his complaint were in vain and for six months he had to use a cell phone as his only service. We contacted the company and worked out a settlement for this customer, which resulted in him obtaining a service and a credit equal to one year of free service.
• A consumer contacted us because he had moved into a new apartment and called the phone company to establish new service and was given his new telephone number. Two weeks later, he was still waiting for his service to be connected. We contacted the company and were told that the previous tenant, who had service with another company, was deceased. They said that they could not turn on his service until they had a death certificate. We were able to cut through all of the red tape and have his service turned on the next day. He was very satisfied.

• We assisted a woman who took off a day of work to wait for the telephone repair service to show up at her home. She waited the entire day but no one showed up to fix her service which had been out for several days. When we contacted the company, we were advised that the company found the problem and it was on the outside. They agreed to give her credit for the time she was out of service.

• We were contacted by a woman who was extremely frustrated by the excessive number of electric outages she has been experiencing during the past year. The day before she called her service had been out for eight hours without notice. She had been reporting all of the outages, but the company was not giving her any explanation for the outages. We contacted the electric company on her behalf and they agreed to send someone out to investigate. The company contacted us after their investigation and informed us that they had determined the source of the problem and corrected it.

• We were contacted by a consumer who had been complaining to his electric company because his bills were unusually low during the last few months. He suspected that his meter was malfunctioning and he didn’t want to suddenly receive very high make-up bills this winter. The company had not addressed his concerns, so he contacted our office. We called the company and they sent someone out to test his meter, which was faulty. They installed a new meter.

• We assisted a woman who recently had a fire in her home. Her electricity had been turned off and she made all of the necessary electrical repairs. She then contacted her electric company to have the service turned back on after having the inspection by the electrician. The utility advised her it would be turned on; however they could not give her an exact date. She kept calling them because she had to be back in her home by the end of the month. Each time she contacted them she said she was given different information. We contacted the company on her behalf and the company agreed that the information given to the customer was conflicting and they apologized. Her service was turned back on that evening.

• We assisted a consumer who contacted us because his electric company removed his meter box due to its faulty condition. When he had the problem corrected, he had an electrician inspect it and sent in the inspection card. When the company arrived to turn the service back on they found that they had broken a part when they removed the meter. They had to fix the problem and have it inspected again. All of this took a long time and the customer, who had a young family, really needed to have his service
restored. We worked with the company and had his service restored much faster than he was able to manage himself.

- We were contacted by a man on behalf of his elderly mother. She was heating her home with a kerosene heater because her electric had been out for several days. When he contacted the electric company, he was advised that the outside wires came loose and that someone would be out within two days. No one came out even though the customer called them repeatedly. We contacted the company and spoke with a supervisor who advised us that they would fix the problem that day. The service was restored.

- We assisted a consumer who is mentally and physically handicapped. She had someone who was supposed to be paying her bills, but they were not making the payments. She owed her electric company a lot of money and was at risk of termination. A relative has taken over her affairs, so we contacted the utility to set her up on a payment arrangement and to be set up on a customer assistance program.

- In October and November 2005, we fielded many calls from customers of Green Mountain Energy following its announcement that it was leaving the electric supply market. Many customers were confused by the letter they received from Green Mountain so the OCA call center explained their options.
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 42 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 currently serves on the NASUCA Executive Committee.
- Senior Assistant Consumer Advocate Philip McClelland serves on the Telecommunications Committee, assisted by Assistant Consumer Advocates Barrett Sheridan and Joel Cheskis.
- Senior Assistant Consumer Advocate Christine Maloni Hoover is the Chair of the Water 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. Ms. Dusman and Assistant Consumer Advocate Shaun Sparks initiated and serve as co-chairs of the Modem Hijacking Subcommittee.

