Annual Report

of the

Pennsylvania
Office of Consumer Advocate

Fiscal Year 2006-2007

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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 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 35 persons, including the Consumer Advocate, 15 attorneys, and 19 other professional, administrative and clerical personnel.

Pennsylvania utility consumers continue to need an advocate in Harrisburg and Washington, D.C. as utility industries continue to change. Representing consumers in the face of complex and sometimes interrelated changes at the state, regional, and federal level is a difficult challenge as the structure of the partially regulated, partially competitive utility industry evolves. Rather than reducing the need for a professional and fully participating consumer advocate, these changes in the utility industry have increased the need for our representation.

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 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. The OCA also participates actively on policy-making committees of non-government organizations such as the PJM Interconnection, whose decisions have a critical impact on electric prices and service in Pennsylvania. The OCA seeks to ensure that consumers are protected and informed about changes in their utility service that can be either beneficial or harmful. In recent years, the OCA has continued to work on proceedings resulting from several legislative changes impacting utility consumers, such as rulemakings and implementation orders regarding electric and natural gas restructuring, and regulatory requirements for basic and advanced telecommunications services.

In the electric industry, OCA has continued to focus on ensuring that all Pennsylvania consumers receive benefits from the restructuring of our electric utilities, including the strict enforcement of rate caps and other protections that were a part of 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 addressing, among other issues, customer assistance programs, energy efficiency activities and demand side response programs. Since much of the decision-making that affects Pennsylvania electric consumers now occurs at the federal and regional level, the OCA has expanded its participation in key electric proceedings before the FERC and in the committees of the PJM Interconnection. The OCA also is committed to ensuring reliable electric service for Pennsylvania consumers.

In natural gas, the OCA has participated in a number of base rate cases as well as merger cases involving natural gas utilities. 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 and basic service quality in Pennsylvania. The OCA has focused on the goal of ensuring that Pennsylvania maintains and enhances the provision of reliable and affordable universal telephone service throughout the Commonwealth. This has included efforts to expand Lifeline telephone discount programs to low-income consumers who might otherwise not be able to afford service, as well as efforts to implement the Bona Fide Retail Request program, which seeks to extend deployment of new advanced services to rural areas. The OCA also has participated in a number of service quality cases to ensure that customers are receiving reliable service.

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 has participated in a number of service quality cases to ensure consumers are receiving safe and adequate water and wastewater service. The OCA also has supported the development of programs that assist low-income consumers in paying their water bills.

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 in the Pennsylvania General Assembly on numerous occasions regarding critical utility issues that affect Pennsylvania consumers.

The OCA responds to individual utility consumer complaints and inquiries. The OCA maintains a toll-free calling number (800-684-6560) which is staffed from 8 a.m. to 6 p.m. Monday through Friday.

The OCA also devotes substantial resources to educating consumers about changes in the utility industry. The Consumer Advocate, Consumer Liaison, and other members of OCA staff have helped plan and participate in consumer presentations, roundtables, and forums across the Commonwealth to help educate consumers about changes in the utility industry and to advise them about cases that affect them. During the last year, the
OCA participated in more than 80 consumer outreach events across Pennsylvania, many of which were sponsored by members of the General Assembly. In addition, the OCA 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 utility consumers. The OCA believes that it has served Pennsylvania consumers well both with respect to its traditional regulatory responsibilities, as well as in its role in assisting consumers to obtain the benefits and avoid the pitfalls of the changing utility service markets. The OCA recognizes the importance of its role in advocating for the interests of Pennsylvania consumers and keeping consumers informed with respect to their utility services. Through this Annual Report, the OCA will summarize its activities in fulfilling its role in Fiscal Year 2006-2007.
ELECTRIC

Pennsylvania

Duquesne Light Company

Petition of Duquesne Light Co. for Approval of Default Service Plan, P-00072247. Duquesne Light Company filed a Petition seeking approval of its Plan to meet its default service obligation for the time period January 1, 2008 through December 31, 2010 (POLR IV Plan). Duquesne’s POLR IV Plan had different default service proposals for Residential, Small Commercial & Industrial, Large Commercial & Industrial, and Lighting customer groups. For regular residential customers, Duquesne proposed a three-year fixed rate of 7.41\$/kwh for generation service. This represented a 17.6% increase in the existing generation rate and a 9.2% overall increase in the total bill. For the residential heating rate, Rate RH, Duquesne proposed to phase out the declining block rate structure over the three year period so that by the end of the term, the Rate RH customers will be paying the same as the Rate RS customers. This proposal would result in Rate RH customers seeing a 34.2% increase in generation rates and a 19.3% overall increase in their total bill. Duquesne proposed to contract with its affiliate, Duquesne Power, to secure the energy in the wholesale markets that is needed to meet the obligation. Since Duquesne has divested all of its generation assets, Duquesne Power will acquire the energy from non-affiliated generation owners in the wholesale markets.

The OCA filed an Answer stating that it was in general agreement with Duquesne’s proposal for residential customers. The OCA reviewed the rate design issue for Rate RH customers to determine if it was reasonable for those customers to pay the same cents/kwh rate as other residential customers given their usage of energy in the lower priced time periods.

Following the filing of testimony, the parties engaged in settlement negotiations. For residential customers, the OCA was able to reach an agreement with the Company and other interested parties that allowed the Company’s plan to go forward for the three year period. The parties were able to reach agreement on establishing a rate for RH customers that reflected their usage in lower priced periods. The parties were also able to narrowly tailor the circumstances where the Company could seek to exceed the agreed upon rates. The settlement was approved by the Commission for the 2008-2010 period.

Duquesne Light Co. Base Rate Filing, R-00061346. As discussed in last year’s Annual Report, 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, and $19 million in transmission rate increase. Overall, the rate increase represented a 13% increase in revenue. For the general residential class, an increase of about 18.7 % was proposed. For the residential heating class, the Company had proposed an increase of about 37.4%. The Company also requested an 11.75% return on equity. The OCA filed a complaint, hired expert witnesses, and participated in the proceeding.

The OCA filed the direct testimony of four expert witnesses in this case. The OCA recommended that the Company be awarded an $83 million increase in its distribution
revenues, 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.

Following the filing of Rebuttal Testimony and Surrebuttal Testimony by the parties, extensive settlement negotiations were undertaken. Through this process, the parties reached an agreement in principle to settle all issues in the case and presented a settlement to the ALJ. Under the settlement, the Company would receive a $117 million distribution rate increase and the $19 million transmission rate increase. For an average residential customer using 600 kwh/month, the total bill will increase by 16.2%. As part of the settlement, the Company agreed to a residential customer charge of $7.00 per month, a significant reduction from the Company’s proposed $11.50 per month charge. The Commission approved the settlement and new rates took effect on January 6, 2007.

Duquesne Light Co. 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 was approved by FERC to recover transmission revenues that the utilities alleged they will lose as a result of integrating their operations into PJM. FERC 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. The parties then engaged in extensive settlement negotiations to resolve the matter. A settlement was reached which allowed the Company to collect the charges over a defined period and allows for refunds based on the final outcome of the FERC proceedings.

Application of Duquesne Light Co. for Acquisition by the Macquarie Group, Docket Nos. A-110150F0035 and A-311233F002. Duquesne filed an Application seeking Commission approval for the transfer of control of their parent company, Duquesne Light Holdings, Inc., (DLH) to DQE Holdings LLC (DQE LLC). DQE LLC is a wholly owned subsidiary of the Macquarie Consortium (Macquarie), which is an entity comprised of six separate investment funds. Macquarie is an international company founded, and primarily headquartered, in Australia. The effect of this transaction is that DQE LLC’s members, Macquarie, will privately control the DLH, and thereby Duquesne. The OCA filed a Protest to the Application seeking to ensure that ratepayers are protected and that the transaction results in substantial, affirmative benefits under Pennsylvania law.

The OCA filed its Direct Testimony in this matter analyzing the proposed acquisition and making recommendations regarding the terms and conditions under which such acquisition could be found to meet applicable statutory requirements. Among the OCA’s recommendations were that the Company commit to a distribution rate cap through the end of 2010, that it absorb all costs related to the transaction, that it expand the Board of Directors to include directors with
local ties who are unrelated to the Macquarie Group, that various cost of equity protections for ratemaking purposes be implemented, and that restrictions be placed on loans between and among the new subsidiaries to prevent transfer of cash from the regulated operations to the unregulated operations. The OCA also recommended that the Company commit to certain service quality and reliability benchmarks, commit to community and charitable giving, and that it take steps to further improve its universal service programs.

The parties engaged in settlement negotiations and were able to reach a comprehensive settlement of the issues in the case. Under the Settlement, the Company agreed that it will: 1) not increase in its distribution rates before January 1, 2010; 2) not seek recovery of any acquisition premium or other costs related to achieving the acquisition in either its distribution rates or its transmission rates; 3) commit to a Quality of Service Plan to ensure the continuation of its high service quality; 4) retain its headquarters and corporate functions in Pittsburgh and not move its headquarters outside of Pittsburgh without prior Commission approval; 5) add the CEO of Duquesne Light to the Board of Directors; 6) maintain at least its current levels of community commitment for five years; 7) establish an economic development program; 8) establish a universal service advisory group; 9) maintain its collective bargaining agreements; and 10) take measures to enhance competitive markets. Additionally, Duquesne agreed to a number of critical ratepayer protections related to access to capital, affiliate agreements, capital structure, and access to books and records. The Commission approved the Settlement and the acquisition proceeded to closing.

FirstEnergy Companies

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company

Metropolitan Edison Co. and Pennsylvania Electric Co. Request For Changes In Distribution, Transmission and Generation Rates. Docket Nos. R-00061366 and R-00061367. As discussed in last year’s Annual Report, 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 reflected 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 an illegal rate cap exception, which would cost Med-Ed and Penelec customers $2.25 billion in increased generation rates during the 2007-2010 period. In addition to the Rate Transition Plan issues, the Commission consolidated the on-going
proceeding regarding the appropriate treatment of merger savings resulting from the merger of GPU Energy and FirstEnergy with this proceeding.

The final result of the Commission’s Order was an increase in overall rates for Met-Ed of $58.7 million (a 5.1% increase) and an increase in overall rates for Penelec of $50.2 million (a 4.6% increase). The OCA’s adjustments adopted by the Commission produced $41.7 million in annual distribution savings for Met-Ed ratepayers from Met-Ed’s original proposal and $31.5 million in annual distribution savings for Penelec ratepayers from Penelec’s original proposal. The adoption of the OCA’s argument that the generation rate cap must remain in place saved Met-Ed and Penelec ratepayers nearly $2.25 billion in increased generation rates through 2010.

The Met-Ed Industrial Users Group (MEIUG) and the Penelec Industrial Customer Alliance (PICA) filed an appeal of the Commission’s Order with Commonwealth Court raising two issues. First, MEIUG/PICA challenged the Commission’s determination that congestion costs should be recovered through the transmission surcharge, alleging that this violates the generation rate cap by including these generation-related costs as transmission costs. Second, MEIUG/PICA challenged the Commission’s allowance of deferred transmission costs arguing that this was prohibited retroactive ratemaking. Following this appeal, the OCA and the Companies filed cross-appeals. In addition to supporting the two issues raised by MEIUG/PICA, the OCA also challenged the Commission’s allocation of universal service costs to only residential customers. The Companies challenged the Commission’s denial of generation rate relief. As of the end of the Fiscal Year, the cases were pending before Commonwealth Court.

Petition of Met-Ed For Approval Of Fourth Amendatory Agreement With Northampton Generation Station, Docket No. P-00072259. Met-Ed sought approval of an amendment to its contract with a non-utility generation project, the Northampton Project. Met-Ed was required to enter into this contract under the Public Utilities Regulatory Policy Act of 1978 (PURPA). During Restructuring, it was determined that over the life of the contract, Met-Ed would incur stranded cost associated with the contract. The contract was designed to pay the project prices higher than market prices in the early years and then prices lower than market price in the later years, after 2010. Under the Fourth Amendment, the Company agreed, among other things, to receive a $25 million upfront payment in exchange for ending the contract by 2010 when the contract price will fall below market price. The Company proposed to apply this $25 million payment to offset its stranded cost balance and reduce the stranded cost obligation of ratepayers. The OCA filed an Answer to the Company’s Petition indicating that it was continuing its investigation into whether the upfront payment is sufficient and whether the other terms are in the best interests of ratepayers. The matter proceeded to litigation. Upon review of the transaction, the OCA expert witness testified that the assumptions utilized by the Company to negotiate and evaluate the transaction were not reasonable. When reasonable assumptions were utilized, the amendment did not appear to provide any net benefits to ratepayers. As of the end of the Fiscal Year, this case was pending before the Public Utility Commission.

Petition of Pennsylvania Power Co. for Approval Of Provider of Last Resort Plan, Docket No. P-00072305. On May 2, 2007, Penn Power filed a Petition seeking approval of an interim plan for providing default generation service for the period June 1, 2008 through May 31, 2011. Penn Power also sought approval to collect its under-recovery of generation costs from its first Interim
POLR Supply Plan. Under Penn Power’s plan, it would solicit bids through several Requests for Proposal issued on a staggered basis for wholesale supply from alternative suppliers. Penn Power would then charge its customers the resulting cost of this supply. Penn Power proposed recovery through a reconcilable surcharge that will change quarterly. Penn Power also proposed major changes to its residential rate design to simplify the design and move all customers to a flat cents/kwh charge. The OCA filed expert testimony recommending that Penn Power move to a portfolio approach for procuring its supply rather than purchasing load following contracts. The OCA also addressed Penn Power’s proposal to revise its rate design to eliminate the declining block structure. As of the end of the Fiscal Year, the case was pending before the Public Utility Commission.

Petition of Pennsylvania Power Co. for Approval Of Provider of Last Resort Plan, Docket No. P-00052188. As discussed in last year’s Annual Report, 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 cost of this supply, using its current rate structure, but increasing the rates as needed to fully recover its costs. 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 would help to keep rates reasonable and lessen the impact of bad market timing. After Main Briefs and Reply Briefs, the Administrative Law Judge issued a Recommended Decision accepting the Company’s plan in substantial part. The OCA filed Exceptions arguing that the term of the plan should be extended by one year and that bids should be solicited on a rate class basis. 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. The Commonwealth Court found that the Commission’s decision would not allow the Company to fully recover its costs as required by Section 2807(e)(3). The Court remanded the matter to the Commission to establish a mechanism for full cost recovery. The parties were then able to agree upon a mechanism.

Petition of Metropolitan Edison Co. and Pennsylvania Electric Co. for Approval to Revise the Accounting Methodology Used for NUG-related Costs, Docket P-00062235. As discussed in last year’s Annual Report, 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 was 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 owed
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 then filed a Petition with the Commission. The OCA answered the Petition and opposed the proposed change in the method of calculating NUG stranded cost.

The OCA filed its Direct Testimony on January 11, 2007. In its testimony, the OCA witnesses testified that the Companies’ request was inconsistent with Pennsylvania statutes defining stranded cost was inconsistent with the Restructuring Settlement and unfair to ratepayers. Hearings were held and the OCA filed its Brief in opposition to the change in the accounting methodology. The ALJ issued her Recommended Decision agreeing with the OCA that there was no basis to change the accounting methodology. At the end of the Fiscal Year, this case was pending before the Public Utility Commission.

Penn Power Universal Service Rider Tariff Filing, Docket No. R-00073437. Penn Power filed a tariff seeking to implement a universal service surcharge designed to recover all costs of its universal service programs. The OCA filed a complaint against this tariff filing, alleging that it had not been shown to be just and reasonable. The parties have engaged in discovery and settlement negotiations to attempt to develop the details of a reasonable and appropriate cost recovery mechanism.

PECO Energy Company

Petition of PECO Energy for Approval of Plan To Acquire Tier 1 Alternative Energy Credits, Docket No. P-00072260. PECO Energy Company filed a Petition seeking approval of a plan to begin to comply with the requirements of the Alternative Energy Portfolio Standards Act (AEPSA). Under the AEPSA, PECO will be required to comply with the standards beginning in 2011, but PECO is permitted to acquire credits now and bank those credits for later use. PECO sought approval to begin to issue Requests for Proposals to acquire Tier 1 alternative energy credits now and bank those credits for later use. PECO also sought authority to establish an automatic surcharge recovery mechanism for implementation in 2011. The OCA filed an Answer generally supportive of PECO’s plan. The OCA did raise concerns with the proposed recovery mechanism being approved at this time. Briefs have been filed on the contested issue of the approval of the cost recovery mechanism and on the interpretation of certain portions of the AEPSA.

Pike County Light & Power Company

Complaint of the Pike County Commissioners, C-20065942, et al.; Initiation of a Fact Finding Investigation, P-00052168; and Petition of Direct Energy For Retail Aggregation Program, P-00062205. As discussed in last year’s Annual Report, 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 increase that Pike customers faced at that time. 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 27th, the Commission opened an investigation into the situation in Pike (P-00052168). 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 (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. At its Public Meeting of April 6, the Commission determined to hold a hearing on April 11, to take testimony from the parties, including OCA, Direct Energy, Consolidated Edison and others.

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 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 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. The OCA worked with the County Commissioners of Pike County, who had a pending complaint against the utility as a result of the rate increase, to pursue the recommendations in the Staff Report as part of the County’s Complaint proceeding. Through the OCA’s efforts with the Pike County Commissioners, the issues and recommendations contained in the Staff Report, as well as issues regarding service quality, proceeded to litigation through the complaint process. The County and Pike entered into settlement discussions following the submittal of Briefs and were able to enter into a settlement. Under the settlement, Pike agreed to restore service centers and operations in Pike County, address reliability issues through a number of initiatives, improve overall service, and continue to evaluate the possibility of interconnections with the PJM region.
and other Pennsylvania utilities. The OCA filed comments supporting of the settlement. The OCA commented that the settlement makes significant steps to repairing the strained relationship between Pike and its customers and restoring confidence in the Company. At the end of the Fiscal Year, the matter remained pending before the ALJ.

Petition of Pike County Light & Power Co. For Approval Of Its Default Service Plan, P-00072245. On January 8, 2007, PCL&P filed a Petition seeking approval of its next default service plan to begin on January 1, 2008. The OCA filed an Answer recommending some modifications to this proposal, particularly as it concerns the on-going Direct Energy aggregation program. The matter proceeded to expedited hearings. The OCA filed Direct Testimony of its witness recommending that the term of the plan be limited to one year due to the pending complaint case. The OCA also recommended a mechanism that would allow the default service program to move forward and allow for the integration of the Direct Energy aggregation program into the default service plan. Briefs were filed and the Administrative Law Judge issued a decision. In the Decision, the ALJ recommended that Pike purchase its supply on the spot market and charge its customers a monthly price reflecting those market price purchases. The ALJ also recommended that Direct Energy be allowed to continue its aggregation program without showing that the price charged by Direct Energy is lower than the Pike default service price. The OCA filed Exceptions to this decision, and at the end of the Fiscal Year, the matter was pending before the Commission.

PPL Electric

PPL Distribution Base Rate Case, R-00072155. On March 29, 2007, PPL Electric filed for an increase in distribution base rates to produce $83.6 million in additional annual operating revenue. PPL’s filing included a request for an 11.5% return on equity. Included in the rate increase were programs related to energy efficiency, demand-side management, universal service and sustainable development. PPL also proposed to recover deferred storm costs from a 2005 ice storm, and included a claim for recovery of storm insurance premiums. PPL also proposed to allocate the rate increase to the various customer classes in a manner that would move each class closer to the system average rate of return. The OCA presented testimony in this proceeding recommending an increase in distribution base rates of $34.5 million with a return on equity of 9.63%. The OCA also proposed an alternative allocation of the rate increase to the customer classes. Under the Company’s proposal, the bulk of the rate increase was to be paid by the residential customers. The OCA’s analysis found that this was unwarranted and recommended that the rate increase be more fairly allocated to the classes. The OCA also challenged the Company’s proposal to recover its universal service costs through a Rider charged only to residential customers.

The parties entered into settlement negotiations and a comprehensive settlement was reached. Under the settlement, PPL would be permitted to increase its distribution rates by $55 million annually. This represents an overall increase in rates of 1.75% as compared to the Company’s original request of a 2.79% overall increase. Included within this $55 million increase is the increased funding for the Customer Assistance Program to allow for 22,000 customers to enter the program. If the Company exceeds 22,000 enrollees, the additional costs will be recovered through the surcharge mechanism, but the surcharge will be credited by $40 for each participant.
over 22,000 to reflect the cost savings and cost offsets from greater program participation. Also included in the $55 million is an additional $500,000 in funding for the Low Income Weatherization Program, resulting in a total expenditure on the program of $7,750,000.

The parties also agreed to the allocation of the rate increase to the various customer classes. Under the settlement, the residential class will pay approximately 87% of the total increase, rather than the 94% proposed by the Company. The parties also agreed to a residential customer charge of $8.00 per month instead of the $10.00 per month customer charge proposed by the Company. At the end of the Fiscal Year, this proposed settlement was pending before the Public Utility Commission.

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. This 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.

On October 22, 2004, the Recommended Decision was issued. The ALJ recommended that the Company be allowed a $130 million increase in annual revenues. Included in the ALJ’s recommendation was a return on equity of 10.25%. The ALJ recommended that the rate increase be spread among the various rate classes as proposed by the Company and the OCA. The ALJ also recommended that the Company’s proposal to implement a Distribution System Improvement Charge (DSIC) be rejected.

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, OTS and PPLICA that reduced the Company’s request by $5.4 million. 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 the Commonwealth Court. The OSBA also filed an appeal of the Commission’s decision regarding the allocation of the rate increase to the customer classes.

On August 4, 2006, the Commonwealth Court issued its decision. The Court agreed with the OCA that recovery of the Hurricane Isabel costs was barred by the rate cap contained in 66
Pa.C.S. ' 2804(4). The Court also 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. The OCA filed a Brief in Opposition to the appeal of the Hurricane Isabel issue.

The Supreme Court did not accept the appeals and the matter returned to the Commission. The Commission directed the Company to file a refund plan for the Hurricane Isabel costs and it remanded the issues of the proper transmission and distribution rates to the ALJ for consideration of the Court’s Order.

Upon remand to the ALJ, the Company filed a proposal for addressing the Commonwealth Court’s Order. The OCA submitted Direct Testimony generally supportive of the Company’s plan. The parties engaged in settlement negotiations and reached an agreement. Under the agreement, the allocation of the distribution rate increase was modified to address the issues raised by the Commonwealth Court. In addition, the allocation of the transmission charges was modified to reflect the way that PJM bills the Company. The combined effect of these two changes on residential customers was an approximate 3% to 5% increase in overall rates.

Petition of PPL Electric Utilities Corporation for Approval of a Competitive Bridge Program, P-00062227. On August 12, 2006, PPL Electric Utilities filed for approval of a competitive bridge plan to establish the terms and conditions under which PPL will supply Provider of Last Resort (POLR) service to its customers during calendar year 2010. PPL’s generation rate cap expires at the end of 2009, one year earlier than most other major Pennsylvania utilities. PPL proposed a one-year transition plan before a more comprehensive POLR procurement strategy is implemented. Under the competitive bridge plan, PPL proposed to secure power through a series of Requests for Proposals over a three year time period. This procurement will include the alternative energy resources necessary to comply with the Alternative Energy Portfolio Standards Act. PPL also proposed to enhance its demand side response programs, its low income weatherization programs and its low income customer assistance program. The OCA filed its Notice of Intervention and Answer to the Petition. The OCA raised some concerns regarding the products it sought to procure, particularly the load following requirements.

On November 15, 2006, the OCA filed testimony making recommendations regarding rate design, consumer education, and the potential for conducting a bid for the provision of demand side response or energy efficiency programs. In its Rebuttal testimony, the Company agreed to many of the OCA’s recommendations. The Company and the OCA then entered a Stipulation to resolve the remaining issues. Under the Stipulation between the OCA and the Company, the Competitive Bridge Plan for residential customers, among other things, will continue to take a laddered procurement approach with further consideration of demand side response and energy conservation programs as part of the bid process. PPL also agreed to modifications to the rate design to mitigate the rate impact of any resulting increase to the various customer classes and to a collaborative process for designing an appropriate consumer education initiative. The OCA filed its Brief in support of the Competitive Bridge Program for residential customers as modified by the Stipulation. The ALJ approved the Stipulations for residential customers. Following Exceptions and Reply Exceptions to the Recommended Decision, the Commission approved the Plan as modified by the Stipulation.
West Penn Power Company

In Re: Application of Trans-Allegheny Interstate Line Co. (TrAILCo) For A Certificate of Public Convenience, Docket Nos. A-110172, A-110172F0002-F0004, G-00071229. In May 2005, PJM announced the AProject Mountaineer® which was intended to consist of one or more projects to enhance the west-to-east transmission capability of the entire PJM transmission system. PJM initiated the Regional Transmission Expansion Planning Protocol (RTEP) to develop a comprehensive plan.

In February 2006, Allegheny Power proposed to PJM the construction of a 500 kV line now known as TrAIL (Trans-Allegheny Interstate Line) as a solution for long-term reliability issues in the PJM region. In June 2006, PJM approved a five-year RTEP that included a modified version of TrAIL to be constructed by Allegheny Power; Allegheny sought FERC approval of financial incentives for the project, later authorized by FERC in an Order at Docket No. EL06-54-000.

The Company filed an Application with the PUC to approve the Pennsylvania portion of the TrAIL project on April 13, 2007. Allegheny asserted in its Application that a significant portion of the TrAIL facilities is directly related to reliability improvements needed in its Pennsylvania service territory. The OCA intervened in this docket and filed a Protest on May 29, 2007. The OCA also retained two consulting firms to provide assistance in discovery and submission of testimony on the many issues raised by this filing. The OCA worked with the public parties, property owners, and other parties to establish a procedural schedule for this proceeding. At the end of the Fiscal Year, the OCA continued to prepare for litigation.

Citizens= Electric

Wellsboro Electric

Citizens= Electric Co. Base Rate Case, R-00072348. On April 30, 2007, Citizens= Electric Company filed for a distribution base rate increase. Citizens= requested an increase of $898,363 annually, or about a 7.4% overall increase. Citizens'= request included a claimed return on equity of 11.5%. As part of its proposal, Citizens= proposed to increase the customer charge for all customer classes. The OCA filed a complaint. At the end of the Fiscal Year, the OCA was engaged in preparing its case.

Wellsboro Electric Co. Base Rate Case, R-00072350. On April 30, 2007, Wellsboro Electric Company filed for a distribution base rate increase. Wellsboro requested an increase of $900,537 annually, or about a 9.4% overall increase. Wellsboro's request included a claimed return on equity of 11.5%. As part of its proposal, Wellsboro proposed to increase the customer charge for all customer classes. The OCA filed a complaint. At the end of the Fiscal Year, the OCA was engaged in preparing its case.

Citizens= Electric and Wellsboro Electric Request for Approval of a Default Service Plan, Docket Nos. P-00072306 and P-00072307. Citizens= Electric and Wellsboro Electric made a joint filing for approval of a default service procurement plan that would allow each company to
procure supply to meet its load obligations for its default service customers. The Companies proposed a portfolio approach and proposed to retain a portfolio manager to procure supply in accordance with the plan. The OCA retained an expert witness with experience in power supply procurement to assist in the review of the Companies’ plan. The matter was scheduled for expedited hearing at the Commission. The OCA worked with the Companies to develop a stratified procurement approach that is designed to mitigate rate volatility and to allow for procurement of supply at the lowest reasonable cost. The OCA filed testimony on this approach and participated in hearings on the approach. The OCA prepared its Brief to the Commission that generally supported the Companies’ procurement plan. At the end of the Fiscal Year, this case was pending before the Public Utility Commission.

**Policy Cases**

**Provider of Last Resort Regulations**, Docket No. L-00040169. On February 9, 2007, the Commission issued an Advance Notice of Final Rulemaking (L-00040169) and a Proposed Policy Statement (M-00072009) setting forth its proposed final regulations and policy guidance concerning the default service obligation. In the ANOFR and proposed Policy Statement, the Commission encouraged each EDC to secure a portfolio of resources to meet the default service obligation. The Commission also established the standard for the procurement to be to secure supply at the lowest reasonable long-term cost.

The Commission issued its final form regulations and its Policy Statement on May 10, 2007. The Commission made significant changes in its regulations and Policy Statement from the version issued for comment. Of particular concern, the Commission removed the standard that default service supply be acquired at the lowest reasonable long term cost and it supported a movement to reliance on short term and spot market purchases. The Commission also required that rates for residential customers change at least quarterly, if not more frequently. As a Final Rulemaking Order, the Commission’s final form regulations were to be reviewed by the standing committees in the General Assembly and the Independent Regulatory Review Commission. The OCA filed additional Comments with the Independent Regulatory Review Commission highlighting the areas where the final rulemaking order was inconsistent with the intent of the Customer Choice Act and where the final rulemaking would result in rates that are unjust and unreasonable. On July 19, 2007, the Consumer Advocate presented oral comments to IRRC urging that IRRC disapprove the regulations. After receiving testimony, IRRC approved the regulations and they became final in early August, 2007.

**Investigation of Conservation, Energy Efficiency Activities and Demand Side Response by Energy Utilities and Ratemaking Mechanisms To Promote Such Efforts**, Docket No. M-00061984. On October 11, 2006, the Commission issued an order establishing an investigation into demand side management and energy conservation programs. Through a collaborative working group, the Commission sought to develop recommendations for specific programs and measures that can be implemented in a cost-effective manner for all customers. The Commission also sought specific recommendations regarding ratemaking changes that might be necessary to facilitate such programs, such as the introduction of revenue decoupling mechanisms. The OCA has been actively participating in these matters. The OCA worked with its expert consultants, and other parties, to develop a list of energy conservation and demand
side response programs for residential customers that have been successfully implemented throughout the Nation and that could be successfully implemented by Pennsylvania utilities. The collaborative working group considered many potential programs and recommendations of the stakeholders, but a consensus was not achieved. The Commission Staff prepared a Report for the Commission which the OCA reviewed and commented on. As of the end of the Fiscal Year, the Commission was considering Staff recommendations.

Generic Rulemakings

*In re: Insuring Consistent Application of 52 Pa. Code §§56.12(7)--Equal Monthly Billing, M-00051925.* As discussed in last year’s Annual Report, 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 filed for reconsideration. Upon reconsideration, the Commission made some changes to its Final Interpretive Rule, now allowing for true up of budget billing during the winter heating season, allowing for the continuation of 10-month and 11-month budget billing programs if the customer desires such a program, and deleting some provisions that raised interpretation issues with Chapter 14.

*Advanced Notice of Proposed Rulemaking Pertaining To Inspection and Maintenance Standards, Docket No. L-00040167.* As discussed in last year’s Annual Report, 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 inspections cycles, transmission and distribution line inspections, substation inspection and maintenance standards, and transformer inspection and maintenance standards. The OCA retained experts to assist it in the preparation of Comments.

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 remediying 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.

The Commission subsequently issued proposed regulations, adopting some of the OCA’s recommendations, particularly regarding the intervals between inspections. The regulations, however, did not detail the forms of inspection or time frames for remedying identified deficiencies. On November 6, 2006, the OCA filed comments generally supporting the Commission’s approach, but recommending further standards for inspection, maintenance and repair of critical facilities.

The Commission then determined to conduct a hearing on its proposed rules. The Commission issued a series of questions to the electric distribution companies seeking information, and issued additional questions to the OCA requesting additional information. The OCA participated in the hearings on January 22, 2007 through the presentation of oral testimony. At the end of the Fiscal Year, this matter was pending before the Public Utility Commission.

Customer Assistance Programs: Funding Levels and Cost Recovery Mechanisms, 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 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 payment. The OCA urged that at a minimum, 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 its Public Meeting of October 19, 2006, the Commission approved a Joint Motion to open a rulemaking docket to establish regulations and modify the CAP Policy Statement. The Joint Motion found that the entire costs of universal service programs should be borne by residential ratepayers and that recovery should be through a reconcilable surcharge mechanism. The Joint Motion also proposed modifications to the CAP program design elements, particularly regarding default in payment by CAP customers. The Joint Motion proposed regulations addressing failure to comply with the program rules, non-payment, timely collection and restoration in light of the enactment of Chapter 14 of the Public Utility Code establishing new rules for payment agreements and terminations. The final Investigatory Order was entered on December 18,
2006. It is anticipated that proposed regulations and proposed revisions to the CAP policy statement will be issued after the end of the Fiscal Year.

**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 then 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 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 Commission is in the process of establishing Working Groups to consider all of the implementation issues.

The OCA is continuing to work on these issues. The OCA filed comments on the proposed implementation of the energy efficiency and demand side management provisions of Act 213. The OCA generally supported the proposal of the Commission. The OCA also filed comments on the draft regulations regarding net metering. The OCA generally supported the Commission’s proposal which follows the New Jersey model. The OCA also filed comments on the draft interconnection standards. Formal notices of proposed rulemaking have now been issued for both net metering (L-00050174) and interconnection (L-00050175).
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 relates only to the registry and not to the program administration which has not yet been determined. 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. Subsequently, the Commission issued a number of proposed rulemakings to address implementation issues.

**Proposed Rulemaking Re: Net Metering**, Docket No. L-00050174 and M-00051865. As discussed in last year’s Annual Report, on November 16, 2005, the Commission issued a Proposed Rulemaking Order to establish regulations for net metering of customer generators. The rulemaking was in response to the requirements of the Alternative Energy Portfolio Standards Act. The OCA has previously participated in Working groups and has filed informal comments on these issues. The proposed rulemaking adopted many of the OCA’s prior suggestions. On April 3, 2006, the OCA filed comments generally supportive of the Commission’s proposed regulations. The Commission entered an order adopting final regulations that reflected many of the OCA’s suggestions.

**Proposed Rulemaking Re: Interconnection Standards**, Docket No. L-00050175 and M-00051865. As discussed in last year’s Annual Report, on November 10, 2005, the Commission issued a Proposed Rulemaking Order regarding interconnection standards for customer-generators pursuant to the requirements of the Alternative Energy Portfolio Standards Act. The proposed rulemaking addressed general procedures for interconnection requests as well as the review process. The OCA had previously participated in Working Groups and filed comments on these issues. The proposed rulemaking adopted many of the OCA’s prior suggestions. The OCA filed comments generally supportive of the proposed rulemaking. The OCA offered comments regarding items that may result in barriers to small customer interconnection. On August 22, 2006, the Commission issued its Final Rulemaking Order which adopted some of the OCA’s suggestions.

**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, 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 regulatory 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 part of the New York ISO, in complying with the Act. At the end of the Fiscal Year, the matter remained pending before the Commission.

**Proposed Rulemaking: Implementation of the Alternative Energy Portfolio Standards Act of 2004, Docket No. L-00060180.** Through publication in the Pennsylvania Bulletin, the Commission opened a rulemaking intending to establish by regulation the implementation decisions it had previously made regarding the Alternative Energy Portfolio Standards Act. The rulemaking reflected previous decisions and addressed several outstanding issues. One of the key issues addressed by the rulemaking was the treatment of alternative compliance payments and the force majeure provisions. The Commission had previously held that alternative compliance payments for failure to meet the requirements of the Act would not be recoverable from ratepayers. The OCA had opposed this complete prohibition and identified circumstances where the alternative compliance payment should be recovered when it was the least costly means to meet the requirements of the Act. In this rulemaking, the Commission sought to move toward the OCA’s position by connecting the alternative compliance payment provisions with the force majeure provisions. While the OCA agreed with the Commission’s intent, the OCA questioned whether the specific proposed mechanism was in keeping with the Act. The OCA filed comments on this issue, which remained pending before the Commission at the end of the Fiscal Year.

**Federal**

**FERC Electric Cases**

End User Group Complaint Regarding the PJM Market Monitoring Unit, EL07-56 and OPSI Complaint Regarding the PJM Market Monitoring Unit, EL07-58. Based on statements made by the PJM Market Monitor at a FERC Technical Conference that the independence of the PJM Market Monitoring Unit (MMU) was being interfered with by PJM management, a large group of end use customers, including the OCA, filed a complaint with FERC requesting that FERC open an investigation into this matter and ensure that the independence of the MMU was maintained. The complaint also requested that FERC ensure that the MMU is adequately staffed and has full access to all necessary data to monitor the markets. Without an independent Market Monitor, market participants cannot be assured that the markets are operating competitively and without the exercise of improper market power. In addition to the End User Group Complaint, the state commissioners that are part of the Organization of PJM States, Inc. (OPSI) also filed a complaint. OPSI also requested that FERC ensure that the status quo is maintained and that the MMU is not subject to any interference that compromises its independence. FERC issued a number of information requests to PJM and to the PJM MMU. Both responded. Based on the information contained in the responses, the End User Group, of which the OCA is a part, filed
additional discussion regarding its complaint. OPSI also made additional filings. At the end of the Fiscal Year, the matter was pending at FERC.

**Duquesne Transmission Base Rate Case, EL06-109, EL06-1549.** On September 29, Duquesne Light Company filed for the establishment of a formula rate for its transmission costs. Included within this claim was a request for incentive rate treatment of certain new transmission facilities. The OCA filed a Motion to Intervene and Protest in the matter. The OCA retained a team of expert witnesses and initiated discovery in the matter. The OCA engaged in settlement discussions with the Company and other parties through the FERC settlement judge process. A settlement of the issues was reached. Under the settlement, the Company made a number of accounting adjustments recommended by the OCA that will reduce the transmission revenue requirement. The parties also agreed to a cap on the equity portion of the capital structure and on a base return on equity of 10.9% for the transmission investment. The settlement is pending before an ALJ at FERC.

**Trans-Allegheny Transmission Line, ER07-562, EL07-24.** As part of its proposal to construct a transmission line, a part of which is in Pennsylvania, the Trans-Allegheny TrAIL Company also sought approval from FERC to establish a formula rate for the costs of the line. The request includes a number of incentive rate proposals. The OCA has filed a Motion to intervene in the matter and is participating in the settlement process on the rate issues.

**PJM Reliability Pricing Model, EL05-148; ER05-1410.** 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 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. In April 2006, the Commission issued an initial Order that the OCA concluded was extremely detrimental to consumers. This was followed, in June, by two Technical Conferences that further elaborated proposals from PJM. These made the impacts of the April Order even more detrimental. However, the Commission accepted a request from the OCA and a number of others asking the Commission to direct the parties to seek settlement. Extensive settlement negotiations were conducted at FERC from May through late September 2006 with a final Settlement signed on September 25. The proposal was protested by several parties. The OCA participated extensively due to the projection that costs to Pennsylvania would increase by over $350 million in 2007 and by even greater amounts in future years. The final Settlement will reduce but not eliminate that impact. However, under the agreement several mechanisms are available to state regulators and customers for reducing costs in the future. Protections against market power by generation owners were strengthened.

**PJM Interconnection, L.L.C., ER06-1271, ER06-954, ER06-880, ER06-456.** These consolidated dockets relate to the PJM Regional Transmission Expansion Plan (RTEP) for reliability purposes and the allocation of costs for the projects approved in the plan. The OCA intervened in these proceedings given the impact of the cost allocation methodologies on the rates paid by Pennsylvania consumers. Settlement discussions were held in November that were unsuccessful. The case remains pending at FERC.
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. 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.