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

- Mr. Popowsky was elected to serve as the first representative of small consumers on the Board of Trustees of the North American Electric Reliability Council (NERC), the national organization that was created to promote the reliability of the electric supply system in North America. He now serves as a consumer representative on the NERC Stakeholders’ Committee.
- Mr. Popowsky also represents small consumers on the Board of Directors of the North American Energy Standards Board. He also serves on the Keystone Energy Board and is a member of the Harvard Electric Policy Group at the Kennedy School of Government at Harvard University. He also participated as a consumer representative on the Stakeholder Committee of the Regional Greenhouse Gas Initiative.
- Mr. McClelland is Chair of the state staff of the Federal/State Universal Service Joint Board, which presents policy recommendations to the Federal Communications Commission. Mr. McClelland also serves as a NASUCA representative to the North American Numbering Council. Assistant Consumer Advocate Joel Cheskis serves as NASUCA’s alternate.
- Ms. Hoover is the NASUCA representative to the American Water Works Association Public Interest Advisory Forum and serves as its Chair.
- Public Policy Research Analyst Dan Griffiths serves as a consumer representative on the NERC Planning Committee and its Standards of Evaluation and Nominating Subcommittees. Mr. Griffiths also participates on the following PJM Groups: Members Committee, Markets and Reliability Committee, Planning Committee, Transmission
Expansion Advisory Committee, Market Implementation Committee and the PJM Public Interest and Environmental Users Group.

- Mr. Griffiths and Assistant Consumer Advocate Christy Appleby participate in the Mid-Atlantic Demand Response Consortium.

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, co-chairs the Gas Universal Service Task Force, 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 continues to represent 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 continues to serve 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.

- Mr. Griffiths and Ms. Appleby participate in the PUC’s Demand Side Working Group.

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

- The OCA works with Energy Utilities and Aging Consortium which plans, promotes and sponsors educational events statewide. The OCA also works with the Department of Aging to arrange Safeguards for Seniors educational events and has joined with the Department of Insurance Consumer Liaison to offer several presentations on utility and insurance consumer issues.

- Mr. McClelland and Mr. Sparks have worked closely with the Pennsylvania National Emergency Numbering Administration (NENA) on availability of 911 and emergency telephone related issues before the PUC.
## OCA STAFF

**Sonny Popowsky**  
*Consumer Advocate*

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<thead>
<tr>
<th>Position</th>
<th>Name</th>
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<tbody>
<tr>
<td>Dianne E. Dusman</td>
<td>Mary M. Gillette</td>
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<tr>
<td>Christine Maloni Hoover</td>
<td><em>Director of Administration</em></td>
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<tr>
<td>Philip F. McClelland</td>
<td>Pamela R. Carroll</td>
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<tr>
<td>Tanya J. McCloskey</td>
<td>Leslie B. Chatman</td>
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<tr>
<td><strong>Senior Assistant Consumer Advocates</strong></td>
<td>Jayne M. Hontz</td>
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<td>Kathleen A. O’Handly</td>
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<td>Robert Robinson</td>
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<td>Kim M. Yetter</td>
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<tr>
<td>Christy M. Appleby</td>
<td>Cheryl Cootes</td>
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<td>Aron J. Beatty</td>
<td>Jessica J. Horner</td>
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<td>Joel H. Cheskis</td>
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<td>David T. Evrard</td>
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<td>Erin L. Gannon</td>
<td>Cammie A. Shoen</td>
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<tr>
<td>Darryl A. Lawrence</td>
<td><em>Legal Assistant</em></td>
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<td>James A. Mullins</td>
<td>Susan J. Henry</td>
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<td>Barrett C. Sheridan</td>
<td><em>Consumer Liaison</em></td>
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<td>Shaun A. Sparks</td>
<td>Heather R. Yoder</td>
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<td>Darlene R. Wong</td>
<td><em>Assistant Consumer Liaison</em></td>
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<td>Bonnie Hoffner</td>
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<td>Dana Windisch</td>
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<td><em>Legal Interns</em></td>
<td><em>Consumer Service Representatives</em></td>
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<td>Marilyn J. Kraus</td>
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<td>Daniel W. Griffiths</td>
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