- **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.
• 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.

• Three Pivotal Supplier Task Force (TPSTF) – The TPSTF is responsible for reviewing the market power screens used in the PJM market to determine whether market power mitigation, such as offer capping, is needed in a particular market.
NATURAL GAS

Pennsylvania

Base Rate Proceedings

Philadelphia Gas Works, Docket No. R-00061931. On December 22, 2006, the Philadelphia Gas Works (PGW) filed a request for an increase in its non-gas base rates of $100 million. PGW is the largest NGDC in Pennsylvania with 486,000 customers. Of the 486,000 customers, 461,000 are residential customers, with a significant number of those customers having incomes at or below 150% of the federal poverty level. Of the $100 million increase, the Company sought $80 million for increased operating expenses and $20 million for its debt reduction. The Company also proposed to change its Gas Cost Recovery mechanism related to these revenues from off-system sales and capacity release. Under the current mechanism, all these revenues, about $10 million annually, are returned to customers as an offset to purchased gas costs. PGW sought to retain these revenues and direct the revenues to capital improvement projects. The OCA filed a complaint and retained a team of expert witnesses for the case.

The OCA filed Direct Testimony in this matter recommending that PGW be awarded a rate increase of no more than $22.5 million. The OCA also recommended that the Company=s proposal to retain some of the off-system sales revenue be rejected. The OCA supported PGW=s proposed allocation of any rate increase among the customer classes, and made various recommendations regarding universal service cost recovery. The Administrative Law Judges issued their Recommended Decision providing for a $25 million increase in rates. The ALJs adopted many of the OCA=s positions on expense claims and the revenue requirement. The ALJs determined to adopt a proposed spread of the rate increase proposed by another party that resulted in the entire $25 million rate increase being borne by the residential customer class. The OCA filed Exceptions on the issue of the allocation of the rate increase.

Valley Energy Base Rate Case, Docket No. R-00072349. On April 30, 2007, Valley Energy filed for an increase in its distribution base rate revenues of $638,025 on an annual basis. This represented a 7% increase on an overall basis. Included in the Company=s claim was a request for an 11.5% return on equity. The Company also proposed to increase the customer charge for all customers. The OCA filed a complaint and filed testimony in August, 2007 recommending a $24,000 rate increase based on a 9.5% return on equity and the parent company=s capital structure. The parties entered into settlement negotiations and were able to resolve the matter. The parties agreed to a rate increase of $297,000. The Company agreed that it will not file for another base rate case until at least January 1, 2010. The settlement was approved by the ALJ and the Commission.

T.W. Phillips Gas and Oil Co., Docket Nos. R-00051178, A-122350F0005 and G-00061164. As discussed in last year=s Annual Report, 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 approved by the Commission.

PG Energy Co., Docket No. R-00061365. As discussed in last year’s Annual Report, on April 12, 2006 PG Energy filed a base rate case seeking an increase in its annual revenues of $29.8 million. The OCA filed a formal complaint against the proposed increase. In testimony the OCA recommended that the Company receive an increase in its rates of $6.9 million, based on an opportunity to earn a return on equity of 9.0%. The OCA’s final recommendation included the savings that would result from the merger of PG Energy and UGI. Following the filing of testimony, the parties engaged in settlement negotiations. An agreement was reached that provided for an increase in base rates of $12.5 million, resulting in an increase for residential customers of about 4.14%. The settlement was approved by the Commission.

PPL Gas Utilities, Docket No. R-00061398. As discussed in last year’s Annual Report, on April 27, 2006 PPL Gas Utilities filed a base rate case seeking an increase in its annual revenues of $12.8 million. The OCA filed a complaint against the gas utility’s request on May 30, 2006. The OCA engaged in discovery and presented its recommendation to the Commission based on the testimony of three expert witnesses. The OCA recommended that the Company be awarded a rate increase of $1.7 million, based on an opportunity to earn a return on equity of 9.625%. The OCA also recommended an adjustment to the Company’s capital structure and an alternative allocation of the rate increase among the customer classes. Following hearings, the OCA filed briefs in support of its position. As its final position, the OCA recommended a rate increase of $1.5 million, following additional adjustments in the final phase of testimony. The presiding ALJ recommended that the Company be allowed a $7.678 million increase, based on a 10.26% equity cost rate and adoption of certain expense adjustments recommended by the OCA. The ALJ recommended a lesser increase in the residential customer charge, based on the OCA recommendation, but assigned a greater portion of the overall rate increase to residential customers than that recommended by the OCA.

The Commission issued its Final Order on February 8, 2007 awarding the Company an $8.1 million increase. The Commission upheld the ALJ on almost all issues, but increased her recommended equity cost rate from 10.26% to 10.4%.

National Fuel Gas Distribution Corporation, Docket No. R-00061493. As discussed in last year’s Annual Report, 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 participated 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. Public input hearings were held on August 28, 29 and 30, 2006 in Erie, Meadville, Farrell and Franklin, PA. One hundred and sixty-eight (168) customers provided sworn testimony at these hearings, primarily regarding their opposition to NFG’s rate increase, revenue decoupling surcharge and customer charge proposals. The OCA submitted testimony recommending an increase of no more than $11.889 million. The OCA, NFG, Office of Trial Staff, Office of Small Business Advocate and Community Action Association of Pennsylvania met on numerous occasions; those meetings ultimately resulted in the filing of a settlement of all issues on October 12, 2006.

The proposed Settlement provided for an overall distribution base rate increase of $14.3 million, or 4.0%, which is about $11.5 million less than the rate increase amount originally requested by NFGD of $25.8 million, and an increase of 4.6% to the residential class. The Company is prohibited from filing for a base rate increase before January 28, 2008. Other significant terms of the proposed settlement were the withdrawal of the EEE Rider, retention of the current monthly customer charge for NFGD residential customers and an equal increase to each residential usage block. The removal of the EEE rider, along with these changes to rate design ensured that the proposed Settlement rates would provide appropriate conservation signals to customers. In addition, the settlement provided for an increase in funding for the Low Income Usage Reduction Program (LIURP); withdrawal of the MFC, which the OCA opposed on the basis that it was an unlawful automatic surcharge mechanism for uncollectibles expense and could reduce NFGD’s incentive to maximize collections because the MFC would guarantee cost recovery; and withdrawal of the pilot program for purchase of NGS receivables, which the OCA opposed because it was inconsistent with Commission policy regarding termination of customers.

The ALJ recommended approval of the Settlement on November 6, 2006 and the PUC entered an order approving it on December 4, 2006.
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 2006 and 2007. The OCA was 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 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) were 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 2006-07:

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<td>Dominion Peoples</td>
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<td>Equitable Gas</td>
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<td>UGI Gas</td>
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Applications

In Re NFG Distribution Co.’s Temporary Operational Takeover of Nidos 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 remedying 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 Prosecutory Staff submitted a Stipulation and Settlement. Under the Stipulation and Settlement, operational control of the Kaylor system is 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 in an escrow account, pay all bills rendered by NFGD and T.W. Phillips (TWP), 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 authority to recover any unpaid costs for natural gas from NFGD ratepayers through NFGD’s Section 1307(f) mechanism. NFGD was also permitted to request recovery of other unpaid costs through a tariff rider. The Stipulation and Settlement were approved by the Administrative Law Judge.
The OCA filed a Notice of Intervention in this proceeding, and in the pending Application for Abandonment of Service at Docket No. A-120007F2001, on December 23, 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 may not 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) that the PUC should ensure that all parties expeditiously begin work on alternative proposals to address the Kaylor situation.

In April 2004 at a Prehearing Conference, 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 2005, A-120007F2001, Nido’s filed an Amendment to the Application for Abandonment of Service for Kaylor (Kaylor Amendment). On the same date, A-120007F2000, Nido’s filed an Application for Abandonment of the Shadyside Gas operations (Shadyside Application). Both cases were consolidated under the second docket. The Kaylor Amendment and Shadyside Application both averred that all gas utility operations were being transferred to Orwell Natural Gas Company, an Ohio utility. The OCA filed a Notice of Intervention in both application proceedings to ensure that the interests of the customers of Kaylor and Shadyside Gas are protected. The parties engaged in extensive settlement negotiations in an attempt to resolve both the Kaylor and Shadyside Application proceedings, as well as related complaint cases against Nido’s. 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 provides 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 would 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. The proposed settlement was approved by the Commission.

In a related matter, on November 2, 2004, TWP filed a complaint and Petition for Hearing to Request Modification of Emergency Order requesting permission to terminate TWP’s wholesale natural gas service to Nido’s due to the accumulation of a large past-due balance and Nido’s failure to pay TWP for past-due balances as well as current bills. In re: T.W. Phillips Gas and Oil Co.’s Proposed Termination of Wholesale Gas Service to Nido’s Ltd. t/d/b/a Shadyside Gas, Docket No. M-00031764. A hearing was held on February 15, 2005, at which time Nido’s Vice-President testified about the various problems Nido’s was experiencing with uncollectibles and its ability to pay TWP for wholesale gas service. The OCA intervened in this proceeding and filed a Main Brief on March 17, 2005 urging the PUC to ensure that Nido’s customers are not left without service and that Nido’s is taking all necessary steps to collect accounts receivables, maximize Nido’s revenues, and to make payments to TWP for wholesale gas purchases and past-due balances. The settlement referenced above resolved all issues contested in this proceeding.
Joint Application of Equitable Resources, Inc. and The Peoples Natural Gas Co., d/b/a Dominion Peoples, Docket No. A-12250. As discussed in last year’s Annual Report, 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 would be 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. The OCA filed its Direct Testimony on September 1, 2006 and recommended several conditions to protect customers and to bring substantial affirmative benefits to customers. Of particular note, the OCA recommended that at least 50% of any synergy savings be returned to customers. The OCA also proposed a Service Quality Plan designed to improve customer service. The OCA recommended that the Companies increase their contributions to their Hardship Funds as a means of bringing benefits to the low income customers that can be affected by such mergers.

Settlement negotiations were entered into between the Company and many of the parties. The OCA, the Commission’s Office of Trial Staff, the low income customer representatives and Representative Wheatley were able to reach a comprehensive settlement with the Company to resolve their issues. The settlement, among other things, included an agreement by Equitable and Dominion Peoples to not file for a general increase in base rates until at least January 1, 2009; an agreement by the Companies to absorb the acquisition premium and other transaction-related costs; an agreement to eliminate certain overlapping pipeline contracts resulting in a reduction to purchased gas costs of about $10 million; contributions to the pension funds to ensure that they are sufficiently funded throughout the stay-out period; on-going contributions to the low-income Hardship funds; a collaborative process to consider universal service programs; a service quality index; specific gas safety measures; and a commitment to work with Representative Wheatley to develop and implement specific processes and plans to achieve diversity goals. The settlement also reserved the right of all parties to address issues and take necessary positions in future filings if Equitable determines to combine the operations of Equitable and Dominion Peoples or makes filings to implement other provisions of the settlement. Equitable also reached agreements with the Independent Oil and Gas Association (IOGA), Hess, and Constellation. The OCA filed Briefs in support of the settlement. The ALJ approved the Settlement without modification. The OCA filed Reply Exceptions to those parties that continue to challenge the Settlement. On April 13, 2007, the Commission approved the Settlement and issued an Order approving the acquisition.

Application of UGI Utilities, Inc. and Southern Union, Docket Nos. A-12011, A-125018, A-125146. As discussed in last year’s Annual Report, on February 16, 2006, UGI Utilities, Inc. and Southern Union filed a Joint Application seeking to obtain the approval of the Commission 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. would purchase PG Energy from Southern Union for approximately $580 million. UGI Corp. would then immediately retransfer that portion of the property that is used or useful in providing natural gas distribution services and supplier of last resort services, except gas supply
and pipeline and storage capacity contracts, to a newly formed subsidiary of UGI Corp., UGI Newco. UGI Corp. would also immediately retransfer gas supply and pipeline and storage capacity contracts to an unregulated affiliate, UGI Energy Services (UGIES). Immediately following receipt of the property from Southern Union, and the retransfer of the Property to UGI Newco, UGI Corp. would transfer the stock of UGI Newco to UGI. Upon completion of this transfer, UGI Newco would become a wholly-owned subsidiary of UGI as an indirect, rather than direct, subsidiary of UGI Corp. It was proposed that UGIES will enter into a full requirements contract with UGI Newco under which UGIES would be responsible for providing all gas supplies necessary for UGI Newco to serve its customers and meet its supplier of last resort obligations. The OCA filed a Protest in order to ensure that the merger is approved only if (1) it is found to be in the public interest; (2) it provided 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 a Protest and Notice of Intervention on March 13, 2006. 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 made recommendations regarding the proposal to transfer the gas supply assets of PG Energy to UGI. The OCA recommended that this 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.

The parties engaged in settlement negotiations throughout the expedited proceeding. Following the Recommended Decision that had recommended approval of the proposed merger without any condition, some of the parties, including the OCA, reached a settlement of the key issues in the case. Under the settlement, the Companies agreed to reduce PG Energy’s expense claim in its current base rate proceeding by approximately $9 million. The reduction reflected an adjustment to the pension expense associated with the agreement of Southern Union to fully fund the pension upon transfer of the Company to UGI, and a $2.2 million reduction to operation and maintenance expense to reflect merger synergies. The Company also agreed to implement a service quality plan to monitor its performance in several areas. Under the settlement, the Companies will increase their spending on their low income usage reduction programs, and they will maintain their levels of contribution to the local communities for at least five years. UGI also agreed that it will not file for a base rate increase for UGI-Gas or UGI-Electric for two years.

As to the transfer of the gas supply assets, the Companies agreed to enter into an Asset Management Agreement for a three year period and credit customers with the fees from this arrangement for that three year period. The credits to customers would average about $6 million per year. At the end of the three year period, the Companies agreed to conduct a competitive bid for future asset management agreements.

The Commission considered the Settlement and issued an Order approving the settlement in part. The Commission determined to modify the settlement to remove consideration of the Asset Management Agreement to another proceeding. All parties accepted this modification and the merger has now been consummated.
Petition for Declaratory Order and Application of UGI-Penn for Approval of an Asset Management Agreement, Docket Nos. P-00062237 and G-00061205. As part of the merger settlement, the settling parties had agreed to an asset management agreement whereby the affiliate of UGI Penn would manage the gas assets of UGI Penn for a fee. The Commission declined to approve the agreement as part of the settlement, and directed UGI Penn to file a separate proceeding seeking approval of the agreement under the affiliated interest provisions of the Public Utility Code. UGI Penn made the filing and the OCA intervened. The filing met with opposition from a number of parties and the Company withdrew the application.

Application Under Sections 1102(a)(3), 1102(a)(4) and 2002 of the Public Utility Code for Approval of the Transfer of Production Plant Assets and Liabilities and Related Matters, Docket No. A-122350. On February 13, 2006, T.W. Phillips filed an application, seeking approval for: (1) the acquisition of all of the outstanding common stock of a proposed new subsidiary whose core business would be the exploration for and production of natural gas (E&P Subsidiary); (2) the transfer of all of its production plant assets, consisting of approximately 1,200 natural gas wells and associated field lines (collectively referred to as the Production Plant Assets), to the new E&P Subsidiary 1; and (3) the purchase of gas from the E&P Subsidiary for a period of five years, in quantities and at prices specified in a proposed Gas Purchase Agreement that was filed with the Application. The OCA filed a Protest on March 27, 2006. The Application proceeding was consolidated with the base rate proceeding for litigation purposes. As part of the base rate case, the divestiture of the production plant was settled. The settlement provided that the divestiture can go forward conditioned upon the provision of gas at discounted rates for the next five years. The Company also agreed to credit the purchased gas cost rate with an additional $1 million over the next four years. The settlement was approved by the Commission.

**Miscellaneous Gas Cases and Issues**

Petition of Equitable For An Increase In Its Universal Service Charge, Docket No. P-00062240. Equitable filed a Petition seeking to increase its universal service charge to residential ratepayers from 304/Mcf to 724/Mcf. Equitable also sought to change the nature of its charge to a reconcilable surcharge mechanism. The OCA filed an Answer objecting to Equitable=s proposals. The OCA filed Direct Testimony challenging several aspects of the Company=s claimed cost recovery. The OCA identified a number of areas where the Company had not properly accounted for costs already reflected in rates or recovered through other surcharges. The parties entered settlement negotiations and were able to resolve these matters. The settlement provided for a fixed universal service charge of 584/Mcf. The Company will continue to expand the program and manage its program costs within the rate recovery allowed.

Petition of National Fuel Gas Distribution Co. For A Universal Service Cost Recovery Mechanism, Docket Nos. R-00072420 and M-00072019. On May 31, 2007, NFGD filed a tariff supplement proposing modifications to its universal service program and its universal service cost recovery mechanism. The intent of the filing was to bring NFGD=s program and cost recovery into compliance with the Commission=s recent CAP Policy Statement. The OCA filed a complaint against the tariff filing. The OCA is in the process of working with the Company to
address some areas of concern. At the end of the Fiscal Year, this case was pending before the Public Utility Commission.

Natural Gas Stakeholders Working Group Regarding Natural Gas Choice and Competition Act, Docket No. I-00040103. As discussed in last year’s Annual Report, 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 support retail competition. See 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. Thereafter, the Commission issued a notice that the collaborative would be held on March 30, 2006. The Commission’s notice also split the collaborative up into various subgroups to work on different issues. The first meetings of the subgroups took place on March 30, 2006. The OCA participated in all subgroup meetings and has commented on the proposed Draft Reports. At the end of the Fiscal Year, Commission Staff was considering the comments on the Draft Reports.

Customer Assistance Programs: Funding Levels and Cost Recovery Mechanisms, M-00051923. As discussed in last year’s Annual Report, 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 this winter. 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 payment. The OCA urged that at a minimum, 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.

The details of the Commission’s Order are set forth above in the Electric Section.

Pa. PUC v. Columbia Gas of Pennsylvania, Docket No. R-00061815. Columbia Gas company filed its State Tax Adjustment Surcharge on September 1, 2006. In its filing, Columbia sought to change the method for calculating the amount of Capital Stock Tax liability recoverable from
ratepayers through the STAS. It also sought retroactive recovery of increased amounts back to 2000 that would result from such a change. The OCA filed a complaint against this request alleging that the change was inconsistent with the regulations and the request for retroactive recovery was improper even if a change were made. The OCA, OTS and Company entered into settlement negotiations. The parties were able to agree to a settlement that eliminates any retroactive recovery and allows Columbia to implement a STAS similar to that of other natural gas distribution companies. The parties reserved their right to revisit this agreement in the next base rate case, or in any generic proceeding the Commission may institute regarding the STAS. The Commission approved the Settlement.

Federal

**FERC Gas Cases**

RP06-569, Transco. On August 31, 2006, Transco filed for an increase in its pipeline rates that will affect the rates paid by Pennsylvania retail consumers. Transco sought a general increase in FERC jurisdictional revenues of $281 million. Transco's filing proposed to change annual depreciation accruals rates for certain categories of assets, reclassify certain assets from transmission plant to gathering plant, remove revenue sharing provisions from certain rate schedules, modify the cost allocation and rate design methodology for costs related to certain projects, and eliminate monthly billing determinants. The OCA filed a Motion to Intervene. Settlement negotiations are on-going before a FERC Administrative Law Judge. At the end of the Fiscal Year, the OCA was continuing its participation in these settlement discussions.

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. As discussed in last year's Annual Report, 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, alleging that the Company's 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. The parties engaged in extensive settlement negotiations, resulting in a comprehensive settlement of all issues. Of particular note, the settlement addressed NFG Supply's sales of retained gas by lowering the retention percentages to more accurately reflect NFG Supply's actual lost and unaccounted for gas. The parties were also able to resolve the rate issues, particularly the concern with the cost of capital and the amortization of the regulatory asset related to other pension benefits.
TELECOMMUNICATIONS

Pennsylvania

Merger Proceedings

Joint Application of Verizon and MCI for Merger Approval. 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 noting the loss of competition and merger financial benefits that the companies will enjoy as a result of this merger. 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.

OCA presented expert testimony at the scheduled evidentiary hearings which advocated in favor of a five year rate freeze, the Verizon requirement to provide stand alone DSL to all of its customers, acceleration of universal broadband deployment, service quality monitoring, and potential divestiture of duplicative assets.

In the Initial Decision, issued on November 16, 2005, the ALJ 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, were benefits that may occur as a result of the proposed merger.

On January 11, 2006, the PUC issued its order approving the merger without conditions. The PUC recognized the existence of market concentration issues, but decided that no conditions were required. The PUC determined that consumers would benefit as a result of 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.

The OCA filed a Petition for Review of the PUC decision at Commonwealth Court. On February 20, 2007, the Commonwealth Court issued an opinion which substantially adopted the position of the OCA. The Court determined that the PUC had not properly followed the substantial affirmative benefits test in reviewing whether the proposed merger would benefit the public in Pennsylvania. The Court reversed the Commission’s order, by a vote of 6-1 and remanded the matter back to the PUC to either reject the merger or impose conditions that would ensure that the appropriate standard was met.

On March 22, 2007, the PUC filed a Petition for Allowance of Appeal with the Pennsylvania Supreme Court, effectively staying the decision of Commonwealth Court. Verizon also filed a Petition for Allowance of Appeal on March 22, 2007. The OCA filed Briefs in Opposition to each of the Petitions on April 9, 2007, explaining that the Commonwealth Court properly compared the PUC Order to the well established City of York standard and that further appellate review is not warranted.
The Pennsylvania Supreme Court subsequently granted the PUC=s and Verizon=s Petitions for Allowance of Appeal. This case is now pending before the Pennsylvania Supreme Court.

Joint Application of Commonwealth Telephone Co., CTSI, and CTE Telecom, LLC for Acquisition by Citizens Communications, Docket No. A-310800F0010. On September 29, 2006, Commonwealth Telephone Company (CTC) and jurisdictional affiliates filed a joint application with Citizens Communications for PUC approval of the acquisition by Citizens of CTC and affiliates. The OCA filed a protest on October 30, 2006, questioning whether the proposed acquisition by Citizens will provide substantial affirmative benefits to customers and assure that the Pennsylvania customers of both the acquiring and acquired carriers continue to receive telephone service which is safe and adequate, consistent with the Public Utility Code. The OTS, OSBA, Communications Workers of America, and others have also filed protests or interventions.

The settlement negotiations were successful and the OCA, the Applicant telephone utilities and other parties signed a formal settlement agreement on January 19, 2007. The presiding judge recommended that the PUC approve the settlement and adopt the merger conditions agreed to, in a Recommended Decision issued January 30, 2007. The Commission moved quickly to approve the settlement and merger subject to conditions by Order entered March 1, 2007.

The terms of the Settlement provide benefits for the customers of both the Frontier Companies, an affiliate of Citizens, and Commonwealth Telephone Company, including limitations on rate increases for 3 years, increased outreach to advise consumers of the availability of discounted Lifeline telephone service, quality of service reports, and certain financial safeguards.

The restrictions on rate changes were promptly reflected by Commonwealth Telephone in its March 2007 Price Stability Index (PSI) Report filing in another docket, capping the monthly increase to basic local rates at $0.90 per the settlement. The OCA and expanded Frontier Companies have cooperated in the development of a brochure describing the Lifeline discount telephone program, as part of the settlement. The OCA will continue to coordinate with the Companies on outreach efforts to try to increase enrollment of eligible consumers in the Lifeline discount program.

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, this case has its roots in a formal complaint filed by AT&T against the rates charged by Verizon to complete long distance calls originated by AT&T, known as access charges. Through the AT&T complaint docket, AT&T, Verizon, OCA and other parties have negotiated the framework for some decreases in access charges since 2002. Thus, phase one of the case resulted in a settlement which reduced access charges. The PUC=s June 28, 2004 order which approved that settlement also required that the 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
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 January 18, 2005, the PUC issued an order resolving additional questions raised by parties in the proceeding. The PUC denied the request of IXC’s to require retroactive access reductions. The PUC accepted 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 the PUC’s proposal to consider these requests.

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

The OCA testimony explained that residential rates are not subsidized, the carrier charge is an efficient mechanism to recover a small portion of loop costs that long distance companies use, access reductions have not benefited residential customers through lower toll rates and will not benefit competition, and the current FCC Intercarrier Compensation proceeding provides additional reasons for waiting on further state access reductions.

On December 7, 2005, the ALJ issued a Recommended Decision. The RD recommended that the PUC require Verizon to reduce its access rates to intrastate levels within 1-2 years. The RD also required all of the first $1.50 of rate increases to come from the Residential customers. Further, the RD proposed to exempt 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 will probably also result in some federal funding in order to assist in access rate reductions. Past access reductions have not resulted in ratepayer benefits through lower intrastate toll rates. Further, OCA argued that the PUC should spread all revenue recovered from access line 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 protected services. OCA also argued that all lines should share equally in paying for the rate reductions.

The PUC entered an Order on January 8, 2007, which further stayed the proceeding for the period of 1 year or until FCC action on intercarrier compensation issues presented as the Missoula Plan. The OCA estimates that the further delay in access charge changes benefits residential consumers who may have paid up to a $1 more per month for corresponding increases in retail rates.

Qwest, a competing carrier and toll service provider, filed a Petition for Reconsideration with the PUC on January 23, 2007. The OCA filed an Answer in opposition on February 2, 2007.

The PUC entered an order on April 24, 2007 which denied Qwest’s petition for reconsideration. The PUC agreed with OCA and Verizon that the petition did not satisfy the standard for grant of reconsideration. The PUC specifically adopted the OCA position that the stay, which Qwest has
opposed, was proper because of the variety of plans for access reform pending before the FCC which, if adopted, would impact Pennsylvania access rate issues.

OCA continues to monitor access charge reform issues at both the federal and state level which may bear on further efforts to decrease Verizon=s access charges when the 1-year stay ends in early 2008.

Verizon Pennsylvania Inc. v. Penn Telecom Inc., Docket No C-20066987. Verizon filed a formal complaint which alleges that Penn Telecom is charging access rates higher than allowed under Section 3017(c) of the Public Utility Code. OCA intervened in the Verizon complaint case on November 19, 2006 based on the public interest in assuring that access charges are set at just and reasonable levels. Changes in access rates may lead to increases in local service rates. The companies filed Direct Testimony on April 16, 2007, which the OCA subsequently reviewed. The OCA will continue to monitor the proceeding.

Verizon Pennsylvania Inc. v. CTSI, Inc., Docket No. C-20077332. Verizon filed a formal complaint on January 29, 2007 which alleges that CTSI, Inc. is charging access rates higher than allowed under Section 3017(c). Verizon alleges that CTSI has not provided cost justification for the rates it is charging. The OCA intervened on March 19, 2007 to both assure that access rates are just and reasonable and to protect local service rates. The OCA participated in the April 18, 2007 prehearing conference. OCA will monitor the Verizon complaint case. At the end of the Fiscal Year, this case was pending before the Public Utility Commission.

**Chapter 30 (Act 183) Related Proceedings**

OCA, Pennsylvania Utility Law Project, and AARP Pennsylvania v. Verizon Pennsylvania Inc. and Verizon North Inc., Docket Nos. C-20077916, C-20077917. The OCA filed a formal complaint jointly with PULP and the Pennsylvania chapter of AARP against restrictions imposed by Verizon PA and Verizon North on how low income consumers eligible for the federal Lifeline 135 discount may purchase local service. Currently, Verizon PA and Verizon North do not allow consumers eligible for the Lifeline 135 discount to purchase local service as part of a package with other services. The Joint Formal Complaint of OCA, PULP and AARP asks the PUC to find that Verizon=s restrictions are contrary to provisions of Chapter 30 and unreasonably discriminate against low income consumers by reducing their choice of local and other services under the most economical terms.

The OCA developed the Joint Formal Complaint in response to the PUC=s Order in a separate docket concerning Verizon PA=s marketing of local service to all residential customers. See Petition of Verizon for Modification of Consent Decree, Docket No. C-00881727, below. The PUC declined to rule on the merits of the OCA opposition to Verizon PA=s restrictions on local service choices for Lifeline 135 customers in that proceeding, without prejudice to the OCA bringing a complaint. The OCA has engaged an expert witness, Roger Colton, to help develop the policy and evidentiary support for the Joint Complaint.
Bona Fide Retail Request Program (BFRR)  Verizon Pennsylvania, Verizon North, Embarq d/b/a United Telephone Company of Pennsylvania, and Windstream (formerly known as ALLTEL) are required under the terms of their revised Chapter 30 Plans and Act 183 to offer consumers who are not yet able to receive broadband service from their telephone company the opportunity to aggregate their request with others in their community. The BFRR is intended to help consumers get service deployed faster than the telco might otherwise be planning to deploy. The program is under the combined jurisdiction of the Department of Community and Economic Development and PUC. In 2007, the OCA stepped up its efforts to assist consumers navigating this process. The OCA engaged in meetings in early March 2007 with PUC and DCED staff and representatives from the telcos to learn more about their program requirements and to pursue assistance for consumers who have identified an interest. The OCA will continue to aid consumers in making the most of this program to speed deployment of broadband service.

The OCA has received a variety of contacts from consumers regarding the BFRR program. These contacts have ranged from general questions pertaining to the program to requests for significant assistance to help satisfy the BFRR threshold. In particular, the OCA has provided significant assistance to a consumer in Franklin County who is trying to obtain high-speed internet access through Embarq. The consumer has had difficulty reaching the BFRR threshold because of a number of unique circumstances. For example, the community excludes the most densely populated area near her.

The OCA worked extensively with the consumer to help her reach the BFRR threshold for her community. There are 41 retail access lines in her community that requires 10 DSL commitments for the BFRR threshold to be met. On July 25, 2007, this consumer obtained the needed tenth request for DSL service and, as such, has reached her specific threshold. The community can expect to receive DSL service no later than July 25, 2008.

The OCA has also assisted a consumer who is trying to reach his BFRR threshold through Verizon in Clarion County. The consumer was referred to the OCA from Rep. McIlhattan. The OCA assisted the consumer in enrolling in the BFRR program and becoming an aggregator. He canvassed his community and recently reached his BFRR threshold. As a result of his community outreach, an additional BFRR attempt has been started by a neighboring community.

The OCA has also recently been assisting a consumer in obtaining high-speed internet access in Lebanon County. This consumer’s situation is part of a Formal Complaint filed at the PUC wherein he also alleged service quality problems. The OCA has intervened into the complaint case (Docket No. C-20077297) to assist with the service quality issues and is also assisting him with the BFRR process through Verizon.

The OCA has also participated in BFRR implementation meetings at the PUC with DCED and representatives of the Companies. There have been additional inquiries from consumers regarding miscellaneous aspects of the BFRR process that have come in to the OCA. The OCA will continue to monitor the BFRR process and assist consumers with any particular questions or concerns they may have. The OCA recently posted information on the OCA’s website for consumers who have questions about BFRR and the process.
Verizon Pennsylvania and Verizon North Price Change Opportunity Filings. As discussed in last year’s Annual Report, on December 30, 2005, Verizon PA made its 2006 Annual Price Change Opportunity (PCO) filing (Docket Nos. R-00051228, P-00930715F1000). Based on the Company’s price stability mechanism, as revised under Act 183, Verizon calculated it would be allowed to increase rates annually by $16,765,000. The Verizon filing proposed to increase dial tone line and other non-competitive rates for residential and business services by $15,535,000. Verizon proposed to track or bank the remaining $1.2 million annual increase based on a proposed banking methodology.

Verizon PA’s affiliate Verizon North also made its 2006 Annual PCO filing on December 30, 2005 (Docket No. R-00051227, P-0001854F1000). Based on the Company’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 proposed to track or bank the remaining $69,000 annual increase based on a proposed banking methodology.

OCA filed formal complaints on January 10, 2006 alleging that the separate Verizon PA and Verizon North proposed rate increases would be unjust and unreasonable. OCA challenged the fact that both filings proposed to collect increases for a period prior to the actual rate filing and improperly bank the remaining increase. OCA disagreed with Verizon PA that the PUC’s tracking of a 2003 PCO decrease provided precedent for Verizon PA’s banking proposal. OCA opposed the adoption of banking provisions without restrictions.

By Order entered March 22, 2006, the PUC allowed Verizon PA to implement the rate increase, subject to the complaints filed by OCA and OSBA. The PUC held that Verizon PA’s filing appeared to comply with its Chapter 30 Plan and Act 183. The PUC accepted Verizon PA’s banking methodology as a modification to the Verizon Chapter 30 Plan. The PUC allowed Verizon PA to mirror the banking provisions approved for United Telephone/Sprint, which restrict banked amounts to a four-year term. Otherwise, the PUC did not accept the OCA’s position on the delayed increase or the banking issue.

On April 6, 2006, the PUC ruled to allow the Verizon North rate increase 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 March 22, 2007, the PUC entered an Order that required Verizon PA and Verizon North to recalculate their PCO filings. Specifically, the PUC disallowed certain access charge revenue attribution adjustments, disallowed a Verizon North inter-company settlement adjustment, and directed Verizon PA to use actual line counts rather than a projected line count. The PUC ruled against OSBA on the question of whether Verizon’s prior rate cap on small business line increases continued under Act 183. The Commission directed both Verizon PA and Verizon North to file Amended Chapter 30 Plans, to conform with the changes in law resulting from Act 183, for Commission approval.
The Companies jointly filed a petition for reconsideration on April 10, 2007. On April 13, 2007, the PUC granted the petition for reconsideration jointly filed by Verizon PA and Verizon North, pending review of the merits.

On April 24, 2007, the PUC denied the petition for reconsideration on the merits. The PUC determined that the petition did not raise any new or novel arguments or considerations that the PUC previously overlooked. The PUC affirmed their decisions pertaining to the discontinuation of attribution revenue in noncompetitive service revenue. The PUC also affirmed their decision regarding the line count calculations. The PUC however did grant Verizon=s request to implement the refunds as part of the 2008 PCO filing. On May 25, 2007, Verizon filed a Petition for Review of the PUC=s April 24, 2007 decision.

Verizon subsequently filed redlined versions of the Verizon PA and Verizon North Chapter 30 Plans. In the filings, Verizon proposed two category of changes: 1) to conform with the terms of Chapter 30, as amended by Act 183, and 2) amendments which Verizon would like the Commission to approve. Verizon also filed tariff changes to comply with the Commission=s March and April orders.

The OCA is reviewing both the tariff changes and the proposed changes to the language and substance of the Verizon PA and Verizon North Chapter 30 Plans. Verizon proposed and the OCA agreed to a 90 day period for informal discussion, for the purpose of resolving informally as many questions or objections to the proposed Chapter 30 Plan revisions as possible. Following that 90 day period, Verizon intends to file a petition for approval of any remaining contested amendments to the Verizon Chapter 30 Plans. At the end of the Fiscal Year, this case was pending at the Public Utility Commission.

Verizon Pennsylvania and Verizon North Price 2007 Change Opportunity Filings. On November 1, 2006, Verizon PA made its 2007 Annual Price Change Opportunity (PCO) filing (Docket Nos. R-00061915, P-000001854F1000). Based on the Company=s price stability mechanism, as revised under Act 183, Verizon calculated it would be allowed to increase rates annually by $19,829,000. The Verizon filing proposed to increase dial tone line and other non-competitive rates for residential and business services by more than $19,829,000 through use of $485,000 of a banked increase under the Verizon PA 2006 PCO filing.

On November 1, 2006, Verizon North made its 2007 Annual Price Change Opportunity (PCO) filing. (Docket Nos. R-00061914, P-00930715F1000). Based on the Company=s price stability mechanism, as revised under Act 183, Verizon calculated it would be allowed to increase rates annually by $3,420,000. The Verizon filing proposed to increase dial tone line and other non-competitive rates for residential and business services by less than $3,420,000. The Company proposed to bank $79,000 of the allowed increase.

The OCA reviewed the separate Verizon PA and Verizon North filings and has monitored the related proceedings. The OSBA filed formal complaints, pursuing issues raised and pending in the Verizon PA and Verizon North 2006 PCO cases. The OCA filed a Notice of Intervention and Public Statement in these proceedings on November 17, 2006.
The PUC issued an order on December 28, 2006 in the Verizon PA and Verizon North dockets. Verizon PA and Verizon North petitioned for reconsideration on January 2, 2007. The PUC voted at public meeting on January 11, 2007 to grant reconsideration and allow Verizon PA and Verizon North’s PCO filings and proposed changes in rates to take effect subject to investigation and refund. The PUC referred questions regarding the Companies’ banking methodology to the Office of Administrative Law Judge for resolution along with the OSBA formal complaint.

The presiding officer convened further prehearing conferences on April 10 and May 1, 2007. The OCA continues to monitor these Verizon PA and Verizon North 2007 PCO cases to ascertain that the banking process is implemented in a way fair to Verizon consumers and that the benefits of the PUC’s March 22, 2007 Order in Verizon PA and Verizon North 2006 PCO cases are carried through.

2006 Price Stability Mechanism filings of affiliates Denver & Ephrata Telephone, Buffalo Valley Telephone, and Conestoga, Docket Nos. P-00981428, et al., R-00061375, et al. On April 28, 2006, the D&E Companies filed their annual calculation of the allowed revenue increase for each company under their respective Chapter 30 Plan price cap formulas. Those PSI/SPI filings indicated that the Companies may increase non-competitive rates to collect additional annual revenues. The Companies chose to increase access charges and miscellaneous rates to generate some of the allowed additional revenues. Rather than increase basic local service charges, the Companies chose to bank the remaining allowed increases. The OCA reviewed each of the Companies’ price cap formula calculations and proposed rate changes. The OCA did not oppose the Companies’ proposals. By Order entered June 23, 2006, the PUC allowed the D&E Companies to raise intrastate access charges consistent with the proposals included in their 2006 annual PSI/SPI filings.

In November 2006, the PUC gave notice of its intent to reconsider whether the access charge increases implemented by the D&E Companies were legal and consistent with PUC policy. The OCA presented expert testimony in support of the Companies’ decision to not increase basic local service rates. As a carrier required to pay access charges, Verizon opposed the rate increases. Verizon recommended that basic local rates be increased, instead of the access charges. The ALJ found that the record evidence presented in the reconsideration proceeding did not support a decrease in the access rates.

By a 3-2 vote, the PUC ordered the Companies to reverse the access charge increases while allowing the Companies freedom to revise rates for other non-competitive services to replace the revenue increases. Vice-Chairman Cawley issued a dissenting statement, accepting among other thing the OCA position that the record did not show that access charges provided a subsidy of local rates, so as to merit decreases in access charges.

The D&E Companies filed a Joint Petition for Reconsideration with the PUC. In the Petition, the Companies outlined the legal error of the Commission’s Order, the difficulty of implementing the refund of access charges and concomitantly recovering those revenues from other customers, and the impact of the PUC order on basic local service rates which would exceed the $18 rate cap and cause the Companies to request compensation from the Pa. universal service fund.
The OCA filed an Answer to the Petition for Reconsideration generally supporting the Companies’ ability to draw from the Pennsylvania Universal Service Fund amounts to equal incremental revenues which would have been collected from charging consumers rates over the $18 local rate service rate cap. The PUC granted the Petition for Reconsideration pending review on the merits. At the end of the Fiscal Year, this case as pending before the Public Utility Commission.

Price Change Opportunity Filings by Other Local Exchange Companies. In addition to the contested price change filings noted above, the OCA reviewed the annual price change filings made by some 30 other Pennsylvania incumbent telcos for consistency with their particular Chapter 30 Plans of alternative regulation and accuracy of calculations. On occasion, the OCA has requested clarification or changes to the telco filings on an informal basis. In several cases, the filing telephone companies which reported allowed increases in revenues chose not to increase residential basic local service rates based on competitive concerns. Some carriers increased non-basic rates to provide some increase in revenues and/or chose to bank the allowed increase to some future date. Although the OCA may not intervene or formally contest these filings, the OCA is actively engaged in review and monitoring of the Chapter 30 price change filings by all incumbent telephone utilities.

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. The PUC proposed to replace two subchapters in Chapter 63 with one chapter. 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 Act 183 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 quality of service provided by IXCs. The OCA also supported the PUC’s proposed requirement that carriers provide adequate notice of rates. Verizon filed comments asking the PUC to deregulate intrastate long distance.

The IRRC issued comments on the final rulemaking which agreed with OCA that further clarification is needed. However, the IRRC comments appeared to permit the PUC to clarify that the PUC will not regulate IXC services.

The PUC issued a Final Rulemaking Order. In the Order, the PUC acknowledged the comments of OCA and agreed that the proposed regulations should be amended to state the PUC’s retained jurisdiction over the provisioning of IXC services, consistent with Act 183. The PUC rejected Verizon’s opposition to notice and disclosure requirements, agreeing with OCA that such requirements are in the public interest. The PUC’s Final Rulemaking Order is subject to publication and approval by IRRC.

Rulemaking re: Provision of Bundled Service Package Plans at a Single Monthly Rate by Local Exchange Carriers, Docket No. L-00060179. The PUC opened a rulemaking by Order entered July 3, 2006 which proposed to add a new Section 64.24. Based on past practices and as authorized by Act 183, local exchange carriers often offer basic local service as part of a singly priced bundle of services. The PUC proposed the regulatory change to assure that the
customers who fail to pay the full bundled price do not summarily lose basic local service without proper notice and other protections as provided in Chapter 64. The Proposed Rulemaking was published and opened for public comments. The OCA has been monitoring the rulemaking and comments filed by other parties. The OCA supports the PUC’s rulemaking.

In an action related to the Bundled Service Package Rulemaking, on June 28, 2007, South Canaan Telephone Company filed a Petition for Waiver of certain Chapter 64 regulations so that South Canaan could commence to offer bundles of telephone services, including protected local service. OCA reviewed the petition and prepared an Answer in support. South Canaan, however, withdrew its Petition at Docket No. P-00072318.

**Additional Telecom Cases**

Verizon Pennsylvania Petition for Modification of Consent Order, Docket No. C-00881727. On August 10, 2006, Verizon PA filed a petition seeking permission to change the script followed by sales representatives in contacts with new customers or customers moving. The Consent Order established certain consumer protections in the script, to avoid customer confusion regarding what services and fees are necessary to obtain basic local service. Verizon’s petition points to the prevalence and popularity of telephone services sold as bundles as warranting a change in the script. OCA filed an Answer on August 23, 2006 which opposed the Verizon Petition to the extent that customers eligible for Lifeline would not be allowed to purchase bundles of services, in violation of Act 183 of 2004.

The PUC ruled on the Verizon petition and OCA pleadings by Tentative Order on December 26, 2006. The PUC tentatively agreed with OCA that Verizon should modify its practices and allow low income customers eligible for the federally supported Lifeline discount to also have the option of choosing from among some Verizon bundles of services. The PUC would otherwise allow Verizon the relief requested and permit Verizon to change how and in what sequence it will offer to all new residential customers information about bundles of services.

The PUC Tentative Order was published in the Pennsylvania Bulletin on January 13, 2007. The OCA filed Comments on February 2, 2007 in support of adoption of the Tentative Order as the final action of the PUC. Verizon filed comments in opposition to the Tentative Order, making the matter contested. The OCA filed Reply Comments on February 12, 2007 and Verizon filed reply comments.

The PUC entered a Final Order on June 29, 2007 and granted Verizon’s request for modification of the 1989 Consent Order. The PUC thus relaxed restrictions as to how Verizon may market local service as part of package or bundle when residential customers ordering new service or call to move their telephone service. By a 3-1 vote, the PUC ruled that the OCA’s Lifeline issue was not sufficiently related to Verizon’s request for relief so as to be decided in the same proceeding. Vice-Chairman Cawley dissented from this part of the PUC decision, finding both a factual and policy nexus between the OCA concern and Verizon’s request for less restriction in marketing local and other services. The PUC Final Order disposed of Verizon’s request without prejudice to the OCA’s pursuit of its position that Verizon improperly restricts the choices of customers eligible for the Lifeline 135 discount.
On June 21, 2007, Windstream (formerly known as ALLTEL), proposed to change the tariffed terms of a local calling plan available to residential and business customers in the communities of Harrison and Export. Windstream proposed to prohibit customers from using the local calling plan to connect to the internet or other uses beyond typical voice service. The OCA reviewed the tariff change and identified potential concerns regarding privacy and diminishment of the value of the calling plan to existing customers. On July 20, 2007, Windstream withdrew the proposed tariff supplement.

Proposed Modifications to the Applications Form for Approval of Authority to Offer, Render, Furnish or Supply Telecommunications Services to the Public In the Commonwealth of Pennsylvania, Docket No. M-00960799. The PUC proposed changes to the application forms and information required of prospective competitive local exchange carriers and solicited public comment. The National Emergency Number Association of PA (NENA) filed comments which recommended that the PUC require prospective telcos to provide information which help Public Service Answering Points (PSAPs) function more effectively and improve public safety. On April 27, 2007, OCA filed Reply Comments in support of the recommendations mapped out by NENA. The OCA identified the legal support for the PUC=s exercise of jurisdiction to assure that CLECs remit funds to PSAPs collected from subscribers through 911 surcharges and that CLECs provide PSAPs with access line count and other information necessary to protection of the public safety.

Federal

FCC Proceedings

In the Matter of Lifeline and Link-Up, WC Docket 03-109. On April 29, 2004, the FCC revised the rules for Lifeline and Link-Up eligibility so as to make it easier for low income consumers to qualify for discounted telephone service. The FCC adopted rules which would allow low income consumers to qualify based on household income at or below 135% of federal poverty guidelines.

The FCC also opened a further rulemaking inviting comment on whether the income eligibility criterion should be raised to 150% of federal poverty guidelines and whether specific advertising requirements should be adopted. On August 23, 2004, OCA filed comments on behalf of NASUCA that advocated an increase in the income eligibility threshold to 150% of poverty in reply to the FCC=s further rulemaking. OCA and Ohio Consumers Counsel sponsored the expert affidavit of Roger D. Colton in support of the NASUCA Comments. The OCA filed Reply Comments on behalf of NASUCA on October 4, 2004.

On March 12, 2007, the Wireline Competition Bureau of the FCC issued a request that parties refresh the record regarding the merits of increasing the income-based eligibility criteria from 135% of federal poverty to 150%. OCA will coordinate the drafting of NASUCA comments and reply comments in support of increasing the income eligibility criterion to 150% of federal
poverty guidelines, so low income telephone consumers may benefit from federal and state universal policy.

**Sprint Spectrum Petition for Declaratory Ruling Concerning Kansas Corporation Commission Lifeline Rules, WC Docket Nos. 03-109, 07-138.** On June 8, 2007, Sprint, a wireless carrier in Kansas, asked the FCC to issue a declaratory order that a carrier seeking designation as eligible for reimbursement from the federal universal service fund need only offer the Lifeline discount on one type of local calling plan. Sprint opposes a Kansas Corp. Commission ruling which had required the wireless carrier to offer customers eligible for Lifeline a choice of wireless local calling plans. The FCC set the matter for comments due August 9, 2007 and reply comments due August 24, 2007.

OCA will assist NASUCA by drafting comments in support of the Kansas Commission=s determination that the Lifeline discount may apply to more than one local calling choice. The issue presented by the Sprint petition, if granted by the FCC, would potentially affect the calling options enjoyed by Pennsylvania consumers eligible for Lifeline assistance.

**In the Matter of Telecommunications= Carriers Use of Customer Proprietary Network Information (CPNI) and Other Consumer Information,** CC Docket No. 96-115. As discussed in last year's Annual Report, the FCC issued a 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 contributed to NASUCA Reply Comments filed on June 2, 2006.

On April 2, 2007, the FCC issued a Report and Order and Further Notice of Proposed Rulemaking. The FCC adopted requirements that carriers receive a customer password before releasing CPNI and that carriers provide customers with immediate notice of account changes. The FCC extended protection of CPNI obligations to interconnected VOIP providers. The FCC strengthened and clarified the obligations of carriers and enforcement mechanisms. NASUCA and the Pa. PUC had opposed calls for the preemption of state laws protecting CPNI. The FCC expressly declined to preempt all state CPNI regulations. While the FCC did not adopt all NASUCA recommendations, the FCC Order will benefit wireline, wireless and VOIP consumers. The FCC set for further rulemaking questions regarding broader use of password protection, audit trails, and safeguards for the transfer of CPNI between carriers.

The OCA continues to monitor the further rulemaking efforts and petitions for reconsideration pending before the FCC regarding the FCC=s revised rules for protection of customer privacy.

**In the Matter of Petition of the Verizon Telephone Companies for Forbearance Pursuant to 47 U.S.C. '160 in the Philadelphia, Pittsburgh, Boston, Providence, New York City and Virginia Beach Metropolitan Statistical Areas, WC Docket No. 06-172.** On September 6, 2006, the Verizon Telephone Companies filed six separate Petitions with the FCC seeking forbearance from a multitude of FCC regulations and other current obligations. Verizon=s six Petitions separately pertained to the Philadelphia, Pittsburgh, Boston, Providence, New York City and Virginia Beach Metropolitan Statistical Service Areas. Verizon requests, among other things, that the FCC forbear from applying loop and transport unbundling regulation pursuant to Section
251(c) of the federal Telecommunications Act of 1996. Verizon also seeks forbearance from the dominant carrier tariffing requirements set forth in Part 61 of the FCC’s rules; from price cap regulation set forth in Part 61 of the FCC’s rules; from the Computer III requirements, including network neutrality related requirements; and from dominant carrier requirements arising under section 214 of the Act. The OCA has organized a group of state consumer advocate offices and NASUCA who will be affected by these Petitions to file Joint Comments to the FCC. Those Comments were filed on March 5, 2007. The OCA assisted NASUCA and other state consumer advocate offices in reviewing other parties’ Comments and preparing Reply Comments on behalf of the group.
WATER AND WASTEWATER

Base Rate Proceedings

Pennsylvania-American Water Co., Docket No. R-00072229. PAWC filed for a general base rate increase in April 2007. The Company asked for an increase to current base revenues of $59.2 million which would amount to a 15.36% increase. The bill of a residential customer using 4500 gallons of water per month would increase from $39.01 to $45.00 per month.

On August 3, 2007, the OCA served three Direct Testimonies relating to Revenue Requirement, Rate of Return and Cost of Service. Among other recommendations, the OCA proposed that the Company be permitted to increase its revenues by no more than $17.8 million. OCA attended twelve public input hearings spanning from the Company’s northeastern Pennsylvania territories to the Greater Philadelphia and Pittsburgh service areas. At the end of the Fiscal Year, this case was pending before the PUC.

York Water Co., Docket No. R-00061322. On April 27, 2006, York Water sought an increase in current revenues of approximately 16.2% or $4.5 million. The OCA filed a Formal Complaint against this increase on May 19, 2006.

York Water serves an estimated population of 156,000 in York County. York seeks to increase the average residential customer bill for 5000 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.

Settlement negotiations proved productive and in early August 2006, the parties submitted a Joint Petition for Settlement to ALJ Jandebeur for consideration. A brief hearing was convened concerning the Joint Petition on August 24, 2006.

The Settlement would provide the Company with additional total annual operating revenues in the amount of $2.6 million, instead of the $4.54 million increase that the Company initially proposed. Additionally, the increase in rates to the average Residential Gravity customer consuming 5,345 gallons per month would be $2.33 per month, or approximately 9%. For the average Residential Repump customer consuming 4,643 gallons per month, the rates under the Settlement Petition would produce an increase of $2.74 per month, or approximately 8.7%. These rate changes represent approximately 57% of the Company’s initially proposed revenue increase.

Furthermore, under the terms of Settlement, the Company agreed to dedicate $800,000 per year of the proposed $2.6 million increase to fund its pension program subject to certain limitations. Taking this affirmative step now will help alleviate more serious pension concerns in the future.

The Settlement also provided for a feasibility study to address the costs of conducting a demand study on the York system, and also provides for discussion with the public advocates upon York’s completion of the study.
The Settlement provides that York will not seek another rate increase before April 2, 2008 with certain exceptions. This agreed stay-out provision will provide York customers with some degree of rate stability.

The ALJ issued a Recommended Decision on August 14, 2006, urging the Commission to find the Joint Petition in the public interest and to approve its terms without modification. The PUC approved the settlement on September 15, 2006.

Emporium Water Co., 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. Supplement No. 20RR was based on rate base/rate of return. 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 OCA filed formal complaints in both dockets, as well as an answer to the Petition, opposing the waiver of the PUC=s regulation. By Order entered June 9, 2006, the Commission denied Emporium=s petition for waiver and rejected the rate filing based on an operating ratio. The Company=s alternative rate request for a 49.85% increase of $316,144 in annual operating revenues proceeded to litigation. On May 19, 2006, the PUC entered an order suspending the rate base/rate of return 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=s final position was that Emporium should receive no more than $202,847.

On October 26, 2006, the OALJ issued the Recommended Decision of ALJ Fordham. The ALJ recommended an increase of no more than $220,862. The ALJ adopted nearly all of the OCA=s accounting adjustments. In addition, she agreed with OCA that the Company=s actual capital structure must be used for ratemaking purposes.

The PUC issued its Opinion and Order on December 28, 2006, which allowed the water company an increase of $238,639, a 37.63% increase in base rate revenues. The Commission adopted the Company=s actual capital structure to reflect the utility=s use of low cost debt borrowed from PennVest based on the OCA=s position. The PUC based the cost of equity on the OCA=s recommended 9.4% which the PUC adjusted upwards to a final 10.6% cost of equity to account for risk. The PUC agreed with the OCA that the Company had excessive unaccounted-for-water and reduced the Company=s expense claim. The PUC also agreed with OCA that the water company should comply with PUC regulations and roll into base rates an amount for PURTA which the company had been recovering through a surcharge, consistent with PUC regulations.

On May 25, 2007, Emporium filed a Petition for Review with Commonwealth Court. Emporium asked the Court to review the overall rate of return used to set rates, a level which the Company alleges is unreasonable. The Company also sought review of a restriction and reporting requirement imposed by the Commission on wage expense for part-time employees.
The OCA filed a notice of intervention in the Emporium appeal on June 5, 2007. At the end of the Fiscal Year, this case was pending before the Commonwealth Court.

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 the parties entered mediation. The Company filed its direct testimony and subsequently the parties were able to reach a settlement which was submitted to the ALJ on November 2, 2006. The settlement provided for an increase of no more than $372,000, or 11.4%, in annual base revenues excluding PennVest revenues. This represented a significant reduction from the additional annual revenues proposed by the Company.

Under the Settlement, the Company cannot file another rate case before July 15, 2008, thus, the Company’s ratepayers will be assured of some level of rate stability.

The Company also agreed that it will not make any claims related to deferred state income taxes, and deferred expenses related to the CT system, DSIC, system analysis, and the Mountville acquisition in a future case. In addition, no part of the increased revenues agreed to under the Settlement were attributable to any recovery on the Company’s claims for an acquisition adjustment or deferred state income taxes or any deferral claims made in this filing. These provisions are important to OCA because they provide for consistency and clarity regarding many of the issues in this proceeding and for the next rate increase request. The ALJ recommended approval of the proposed settlement and on December 21, 2006, the PUC approved the settlement.

Imperial Point Water Service Co., Docket No. R-00061618. On August 31, 2006, Imperial Point filed a request to increase its rates to produce $80,679 in additional annual revenues, or an increase of approximately 46%, with rate changes that would increase rates charged to residential customers by approximately 75%. The OCA filed a Formal Complaint to IPWSC’s proposed rate increase. Additionally, the OCA received complaints from over 230 IPWSC customers by letters and petition, regarding affordability and service quality issues. After lengthy negotiations, the parties reached a Settlement which provided for a revenue increase of $40,000, compared to the $80,679 that Imperial Point originally requested. The impact of this lower revenue increase means that pursuant to this Settlement, a typical residential customer using 10,000 gallons per quarter would experience a 35% increase in his or her quarterly bill, from $42.20 to approximately $57.13 rather than an increase of approximately 74%, to $73.56 per quarter as originally proposed by Imperial Point. The level of rate increase under the Settlement should help improve the Company’s system and at the same time address affordability issues. The OCA further supported the Joint Settlement as being in the public interest because the Company agreed to timely investment in projects to improve service based upon the customer complaints of which the OCA is currently aware. A partial list of these improvements include: (1) completing a looping project to connect the distribution mains at Shadybrook Circle and Sunnybrook Drive by August 31, 2007, to help address complaints of dirty water; (2) undertaking an investigation into the advisability of obtaining a permit for adding polyphosphate to the water to address complaints involving iron and manganese; (3) flushing isolated parts of the system to address complaints of brown, dirty, or rusty water, and pressure problems due to mineral build-up where more than one customer raises the same complaint
within a similar time period; (4) providing monthly iron monitoring reports to the OCA; (5) complying with the Commission’s regulations regarding pressure surveys; (6) exercising distribution system valves and fire hydrants at least once a year to help provide optimal pressure; (7) committing to immediately respond to emergency situations, including those that occur over weekends and holidays, to prevent leaks from running and prevent related service outages from lasting for extended periods; (8) implementing improved leak detection procedures to reduce the current high unaccounted for water levels; and (9) installing a chlorine analyzer by August 31, 2007 to help regulate chlorine levels and address problems of chlorine smell and taste. The Joint Settlement also provided for a stay-out provision which prevents the Company from filing another general rate case before two years from the entry of the Commission Order approving the Joint Settlement. The ALJ recommended approval of the Settlement and the PUC approved the Settlement.

Allied Utility Services, Inc., Docket No. R-00061617. On July 31, 2006, Allied Utility Services filed a request to increase its annual revenues by $183,902, or 130.23%. Under the Company’s proposal, rates would have increased from $99.20 to $228.99 per quarter for a residential customer using 15,000 gallons per quarter. Allied Utility Services serves approximately 301 customers in North Whitehall Township, Lehigh County. The OCA filed a formal complaint on October 12, 2006. The parties were able to reach a Settlement which was filed with the ALJ on March 23, 2007. The Settlement provided for an annual revenue increase of no more than $115,000, or approximately 81%. This represented a significant reduction from the additional annual revenues proposed by the Company. The proposed settlement also eliminated the minimum allowance of 3,000 gallons and established a uniform usage rate of $3.76 per 1000 gallons. The impact on the quarterly bill of the average customer using 13,000 gallons per quarter is as follows:

<table>
<thead>
<tr>
<th>Total for an Average Residential Customer (13,000 gallons per quarter)</th>
<th>Current Rates</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Rates</td>
<td>$96.00</td>
<td></td>
</tr>
<tr>
<td>Company=s Original Proposal</td>
<td>$221.61</td>
<td>130.84%</td>
</tr>
<tr>
<td>Settlement Rates</td>
<td>$172.13</td>
<td>79.30%</td>
</tr>
</tbody>
</table>

The Settlement prohibited the Company from filing another general rate increase for two years from the entry date of the Commission order approving the settlement. The ALJ recommended approval of the settlement on May 8, 2007. On June 27, 2007, the PUC adopted the recommended decision of the ALJ.

Eaton Sewer and Water Co., Docket Nos. R-00061645 and R-00061646. On October 5, 2006, Eaton Sewer and Water Company filed requests to increase its rates for water and wastewater service. The Company proposed revenue increases of $69,641 (91.13%) for wastewater and $71,113 (118.96%) for water. Under the Company=s proposal, the proposed wastewater rates for a residential customer, using 5,000 gallons per month, would have increased from $40.51 to $75.11. Under the Company=s proposal, the proposed water rates for a residential customer, using 5,000 gallons per month, would have increased from 24.51 to $52.05. The Company serves approximately 82 customers in Eaton Township, Wyoming County. The OCA filed formal complaints to investigate the Company=s claims and its service to its customers. Two public input hearings were held on March 5, 2007 in Tunkhannock. The parties, including a
large number of customer formal complainants held a number of settlement discussions regarding revenue requirement and service issues. The parties reached an agreement in principle and Settlements were filed on April 11, 2007. The water settlement provided for additional annual revenues of $41,080, or 65%, phased in two steps. In the first phase, the additional revenues would be $28,440 (45%). In the second phase, effective one year after the rates go into effect for the first phase, the increase in annual revenues would be $12,640 (20%). The Settlement provided for the elimination of the 1,000 gallons per month water allowance currently included in the minimum charge. The impact on a customer is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Company Proposed</th>
<th>Settlement-Phase I</th>
<th>Settlement-Phase II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential customer using 6,000 gallons bi-monthly</td>
<td>$27.42</td>
<td>$69.91</td>
<td>$43.87</td>
<td>$49.56</td>
</tr>
<tr>
<td>Percentage Increase</td>
<td></td>
<td>154.96%</td>
<td>60%</td>
<td>80.74%</td>
</tr>
</tbody>
</table>

Under the proposed Settlement, the Company cannot file another rate case before twenty-four months from the entry date of a PUC order approving the settlement. Other provisions included the establishment of a Customer Advisory Board. If the CAB is not set up by the Company in the time frames included in the settlement, the second phase of the increase will not go into effect. In its first base rate proceeding, the Company also was directed to establish an availability fee. The Company did not implement the availability fee. However, as part of this settlement, the Company has agreed to charge an availability fee to all customers who fit the definition contained in the tariff. The availability fee will be $6 per month per lot. This provision is important because it is an appropriate source of revenue for the Company that was approved in the prior case. In addition, the Company agreed to credit those customers who have paid the availability fee that was implemented while this case was pending. The Company agreed to file an affiliated interest agreement within ninety days following the PUC=s approval of the proposed settlement. The Company agreed to a number of steps to address quality of service issues identified by customers and as part of the OCA=s investigation in this proceeding. First, the Company has agreed, subject to DEP approval, to add equipment and chemicals to sequester iron in the source water. The sequestering agent will prevent the iron in the water that flows to the customers= homes from staining plumbing fixtures and laundry. This provision should help the customers who experience the staining of fixtures and laundry. The Company also agreed to provide notice of the sodium levels to new customers, as well as within its annual consumer confidence report. The Company also agreed to review its chlorination practices to ensure an optimal level of chlorine. Eaton also agreed to undertake the pressure survey required by the PUC=s regulations.

The sewer settlement provided for additional annual revenues of $32,973, or 45%. The increase would be in two phases. In the first phase, the additional revenues will be $21,982 (30%). In the second phase, effective one year after the rates go into effect for the first phase, the increase in annual revenues will be $10,991 (15%).
The Company is eliminating the 1,000 gallons per month water allowance currently included in the minimum charge. The impact on a customer is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Company Proposed</th>
<th>Settlement-Phase I</th>
<th>Settlement-Phase II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential customer using 6,000 gallons bi-monthly</td>
<td>$43.42</td>
<td>$96.97</td>
<td>$59.99</td>
<td>$66.78</td>
</tr>
<tr>
<td>Percentage Increase</td>
<td>123.33%</td>
<td>38.16%</td>
<td>53.8%</td>
<td></td>
</tr>
</tbody>
</table>

Under the proposed Settlement, the Company cannot file another rate case before twenty-four months from the entry date of a PUC order approving this settlement. There are additional provisions regarding the CAB and the availability fee as in the water settlement described above.

On May 8, 2007, the ALJ recommended approval of both settlements. On June 25, 2007, the PUC adopted the ALJ’s recommendations.

**Borough of Phoenixville, Docket No. R-00061625.** On October 27, 2006, the Borough of Phoenixville Sewer Fund filed a request to increase the rates it charges to customers outside the Borough. The Borough proposed an increase in annual revenues of $72,575, or 98.9%. Under the Company’s proposal, the proposed rates for a residential customer, using 13,400 gallons per quarter, would increase from $34.30 to $68.25. The Borough serves approximately 66 customers outside the Borough in East Pikeland and Schuylkill Townships, Chester County. The OCA filed the formal complaint to enable us to investigate the Borough’s claims and its service to its customers. The OCA and the other parties have conducted a number of settlement discussions, resulting in a settlement that was presented to the ALJ on March 16, 2007. The Settlement provided for an annual revenue increase of no more than $65,000, or approximately 88.62%. The Borough’s original proposed rates would have increased from $46.49 to $92.49, or by 98.95% for a flat-rate residential customer. Under the proposed settlement, the flat-rate would increase to $87.69, or by 88.6%. For metered customers, the proposed settlement also eliminated the block rate structure and established a uniform usage rate of $4.36 per 1000 gallons. The impact on the quarterly bill of the average customer using 13,400 gallons per quarter is as follows:

<table>
<thead>
<tr>
<th>Total for an Average Residential Customer (13,400 gallons per quarter)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Rates</strong></td>
</tr>
<tr>
<td>Borough’s Original Proposal</td>
</tr>
<tr>
<td>Settlement Rates</td>
</tr>
</tbody>
</table>

The Settlement prohibited the Borough from filing another general rate increase for one year from the entry date of the Commission order approving this settlement. On April 27, 2007, the ALJ recommended approval of the settlement. On May 30, 2007, the PUC adopted the ALJ’s recommendation.
Little Washington Wastewater, Docket Nos. R-00072073, R-00072074, R-00072075, and R-00072090. On January 24, 2007, four Little Washington Wastewater divisions filed requests to increase base rates: Chesterdale/Willistown Woods, Little Washington, Media, and Peddlers View. The OCA filed a formal complaint in each case. A telephonic public input hearing was held on April 25, 2007, at which time 11 customers testified. On May 9, 2007, the Company, OCA, OTS and Hedgerow Association filed Joint Petitions for Settlement. The proposed settlements provided for revenue increases as follows:

<table>
<thead>
<tr>
<th>Division</th>
<th>Base Rate Increase</th>
<th>Current Residential Rate</th>
<th>Proposed Residential Rate</th>
<th>% Increase</th>
<th>Increase per settlement</th>
<th>Settlement Rate</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chesterdale/Willistown Woods</td>
<td>$62,175</td>
<td>$43.85/mo</td>
<td>$50.00/mo</td>
<td>14.0%</td>
<td>Step 1 - $27,772</td>
<td>Step 1 - $46.57/mo</td>
<td>Step 1 - 6.20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Step 2 - $26,589</td>
<td></td>
<td>Step 2 - $49.20/mo</td>
<td></td>
<td>Step 2 - 5.65%</td>
</tr>
<tr>
<td>Little Washington</td>
<td>$168,407</td>
<td>$53.70/mo</td>
<td>$94.00/mo</td>
<td>75.0%</td>
<td>Step 1 - $86,131</td>
<td>Step 1 - $74.59/mo</td>
<td>Step 1 - 38.36%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Step 2 - $32,255</td>
<td></td>
<td>Step 2 - $82.38/mo</td>
<td></td>
<td>Step 2 - 10.47%</td>
</tr>
<tr>
<td>Media</td>
<td>$64,969</td>
<td>$15.97/mo</td>
<td>$17.87/mo</td>
<td>11.9%</td>
<td>$64,695</td>
<td>$17.87</td>
<td>11.9%</td>
</tr>
<tr>
<td>Peddlers View</td>
<td>$59,165</td>
<td>$51.05/mo</td>
<td>$73.75/mo</td>
<td>44.0%</td>
<td>Step 1 - $44,386</td>
<td>Step 1 - $68.05/mo</td>
<td>Step 1 - 33.79%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Step 2 - $11,626</td>
<td></td>
<td>Step 2 - $72.75/mo</td>
<td></td>
<td>Step 2 - 6.52%</td>
</tr>
</tbody>
</table>

The proposed Settlement provided for stay outs for the filing of the next base rate cases until January 1, 2010. Specific provisions of the settlements require the Company to do an odor study in response to customer feedback (Little Washington Division) and complete an access road to the wastewater plant by August 31, 2007 (Chesterdale/Willistown Woods division). On May 21, 2007, ALJ Chestnut recommended approval of the four settlements. On June 21, 2007, the PUC adopted her recommendations.

Ambler Borough Water Department Division, Docket No. R-00062017. Borough of Ambler - Water Department Division serves 3,837 PUC-jurisdictional customers in Upper Dublin, Whitemarsh, Whitpain and Lower Gwyned Townships, Montgomery County. On January 31, 2007, Ambler sought Commission approval of rates and rate changes that would increase Ambler’s rates for water service to produce an estimated annual increase in base rate revenues of $454,798 or 44% increase in Ambler’s annual revenues at present rates from PUC-jurisdictional customers. Under Ambler’s proposal, the proposed rates would have increased from $50.32 to $72.75 per month, or by 44.6% for the average residential customer using 15,000 gallons per quarter. Ambler also proposes to establish a Distribution System Improvement Clause. On April 11, 2007, the OCA filed a Formal Complaint against the proposed rate increase. The parties participated in a mediation and were able to reach a Settlement. The Settlement provided for additional annual revenues of $300,244, or 29.49%. The impact on a customer is an increase from $50.32 to $64.95 (29.1%), rather than $72.75 (44.57%) as originally proposed by Ambler.
Ambler also has an opportunity for two additional annual revenue increases if it completes specific capital projects (Phases 2 and 3). If Ambler completes Well No. 15, it will be entitled, upon certification to the parties, to additional annual revenues of $19,451 (1.5%). If Ambler completes the painting of the Houston Road Tank, it will be entitled, upon certification to the parties, to additional annual revenues of $19,451 (1.5%). In either case, Ambler will be required to file the tariff sheets attached to the settlement, as Phases 2 and 3, and the increase will take place after 30 days notice to the jurisdictional customers. The Settlement does not mandate the completion of either project or the order in which they are completed.

Under the Settlement, Ambler cannot file another rate case before twenty-seven months from the entry date of a PUC order approving this settlement. Thus, the Company's ratepayers will be assured of some level of rate stability. Ambler has agreed that it will include a proposal, in its next base rate case filing, to eliminate the existing third block in its rate design. At the end of the Fiscal Year, this case was pending before the PUC.

Audubon Water Co., Docket No. R-00072100. On March 5, 2007, Audubon Water Company filed a tariff to become effective May 5, 2007. The Company sought Commission approval of its proposal to recover an estimated annual increase in its base rate revenues of $477,975, an approximate 29% increase in the Company's annual revenues at present rates. Under the Company's proposal, the proposed rates would have increased from $36.29 to $46.63 per month, or by 27%, for a residential customer using 5,000 gallons of water per month. The Company serves approximately 3,000 residential and commercial, multi-family and public customers in portions of Lower Providence Township and adjacent areas in Montgomery County. The OCA filed a Formal Complaint on April 11, 2007. The OCA filed direct and surrebuttal testimony, recommending that Audubon receive no more than $270,188, or 16.25%. The parties were able to reach a rate of return stipulation and after additional discussions were able to reach a settlement that addressed revenue requirement and quality of service issues.

The settlement provided for a revenue increase of $350,000, with resulting Phase One Rates to be maintained until at least January 1, 2009, and an additional $25,000 in Phase Two Rates to be implemented no sooner than January 1, 2009, if at all. Phase Two Rates would be implemented only in the event that the Company completed certain transmission and distribution projects by December 31, 2008. The impact of this lower revenue increase means that pursuant to this Settlement, a typical residential customer using 15,000 gallons per quarter would experience a 20.7% increase in his or her monthly bill, from $31.71 per month to $38.28, under Phase One Rates, or to $38.77 under Phase Two Rates. The tariff supplement originally filed, if approved, would have resulted in a rate increase of approximately 29%, from $31.71 to approximately $40.77 per month. The level of rate increase allowed under the Settlement should help improve the Company's system and at the same time address affordability issues. In addition, the Company has agreed to timely implement changes to improve service quality based upon customer complaints of which the OCA is currently aware. Regarding the concerns raised by customers at the public input: (1) Audubon will monitor Total Dissolved Solids and hardness at two wells, testing twice a month for one year, and then testing quarterly for a second year; (2) the Company must make a good faith effort to respond to customer contacts or complaints within a 24 hour business day; (3) Audubon will maintain a more detailed and comprehensive customer complaint log that should enable the Company to assess its response time and resolutions to customer concerns; (4) the Company's management personnel and employees will receive training that includes the importance of customer service, returning
customer telephone calls and timely responding to complaints; (5) Audubon will include its contact information on all customer notices and correspondence including rate notices; and (6) if the Company fails to complete certain transmission and distribution projects by December 31, 2008, it is prohibited from implementing Phase Two Rates. Further, to address additional issues of concern raised during the OCA’s investigation: (1) Audubon will improve its emergency procedures regarding notice to customers and the Pennsylvania Department of Environmental Protection; and (2) Audubon will take greater initiative and implement proactive measures, to meet its obligation to ensure the safety and adequacy of water that Audubon distributes to its customers from the water supply that Audubon accepts from Environmental Resources Management (ERM), and to guard against a repeat of the November 2006 incident regarding excessive copper. The Joint Settlement also provided for a stay-out provision which prevents the Company from filing another general rate case until three years after the entry of the Commission Order approving the Joint Settlement. At the end of the Fiscal Year, this case was pending before the PUC.

Little Washington Wastewater Co., Twin Hills Division and Rivercrest Division, Docket No. R-00072318 and R-00072319. On April 10, 2007 the Rivercrest Division of the Little Washington Wastewater Company filed a request to increase its rates by $63,573 (94%). The OCA filed a Formal Complaint shortly thereafter and initiated discovery and engaged in discussions with the Company. After a telephonic public input hearing and continued discussions, the Parties agreed to settlement terms. The settlement provides for additional annual revenues of $54,500 or 80.87%. The annual cost of wastewater service to a metered customer using 4,000 gallons per month would increase by $235.20 per year from $329.40 to $564.96 or by 71.32%, rather than the $611.52 as originally proposed by the Company. The original proposal called for rates to increase by about $24 a month to $51 (89 percent). The increase would affect about 212 customers in Wyoming County. Under the settlement, the company may not file for a rate increase until April 1, 2009. Prior to Little Washington’s purchase of the Rivercrest division, the system was owned by National Utilities Inc. (NUI) and was a troubled wastewater system. The Settlement terms reflect Little Washington’s efforts to rehabilitate the Rivercrest Division system.

On April 10, 2007 the Twin Hills Division of the Little Washington Wastewater Company filed a request to increase its rates by $67,749 or 31.62%. The OCA filed a Formal Complaint shortly thereafter and initiated discovery and engaged in discussions with the Company. After a telephonic public input hearing and continued discussions, the Parties agreed to settlement terms. The settlement provides that the Company will raise rates by $51,500 or 28.78%. The annual cost of wastewater service to a metered customer using 5,000 gallons per month would increase by $150.48 per year from $519.12 to $669.60 or by 28.98%, rather than $711.60 as originally proposed by the Company. The increase would affect about 341 residential customers in portions of Chester County. In addition, the settlement provides that the company may not file for a rate increase until Oct. 1, 2009, and provides a forum for the resolution of various customer odor complaints voiced during the public input hearing.

Village Water Co., Docket No. R-00072351. Village Water Company serves approximately 196 customers in portions of Fairfield Township, Lycoming County. On April 27, 2007, Village Water filed a tariff, to become effective July 1, 2007. In this filing, Village Water sought Commission approval of rates and rate changes that would have increased Village Water’s rates for water service by annual increase in base rate revenues of $42,575 or 61%. Under Village Water’s
proposal, the proposed rates would increase from $81.15 to $130.66 per quarter, or by 61% for
the average residential customer using 12,000 gallons per quarter. On May 24, 2007, the OCA
filed a Formal Complaint against the proposed rate increase. The parties, including three of the
formal complainants participated in a prehearing and mediation. At the end of the Fiscal Year,
this case was pending at the PUC.

Sewer Company filed a tariff to become effective June 30, 2007. The Company sought an
annual increase in its base rate revenues of $142,655, or 47.6%. Under the Company’s
proposal, the proposed rates would have increased as follows:

<table>
<thead>
<tr>
<th>User Type</th>
<th>Current Rate / quarter</th>
<th>Proposed Rate / quarter</th>
<th>$ increase</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homesite</td>
<td>$76.32</td>
<td>$112.62</td>
<td>$36.30</td>
<td>47.6</td>
</tr>
<tr>
<td>Campsite with sewer line</td>
<td>$50.88</td>
<td>$75.06</td>
<td>$24.18</td>
<td>47.5</td>
</tr>
</tbody>
</table>

The Company serves approximately 1,400 customers in White and Chest Townships, Cambria
County. The OCA filed a formal complaint on June 1, 2007. This case was pending at the end
of the Fiscal Year.

Sanitary Facilities, Inc. (Wonderview) filed a tariff supplement designed to produce $18,577 or
29.14% in additional annual wastewater revenues from its customers. OCA filed a Complaint.
As a result of settlement negotiations among the parties, a Joint Petition for Settlement was
filed. It provides for additional annual revenues of $11,550, or 18.12%. The impact on a
customer is a proposed increase from $35.65 to $42.11, rather than $46.04 as proposed by the
Company. Under the proposed Settlement, the Company cannot file another rate case before
thirty months from the entry date of a PUC order approving this settlement. Thus, the
Company’s ratepayers will be assured of some level of rate stability. Wonderview agreed that it
will inspect, annually, the wastewater treatment plant units and, if accessible steel members
show rust, the rust will be removed and repainted as necessary. This review is an important
part of the maintenance of the plant.

City of Bethlehem, Docket No. R-00072492. On June 29, 2007, the City of Bethlehem – Bureau
of Water (the City) filed a tariff, seeking PUC approval to recover an estimated annual increase
in base rate revenues of $827,455, 12.5%, from customers who reside outside the City limits. A
typical customer using 15,000 gallons of water per quarter would have seen an increase from
$72.06 to $81.06, or 12.5% per quarter. The City serves approximately 12,000 residential
customers outside of the City, in the Townships of Salisbury, Upper Saucon, Lower Saucon,
Bethlehem, Hanover, East Allen, Allen, the Borough of Fountain Hill in Lehigh County, and the
Borough of Freemansburg in Northampton County. The OCA filed a formal complaint. The
case was pending before the PUC at the end of the Fiscal Year.

rate filing seeking an increase of $161, 255 or 72.6% in annual revenues based upon the test
year ended December 31, 2005. This filing was made pursuant to the Order approving the Joint
Petition for Settlement of the Application Docket A-210072F0003 and the consolidated Formal
Complaint proceeding at Docket No. C20055305, et al., discussed below. The OCA submitted a Notice of Intervention and Public Statement in July 2006. The parties submitted a Joint Petition for Settlement on December 11 and on December 13, 2006, the ALJ issued the Recommended Decision to approve the proposed settlement without modification. On December 21, 2006, the Public Utility Commission accepted the ALJ’s recommendation to approve the settlement without modification, concluding that it was in the public interest.

The Company proceeded with the required applications to DEP for both a Water Allocation Permit and a Public Water Supply permit. Engineering plans are underway for the back-up interconnection. Pursuant to this rate case settlement and the two prior settlements of the application-for-change-of-control and consolidated formal complaint proceedings, as of April 23, 2007, this utility abandoned its well sources of supply and has begun to purchase water from the City of Bethlehem for all domestic and fire suppression purposes. Westgate also formed a Consumer Advisory Board, adopted a more user-friendly bill format and distributed conservation information pursuant to the settlements.

Reynolds Disposal Co., Docket No. R-00061492. On July 31, 2006, Reynolds Disposal Company filed a request to increase its annual wastewater revenues by $278,969 (87.74%). Under the Company’s proposal, the proposed rates would have increased from $65.01 to $120.07 per quarter, or by 85%, for a residential customer using 10,400 gallons of water per quarter. The Company serves approximately 680 residential, commercial, industrial, and public customers in Pymatuning, Delaware and Hempfield Townships, Mercer County. The OCA filed a formal complaint on September 20, 2006. On March 1, 2007, the parties filed a Joint Petition for Settlement. The Settlement provided for additional annual revenues of $90,000, or 28.31%, and a procedure for the Company to increase its Pennvest surcharge upon closing on the new Pennvest and Pennworks loans. The additional revenues to be collected through the surcharge are $119,000. In its original filing, the Company proposed to include the Pennvest and Pennworks financed plant in rate base. During negotiations, the Company changed its position and sought recovery through the surcharge. The increases will not go into effect until the Company closes on the loan and receives the final amortization schedule. The impact on a customer is:

<table>
<thead>
<tr>
<th>Residential customer using 10,400 gallons per quarter</th>
<th>Usage Charge</th>
<th>Current and Estimated PennVest/PennWorks Surcharge</th>
<th>Total Quarterly Bill</th>
<th>% increase in total quarterly bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Rates</td>
<td>$61.35</td>
<td>$3.64</td>
<td>$64.99</td>
<td>n/a</td>
</tr>
<tr>
<td>Proposed Rates</td>
<td>$116.63</td>
<td>$3.64</td>
<td>$120.27</td>
<td>85%</td>
</tr>
<tr>
<td>Settlement Rates</td>
<td>$79.17</td>
<td>$22.57</td>
<td>$101.74</td>
<td>56.5%</td>
</tr>
</tbody>
</table>

On March 15, 2007, the ALJ recommended approval of the settlement. On May 14, 2007, the PUC adopted the Recommended Decision.

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. 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. In early January, 2007, the Company informed the OCA that it planned to withdraw its filing. The OCA did not oppose the Company’s withdrawal of the filing. On May 14, 2007, the PUC approved the withdrawal of the Company’s tariff supplement.

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, 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.

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.

On August 30, 2006, Commonwealth Court, by memorandum opinion by Judge Leadbetter, affirmed in part and reversed in part the order of the PUC. The Court found that the PUC did not err in accepting the OCA’s overall cost allocation methodology which is premised on the theory that the collection of both storm water and sewage in the City’s combined sewer system increases the cost of sewage treatment and that the costs of the stormwater should not be passed on to the PUC jurisdictional customers. The Court found no error in the PUC’s adoption of the OCA’s calculated I/I and the inferences drawn therefrom. However, the Court found that the record lacked substantial evidence to support the conclusion that the Maple Grove pumping station serves the City’s combined sewer system in addition to the PUC jurisdictional customers. Thus, the Court reversed the PUC’s finding regarding the Maple Grove pumping station and remanded to allow the cost allocation regarding the Maple Grove district and system to be revised.

The Court found that the Commission did not abuse its discretion in limiting the City to the debt expense set forth by the City in its test year data and noted that the City’s method would violate the matching principle as well as the purpose of deciding a rate case based upon test year data. The Court remanded the debt service coverage issue to the Commission to explain its decision regarding two issues raised by the City in its Exceptions. The Court found no errors in the
PUC’s decision to reject the City’s revised depreciation study, and in the PUC’s disallowance of legal fees connected with the acquisition of the former municipal authority’s assets. The Court also found no error in the PUC’s rejection of the City’s claim for increased maintenance expense for the wastewater treatment plant.

On January 31, 2007, the PUC issued a tentative opinion and order in which it reviewed the evidence submitted regarding the Maple Grove allocation and the debt service coverage. The PUC modified the allocation for Maple Grove to reflect the Company’s allocation factor which results in additional annual revenues of approximately $30,268. The PUC also found that it had adequately addressed the evidence regarding the debt service coverage issue. The City filed comments arguing that the PUC’s order did not revise a number of additional allocation factors and higher returns. If the City’s revisions were adopted, the result would be additional annual revenues of $384,355 to $446,824, depending on the overall return as proposed by the City. This case was pending before the Commission at the end of the Fiscal Year.

Applications, Petitions, and Investigations

Petition of Pennsylvania-American Water Co. For Approval to Implement a Tariff Supplement to Tariff Water Pa. P.U.C. No. 4 Revising the Distribution System Improvement Charge, Docket No. P-00062241. On October 17, 2006 PAWC filed, a Petition seeking approval to increase the maximum allowable DSIC from 5% to 7.5%. The surcharge has applied to 100% of the Company=s Residential, Commercial, Industrial and Public customers since January 1, 2001. The OCA filed a Formal Complaint against this requested increase, asserting that it is unjust, unreasonable and in violation of the law; may allow the Company an opportunity to recover an excessive rate of return on its utility investment and is otherwise contrary to sound ratemaking principles and public policy. The Formal Complaint and Public Statement were filed on November 2, 2006. In the Formal Complaint, the OCA asked the PUC to deny the Petition and disapprove the proposed tariff supplement, consolidate the related filings and to schedule public hearings in the matter.

The OCA also filed an Answer on November 6, 2006. The OCA argued that the Company should not be permitted to increase its surcharge cap. When the DSIC was initially approved, a set of consumer safeguards was required as a condition of the approval. One of them was the 5% cap; the Company was also required to submit to audits, to reduce the charge to 0% if in any given quarter it achieved its allowed rate of return and to submit an annual reconciliation of the revenues. According to the PUC Order, PAWC had represented to the PUC that if the 5% cap is reached, the Company would not seek any additional increase to the surcharge. Also, the recent Commonwealth Court decision in Popowsky v. Pa. P.U.C., the Court emphasized the importance of maintaining the use of a test year for the purpose of setting base rates and that surcharge recovery is generally limited to expense items beyond the utility=s control, not to physical plant items.

The OCA’s position was that while there is statutory authority for the surcharge, the PUC should not exercise that authority to permit an increase to the cap. Such a change would lead to
further delay in reviewing the Company’s overall financial picture, including all revenues and expenses.

The ALJ recommended denying the requested increase because the Company had not submitted sufficient factual evidence to support changing the 5% cap. At Public Meeting of July 10, 2007, however, the Commission voted to reject the ALJs recommendation and to permit the increase of the cap to 7.5%.

Application of Pennsylvania-American Water Co. (PAWC) for Approval of a Change in Control to be Effected through a Public Offering of the Common Stock of American Water Work Co., Inc., Docket No. A-212285F0136. As discussed in last year’s Annual Report, 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 PaPUC 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’s position was that the PUC should only approve the Application for change in control if certain conditions were imposed. The OCA and other interested parties had concerns over the pension funding levels and the increases in the unaccounted for water in the operating subsidiaries.

A number of the active parties to the proceeding, the OCA, the OTS, the Large Users Group, the Unions and the Company, were able to reach an agreement to resolve all issues. One other party, the OSBA, was unable to agree and a one-day hearing was held on the non-unanimous settlement.

In June 2007, the ALJ issued his Initial Decision, recommending that the Joint Petition for Settlement be approved, but for Paragraphs 17 and 52. Through those paragraphs, PAWC commits to providing service to three communities in western Pennsylvania: Mount Pleasant Township and East Hanover Township, Washington County and Collier Township, Allegheny County. The Company agreed not to charge the prospective customers contributions in aid of construction as a condition of providing the service.

The OCA submitted Exceptions to this Initial Decision, arguing that Paragraphs 17 and 52 were a critical element of the affirmative public benefits required to be shown in order to support a change in corporate control under the Public Utility Code. At a Public Meeting, the Commission voted to grant the OCA exceptions and to approve the Joint Petition for Settlement in its entirety.

As approved, the Joint Petition required the following:

**Needed Facility Extensions** -- PAWC will install, without customer contributions or advances, facility extensions necessary to provide water service to certain areas
that do not have public water supplies and have experienced substantial degradation in the quantity and quality of their existing on-lot well water source. Under the Settlement, this facility extension does not constitute a determination that the investment may be included in the Company rate base in a subsequent base rate proceeding.

**Ratepayer Debt Financing Protection** -- Regarding $80 million of debt financing at a coupon rate of 4.75% that must be refinanced because of the transaction, PAWC will reflect the debt issued for the purpose of repaying the 4.75% debt issue at a coupon rate of 4.75% until March 1, 2014. This will provide the same effective rate to customers on the replacement debt through March 1, 2014 as if the 4.75% debt issue had not been retired until that date, and will avoid finance cost increases for ratepayers on this debt.

**Efficiency Savings** -- PAWC will pass through to PAWC customers, in future rate cases, any actual savings from efficiencies resulting from the Proposed Transaction and the continued ownership of PAWC by American Water.

**No Deferred Income Tax Impact** -- The divestiture of American Water by RWE and Thames GmbH will not affect the accounting and ratemaking treatment of PAWC excess deferred income taxes.

**No Recovery of Transaction and Transition Costs** -- PAWC will not seek to recover from ratepayers the costs of the transaction and transition costs, and will detail these costs to the Commission to ensure that they are not included in future rates.

**No Recovery of European Law Compliance Costs** -- PAWC will not bear any costs incurred to comply with any European legal requirements, standards or practices.

**Sarbanes-Oxley Cost Recovery Limits** -- PAWC will not recover initial development and implementation costs necessary for compliance with the Sarbanes-Oxley Act of 2002, and will not recover for three years more than its allocated share of a $1 million per year limit for additional audit costs for Sarbanes Oxley compliance.

**Additional Financial Reporting** -- For three years, PAWC will provide the Commission with electronic access to the following: AWW quarterly reports on SEC Form 10-Q, AWW annual reports to its shareholders, American Water annual audit report, and PAWC annual audit report. PAWC is not under an affirmative obligation to transmit this information to the Commission otherwise.

**Monitoring of Bond Performance** -- For three years, PAWC will inform the Commission of downgrade of the bonds of AWW, American Water Capital or PAWC within 30 days of its notification of these events, and will provide supporting documentation.
Equity Capital Infusion -- Prior to the IPO, RWE and Thames GmbH will infuse equity capital into AWW sufficient to establish a capital structure that includes an equity-to-capitalization ratio no lower than 45% common equity, and will provide reporting on this infusion as of the quarter ended immediately preceding the initial public offering.

Assurance of Adequate Funding -- PAWC and AWW will adequately fund and maintain PAWC treatment, transmission and distribution systems and supply the service needs of PAWC customers in accordance with the Public Utility Code and applicable regulations.

Dividend Limit Notification -- PAWC will notify the Commission before making a dividend that is more than 75% of net income.

Employment Level Monitoring -- For a period of three years from the date of the Commission Order in this case, PAWC will notify the PUC of a planned reduction of 5% or more in PAWC workforce.

Local Presence -- PAWC will maintain its corporate offices in Pennsylvania and will maintain a substantial local interest representation on its Board of Directors.

Local and Community Support -- PAWC will continue to maintain, at a minimum, its current level of support for and involvement in local and community projects, including continued funding for PAWC low-income program to assist low-income residential customers with their water bills.

Application of City of Lebanon, A-220010; P-00052195; C-20055689; P-00062198; and, C-20065773: As discussed in last year’s Annual Report, 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 “takeback” 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 Office of Consumer Advocate (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 Administrative Law Judge 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. The municipalities that filed protests have moved to dismiss the application. On December 11, 2006, the ALJ granted the motion to dismiss the applications, finding that the applications were moot.

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. Ultimately, the protests were dismissed and the acquisition proceeded.

Joint Application of Pennsylvania-American Water Co. and Three Lane Utilities, A-212285F0146, A-210116F2000. On June 21, 2007, Pennsylvania-American Water Co. and Three Lane Utilities, Inc. filed a Joint Application of PAWC and Three Lane for Approval of Transfer, by Sale, Commencement of Service by PAWC and Abandonment by Three Lane of All Water Service to the Public. The OCA filed a Protest against the Application, in which it raised three concerns. First, Three Lane charges its customers a flat rate but has a revenue-neutral metered rate filing pending. In the Application, PAWC proposes to charge Three Lane's flat rates initially, and then to charge the Three Lane metered rates that are approved by the PUC. Three Lanes' customers would have substantially lower bills under PAWC's flat and metered rates and should be charged PAWC's rates instead of Three Lane's rates. Second, PAWC tentatively booked a negative acquisition adjustment, which the OCA wanted to ensure there would be no express or tacit approval of the adjustment outside of a base rate case. Third, several schedules were omitted from the filing. Matamoras Municipal Authority filed a Petition to Intervene in the proceeding on July 27, 2007, which was opposed in Three Lane's Answer filed on August 15, 2007 and PAWC's Answer filed on August 21, 2007.

On November 2, 2007, Three Lane and OCA filed a Stipulation, in which PAWC agreed to charge its own, lower rates; Three Lane agreed to withdraw its revenue-neutral metered rate filing; and PAWC acknowledged that issues pertaining to the treatment of any acquisition adjustment would be reserved for a future water base rate case. Also, Three Lane provided additional schedules to OCA. The Stipulation is pending before the presiding Administrative Law Judge, as is Matamoras' Petition to Intervene.

Kathleen Sylvester et al. v. W.P. Water Co. and W.P. Sanitary Co., C-20055453, C-20055473, C-200565849, and Application of Aqua, Pennsylvania, Docket No. A-210104F0074, and Application of W.P. Sanitary Co., Inc., A-230550. As discussed in last year's Annual Report, 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 malodors 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 engineering expert 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 two evidentiary hearings to date. Additional hearings were held in July to complete the presentation of testimony and examination of witnesses. 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. On December 28, 2006, the DEP issued another Notice of Violations to WP Sanitary for violations found through October 2006.

On February 14, 2007, the ALJ issued an Interim Order reopening the record for the purpose of taking additional evidence from WP Water and WP Sanitary, as well as the Company’s owners, regarding business expenses, incorporating documents, lists of all business enterprises, documentation of certain operations activities, status of civil penalties and other matters.

On February 26, 2007, WP filed Petitions to Reopen the Record in the complaint docket as well as the pending Aqua PA application, Docket No. A-210104F0074, where WP is a protestant. The basis of the Petition to Reopen was an agreement of sale between WP Water and United Water. In the Application proceeding, the OCA filed an answer arguing that if the ALJ determines to look at the fitness of the protestant, then he may want to reopen the record. If he does not want to review the fitness of the protestant, then there is no need to reopen the record.

On April 4, 2007, the ALJ issued an interim order denying the motion to reopen the record in the complaint proceeding and denying United Water=s petition to intervene. In her order she found that the potential sale did not provide any relief for the primary issue in the complaint proceeding, i.e., the alleged significant failure of WP to provide safe, adequate, reliable, and effective service over a long period of time. On May 1, 2007, the ALJ, in the second proceeding, issued an initial decision in which he found that Aqua had met its burden of proof, that its application to serve the Saddle Ridge development should be granted, that the protest of WP should be dismissed and that the petition to reopen the record should be denied. The ALJ found that Saddle Ridge is within the certificated service territory of WP. However, he found that WP service is inadequate and that it is in the public interest to grant Aqua=s application.

In another related proceeding, on February 26, 2007, W.P. Sanitary filed an application to abandon service. A-230550F2000. In its application, it stated that it is not able to make the necessary capital improvements and that it has not identified any entity to take over the system. The OCA filed a protest on April 9, 2007. DEP and Washington Township also filed protests. The OCA submitted that the application should not be granted until there is a financially, technically, and managerially capable entity identified and willing to provide service to WP=s customers.

On June 6, 2007, the OCA filed a Petition for Emergency Relief, Docket No. P-00072312, requesting that the PUC enter an order to address relief to customers experiencing frequent water outages and low water pressure. The PUC granted the OCA=s petition and ordered WP to take steps to locate a new source of supply, install meters, and provide monthly status reports regarding the progress.

Also on June 6, 2007, the OCA filed a Petition for a Commission Order Instituting a Proceeding to Order the Acquisition of WP Water Co. and WP Sanitary Co. Pursuant to Section 529 of the Public Utility Code, Docket No. P-00072313. The Commission assigned the case to Law Bureau and to an ALJ. The OCA filed a motion to consolidate WP Sanitary=s application to abandon service with the 529 proceeding. At the end of the Fiscal Year, these cases were pending before the Public Utility Commission.
Rulemakings & Petitions

Proposed Rulemaking for Revision to Chapter 67 of Title 52 of the PA Code Pertaining to Service Outages, Docket No. L-00060177. As discussed in last year’s Annual Report, in an order entered on May 5, 2006, the PUC initiated a rulemaking proceeding to consider proposed revisions to 52 Pa. Code § 67.1. The order was published in the Pennsylvania Bulletin on October 14, 2006. The OCA filed Comments on November 13, 2006, generally supporting the PUC’s proposed revisions.


In Re Pennsylvania-American Water Co.’s Main Breaks in the Pittsburgh Area and Related Incidents Statewide, Docket No. I-00060112. In early December 2006, approximately one thousand customers and two public schools experienced a service outage for several days after a major main break. In early December 2006, a similar event occurred in Lackawanna County in PAWC service territory. The OCA, in support of local government officials and state legislators, requested an investigation of the events and public hearings.

In response, the PUC Chairman moved on December 21, 2006, to initiate an investigation into whether the utility responded to the outages in an effective and timely manner and whether adequate supplies of drinking water were supplied in a sufficient number of convenient locations, among other related issues. The Motion carried unanimously and the PUC issued an Order on January 5, 2007, requiring the Law Bureau and the Bureau of Fixed Utility Services to undertake the investigations and to issue two reports, the first within ninety days having to do with the Pittsburgh outages, and the second having to do with the Lackawanna outages within 120 days.

Two hearings, which representatives of the OCA attended, were held in the City of Pittsburgh on January 22, 2007. The OCA submitted a Notice of Intervention on January 10, 2007. On June 21, 2007, the Tentative Investigation Order and Release of Staff Report was issued. The report answered the questions set forth by the Commission when it initiated the investigation and set forth a list of sixteen directives with PAWC must comply. After a period for comments, the commission entered an order adopting the directives laid out in the report. The Investigation remains open for Phase II regarding the Lackawanna main breaks.
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

Miller v. Verizon Pennsylvania, Inc., Docket No. C-20066923. As discussed in last year’s Annual Report, Mr. Miller experienced a service outage at his home in West Chester late in the day on April 13, 2006.

Mr. Miller filed a formal complaint on September 26, 2006, in which he contended that Verizon provided inadequate service in response to his outage. The OCA intervened in Mr. Miller’s complaint, which raises quality of service concerns important to all residential telephone customers. The OCA engaged in discovery of Verizon’s practices regarding restoration of service and handling of Mr. Miller’s request to have service restored.

On March 5, 2007, Mr. Miller filed a written direct testimony with the assistance of the OCA. Mr. Miller’s testimony addressed Verizon’s restoration of service efforts, Verizon’s staffing, and Verizon’s escalation process. The OCA attended the May 8, 2007 hearing in Philadelphia and assisted the Complainant with the presentation of his case. The OCA also conducted cross-examination of the Verizon witnesses, consistent with the OCA’s role as intervenor as statutory advocate. The presiding ALJ admitted all of Mr. Miller’s offered testimony and exhibits into the record.

On June 28, 2007, the OCA filed its Main Brief in support of Mr. Miller’s complaint. Mr. Miller and Verizon both also filed main briefs.

The OCA filed its Reply Brief to Verizon on July 26, 2007. In its briefs, the OCA has asked the Commission to clarify Verizon’s regulatory obligations to be ready to provide repair service and to clarify what repair efforts are required to meet the regulatory standard. At the end of the Fiscal Year, this case was pending before the Public Utility Commission.

O’Brien v. Verizon Pennsylvania Inc., Docket No. C-20077291. The consumer filed a formal complaint with the PUC alleging that Verizon was attempting to bill him $666.37 for repairs to his underground service line, which is a part of the Verizon network for which Verizon retains responsibility. The consumer admitted that he cut his underground service line, but claimed that he did so while engaged in routine lawn maintenance, and that the cause of this was that the
Verizon line was too close to the surface. Verizon responded that the consumer was responsible for this cost because the consumer was obligated to call PA One-Call ("call before you dig") prior to performing lawn maintenance. The OCA performed extensive legal research to determine the scope of the consumer's obligations under Pennsylvania's Utility Line Protection Act (Pennsylvania One Call) and Verizon's obligations under 52 Pa. Code § 63.23 concerning the National Electrical Safety Code. Based on all this the OCA conducted discovery and assisted the consumer in achieving a satisfactory resolution of the complaint including Verizon's dropping of all charges and Verizon awarding the consumer with in excess of $100 of refunds. Verizon also agreed to discontinue the use of the underground service wire to provide service to Mr. O'Brien and now provides telephone service to him via FiOS, but at the same rate as Mr. O'Brien's previous copper service.

Sevretnick v. Verizon Pennsylvania Inc., Docket No. C-20077301. The OCA intervened in Mr. Sevretnick's formal complaint on February 26, 2007. Mr. Sevretnick has experienced static on the line and recurring outages of up to ten days. The OCA researched Mr. Servetnick's service problems and determined that his outages likely extended to other consumers nearby. The OCA assisted Mr. Servetnick in obtaining a satisfactory resolution of his complaint, including $3000 in compensation, a complete replacement of the troubled copper cabling serving Mr. Servetnick and the others that contacted the OCA, a Verizon commitment to provide fiber optic service to this area within 14 months, and $25 in service credit to those consumers that contacted the OCA. Consumers that contacted the OCA also received an expedited repair number should they have service problems prior to the replacement of the troubled copper cable.

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

Balla, et al. v. Redstone Water Co., Docket No. C-992270, et al. As discussed in last year's Annual Report, on November 8, 2000, the Administrative Law Judge (ALJ) issued an Initial Decision recommending sustaining complaints of inadequate service in favor of the Complainants and Office of Consumer Advocate in the consolidated Redstone Formal Complaints. The ALJ found that the Company, which serves 256 customers in Daisytown, Washington County, was not providing water suitable for all household purposes in violation of '1501 of the Public Utility Code, 66 Pa. C.S. '1501. The ALJ recommended that the Company be required to conduct an engineering feasibility study to determine the most cost-effective method for bringing the water it provides its customers 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.

On December 16, 2004, PUC 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 grave dissatisfaction with the water and service quality. The Chairman also noted that the engineering study’s recommendation to take no further action was clearly flawed and based on incomplete information, not on the full record.

The Motion resulted in an order offering Redstone one of two options: (1) To adopt Alternative 3, the 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 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 July 27, 2005, Redstone filed a Petition for Review of the Order with the Commonwealth Court, asserting that the PUC has no jurisdiction to issue the relief embodied in the June 28, 2005 Final Order that required either a tie-in to a neighboring system or divestiture to a viable entity within 180 days of the date of the Order. The Company also asserted that the Final Order was not supported by substantial evidence.

The OCA submitted its intervention in this second appeal on July 29, 2005. The Company requested that the appeal schedule be stayed pending compliance with the PUC’s August Order. The Company submitted a status report to the Court advising that it had complied with the PUC Order and submitted information supporting the sale of its water systems.

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

The interconnection between the PAWC system and the Redstone system is complete and the sale and transfer of the Redstone system to PAWC was consummated in April 2007. Certificates of Public Convenience permitting the abandonment and take-over were issued in July, 2007.
Main Extension Complaints: As discussed in last year’s Annual Report, the OCA has intervened in three complaint proceedings all involving requests for public water service from PAWC.

Cindy Parks v. Pennsylvania-American Water Co., Docket No. C-00015377. 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 currently 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.

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. On September 5, 2003, the OCA filed a Petition for Review with the Commonwealth Court in response to the Commission=s August 7, 2003 Order.

The OCA argued that the Parks Order was inconsistent with 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. 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. Two judges, President Judge Collins 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. On November 22, 2006, in a five-to-one decision in favor of the PUC, the Supreme Court affirmed the Commonwealth Court. The Court determined that a demonstration of public need for water service was insufficient for the PUC to require the utility to extend its lines without receiving customer contributions, where the cost of the extension would exceed the utility=s expected revenues. The Court found that the PUC had properly interpreted its line extension regulations, 52 Pa. Code 65.1 and 65.23, as authorizing a utility to require
contributions if the cost of the extension would exceed the expected return. The regulations were determined to be consistent with the pertinent provisions of the Public Utility Code, 66 Pa. C. S. '1501, 1504, which recognize that reasonable conditions can be imposed on receipt of service. Justice Castille authored the majority opinion in which Justices Cappy, Saylor, Eakin and Baer joined.

In a dissenting opinion, Justice Sandra Newman concluded that the PUC's determination was fundamentally flawed and would have vacated and remanded the case. Justice Newman agreed that the regulations at issue conflicted with the duty of public utilities to provide service where a need has been demonstrated, noting the monopolistic nature of public utility service. She reasoned that the Township had no alternative supplier to which it could legally turn to request service and, as such, the initial funding of construction to service the public should be the responsibility of PAWC. She did not find the break-even analysis in the regulation consonant with Section 1501 of the Public Utility Code, which requires a utility to provide service where a public need exists and where to do so without contributions would not threaten the financial viability of the company.

In summary, Justice Newman concluded that the utility was statutorily obliged to provide service to Mount Pleasant Township; that the need for service had been demonstrated; and that there was no finding that the extension of service to the Township would have a detrimental effect on the overall return on utility investment, and that the Commonwealth Court Order affirming the Commission should be vacated and remanded.

In the context of the IPO settlement proceeding mentioned above, PAWC has agreed to provide service in the Hickory community within two years following state regulatory approval of the IPO. The parties are awaiting a Final Order of the Commission approving the settlement in its entirety.

Collier Township v. PAWC, Docket No. C-20016207. 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. As in the Parks case noted above, PAWC ultimately agreed to provide service for customers in this community as part of the settlement of the IPO proceeding.

Morra v. PAWC, Docket No. C-00014733. The OCA filed a Notice of Intervention 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. As in the Parks case, cited above, PAWC agreed to provide service to customers in this community as part of the settlement of the IPO proceeding.
Raymond Gaines, et al., v. Allegheny Power, Inc., Docket No. C-20066211. As discussed in last year’s Annual Report, on March 16, 2006, the complainant, Raymond Gaines, filed a Formal Complaint that was signed by other Allegheny Power customers in the New Freeport area. Mr. Gaines alleged that Allegheny Power provided inadequate and unreliable electric service. The OCA filed a Notice of Intervention and Public Statement on April 14, 2006.

The parties engaged in extensive settlement negotiations. The Settlement is the final embodiment of these discussions. The Settlement provides that the Company will improve reliability along the main distribution line serving New Freeport, Pennsylvania. The Settlement addresses the reliability concerns from several different aspects: rebuilding the line over the next few years; sectionalizing points of the line; maintaining the Company’s Pole Inspection Program; specifying a timeframe for the replacement of critical and non-critical poles; identifying and managing trees which pose an imminent threat; having employees on-call during nights and weekends to be more responsive to outages; and continuing the Reliability Improvement Program (RIP) to collect and to use data to improve reliability and response time.

Two miles of the main distribution line have been rebuilt as of the date of the Settlement, and under the Settlement, the remaining four miles of the line will be rebuilt in 2007 and 2008. The Company will also take steps to rebuild the line in more accessible locations so that necessary repairs can be made more quickly. Allegheny has also already completed the addition of three sectionalizing points to the line in order to reduce patrolling time.

The Company will maintain its Pole Inspection Program. Under this program, the 3,800 poles on the New Freeport line will be inspected in 2007. The Company will complete the replacement of critical poles by the end of 2007, and the replacement, reinforcement, repair, and maintenance of non-critical poles by the end of 2008.

For the duration of its collective bargaining agreement, the Company has agreed to have employees on call during nights and weekends. Employees will take their service trucks to their homes and will be better able to respond to outages occurring outside of business hours.

The changes are designed to improve the reliability of the New Freeport distribution line and to work to make future repairs more accessible. The Settlement, if approved, will provide a necessary solution to reliability problems on the New Freeport distribution line and will work to maintain the reliability of this line in the future. The parties are awaiting Commission action on the proposed settlement.
CONSUMER AND LEGISLATIVE OUTREACH

Testimony, Presentations, and Speaking Engagements

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

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<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
<th>Location</th>
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<tbody>
<tr>
<td>7-5-06</td>
<td>Representative Sam Smith’s Senior Citizen Spectacular</td>
<td>Punxsutawney, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>7-15-06</td>
<td>Representative Dwight Evans’ Community Resource Day and Festival</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>7-19-06</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>
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<tr>
<td>7-27-06</td>
<td>First Baptist Church of Kennett Square Church Group</td>
<td>Kennett Square, PA</td>
<td>General presentation about the OCA and lowering telephone bills</td>
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<tr>
<td>8-10-06</td>
<td>Senator Jake Corman’s Senior Expo</td>
<td>Lewistown, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>8-15-06</td>
<td>Representative Mario Scavello’s Senior Expo</td>
<td>Tannersville, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>8-16-06</td>
<td>Representative David Millard’s Senior Expo</td>
<td>Bloomsburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>8-18-06</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>
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<td>8-23-06</td>
<td>Representative Todd Eachus’ Senior Expo</td>
<td>Hazleton, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>8-24-06</td>
<td>Representative Julie Harhart’s Senior Expo</td>
<td>Northampton, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>8-24-06</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>
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<tr>
<td>8-30-06</td>
<td>AARP</td>
<td>Monroeville, PA</td>
<td>Seminar on “How to Reduce Your Utility Bills This Winter”</td>
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<td>8-31-06</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>
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<td>9-7-06</td>
<td>Representative Dwight Evans’ Town Meeting</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-11-06</td>
<td>Representative Thomas Creighton’s 50+ Expo</td>
<td>Manheim, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-12-06</td>
<td>Representative Brett Feese and Representative Steven Cappelli’s Senior Expo</td>
<td>Muncy, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-13-06</td>
<td>Allegheny County Energy, Utilities and Aging Consortium Roundtable Event</td>
<td>Pittsburgh, PA</td>
<td>Educational Roundtable on “How to Save Money on Phone Bills”</td>
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<td>9-14-06</td>
<td>Senator Robert Tomlinson’s Senior Expo</td>
<td>Bristol, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-14-06</td>
<td>Senator Christine Tartaglione’s Senior Expo</td>
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<td>9-14-06</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>
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<td>9-15-06</td>
<td>Representative Eugene McGill’s Senior Expo</td>
<td>Horsham, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-15-06</td>
<td>Representative Rob Kauffman's Senior Fair</td>
<td>Chambersburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-19-06</td>
<td>Southwestern PA AAA and Representative Tim Solobay’s Senior Expo</td>
<td>Washington, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-19-06</td>
<td>Representative Dwight Evans’ Town Meeting</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-21-06</td>
<td>Senator Don White and Representative Jeff Pyle’s Senior Expo</td>
<td>Kittanning, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-21-06</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>
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<td>9-28-06</td>
<td>Representative John Perzel’s Senior Expo</td>
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<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>9-28-06</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>
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<td>9-30-06</td>
<td>Representative Dwight Evans’ “Family Caregivers Conference”</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>10-3-06</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>
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<td>10-6-06</td>
<td>Senator Jane Orie’s Senior Expo</td>
<td>Butler County, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>10-6-06</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>
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<td>10-10-06</td>
<td>Representative Bev Mackereth’s Senior Informational Meeting</td>
<td>York, PA</td>
<td>Seminar on “How to Reduce Your Utility Bills This Winter”</td>
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<td>10-11-06</td>
<td>Representative John R. Evans’ Senior Expo</td>
<td>Girard, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>10-13-06</td>
<td>Senator Sean Logan’s Senior Wellness and Safety Expo</td>
<td>Monroeville, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials/Review consumers’ phone bills and suggest savings</td>
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<td>10-13-06</td>
<td>Energy, Utilities and Aging Consortium Roundtable Event</td>
<td>Pottsville, PA</td>
<td>Educational Roundtable on “How to Save Money on Phone Bills”</td>
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<td>10-16-06</td>
<td>Representative Elinor Z. Taylor’s Senior Expo</td>
<td>West Chester, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>10-19-06</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>
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<td>10-19-06</td>
<td>Representative Jewell Williams The Inabinet Senior Network</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>10-19-06</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>
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<td>10-20-06</td>
<td>Representative Shawn Flaherty’s Senior Expo</td>
<td>Glenshaw, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>10-20-06</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>
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<td>10-26-06</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>
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<td>10-26-06</td>
<td>Representative Fred McIlhattan’s Senior Expo</td>
<td>Clarion, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>10-26-06</td>
<td>Representative Ronald Marsico’s Senior Expo</td>
<td>Hershey, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>12-5-06</td>
<td>Michigan State University-Institute of Public Utilities: Making Sense of the Markets</td>
<td>Richmond, VA</td>
<td>Benefits and Costs of Markets to Consumers</td>
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<td>12-14-06</td>
<td>Armenian Public Service Regulatory Commission (PSRC)</td>
<td>Harrisburg, PA</td>
<td>Role and Responsibilities of the PA OCA</td>
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<td>1-25-07</td>
<td>Pennsylvania Bar Institute</td>
<td>Harrisburg, PA</td>
<td>Pros and Cons of Decoupling</td>
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<td>What to Do About Natural Gas Competition</td>
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<td>Preparation for Rate Cap Expiration</td>
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<td>2-7-07</td>
<td>OAG Consumer Help Fair</td>
<td>Harrisburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>2-28-07</td>
<td>Spring Grove Senior Citizens</td>
<td>Spring Grove, PA</td>
<td>General presentation about the OCA and lowering telephone bills</td>
</tr>
<tr>
<td>3-2-07</td>
<td>Meeting with Armenian Delegation</td>
<td>Harrisburg, PA</td>
<td>Overview of the OCA and Office tour: questions from attendees</td>
</tr>
<tr>
<td>3-15-07</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony on electric issues: “How electric utilities should prepare for the expiration of rate caps”</td>
</tr>
<tr>
<td>3-20-07</td>
<td>Meeting with the Lions Club and Municipal Officials</td>
<td>Hickory, PA</td>
<td>Discussion about water service in Mt. Pleasant Township</td>
</tr>
<tr>
<td>3-22-07</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony on natural gas issues: Gas competition</td>
</tr>
<tr>
<td>3-22-07</td>
<td>Representative Ken Smith’s Town Meeting</td>
<td>Scranton, PA</td>
<td>Introduction of the OCA, how to save money and apply for assistance, and answer questions from attendees</td>
</tr>
<tr>
<td>3-24-07</td>
<td>2007 Pennsylvania African American Convention</td>
<td>Pittsburgh, PA</td>
<td>Panelist in the Money Management Workshop</td>
</tr>
<tr>
<td>3-31-07</td>
<td>Representative Cherelle L. 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>Date</td>
<td>Event</td>
<td>Location</td>
<td>Description</td>
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<tr>
<td>4-11-07</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony on telecommunications issues (Act 183 and Lifeline)</td>
</tr>
<tr>
<td>4-12-07</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony on water and wastewater issues</td>
</tr>
<tr>
<td>4-12-07</td>
<td>Representative Cherelle L. 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>4-13-07</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>4-19-07</td>
<td>Representative Cherelle L. 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>4-26-07</td>
<td>Senator Charles McIlhinney Jr.’s Senior Expo</td>
<td>Fairless Hills, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>4-30-07</td>
<td>Mid -Atlantic Implementation Meeting for the National Action Plan sponsored by the US Department of Energy and Environmental Protection Agency</td>
<td>Philadelphia, PA</td>
<td>Energy Efficiency</td>
</tr>
<tr>
<td>5-3-07</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>5-4-07</td>
<td>Representatives Joseph Brennan and Steve Samuelson's Senior Fair</td>
<td>Allentown, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-8-07</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>5-9-07</td>
<td>IECPA Meeting</td>
<td>Harrisburg, PA</td>
<td>Expiration of Electric Rate Caps in Pennsylvania</td>
</tr>
<tr>
<td>5-10-07</td>
<td>Institute for Regulatory Policy Studies Transforming the Electricity Market</td>
<td>Springfield, IL</td>
<td>Electric Restructuring In Pennsylvania</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
<td>Location</td>
<td>Activity</td>
</tr>
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<tr>
<td>5-11-07</td>
<td>Representative Jewell Williams’ Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-18-07</td>
<td>Senator Jane Orie’s Senior Expo</td>
<td>Pittsburgh, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-23-07</td>
<td>Senator Bob Regola’s Senior Expo</td>
<td>Greensburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-24-07</td>
<td>Senator Dominic F. Pileggi’s Senior Expo</td>
<td>Aston, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-30-07</td>
<td>Representative Richard Grucela’s Senior Fair</td>
<td>Mt. Bethel, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-31-07</td>
<td>Pennsylvania House Majority Policy Committee</td>
<td>Pittsburgh, PA</td>
<td>Submitted testimony regarding Electric Utility Rate Stabilization</td>
</tr>
<tr>
<td>6-4-07</td>
<td>MACRUC (Mid-Atlantic Conference of Regulatory Utilities Commissioners)</td>
<td>Williamsburg, VA</td>
<td>Transmission line siting</td>
</tr>
<tr>
<td>6-5-07</td>
<td>Pennsylvania Senate Environmental Resources/ Energy and Consumer Protection/ Professional Licensure Committees</td>
<td>Harrisburg, PA</td>
<td>Testimony regarding the Pennsylvania Energy Policy</td>
</tr>
<tr>
<td>6-7-07</td>
<td>Keystone Energy Board</td>
<td>Washington, D.C.</td>
<td>Testimony on Nuclear Power</td>
</tr>
<tr>
<td>6-14-07</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony regarding House Bill 1201</td>
</tr>
<tr>
<td>6-14-07</td>
<td>Senator Robert Wonderling’s Healthy Community Expo</td>
<td>Red Hill, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
</tbody>
</table>
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 in the ongoing changes in utility regulation.

During Fiscal Year 2006-07, we had a total of 24,995 consumer contacts in the Call Center, including requests for shopping guides, phone calls, letters and e-mail.\(^1\)

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

- A customer contacted us with a billing dispute she was having with her gas company. She had received estimated bills for the previous three months. The next bill she received was a bill for $1,600. The company told her that her meter was not working correctly, so they made up her bill and based it on the previous owner’s usage. She adamantly disputed the bill, because she had made major changes to the property, resulting in energy savings. The company told her that the bill was correct, so she contacted us for assistance. We called the company and they investigated the dispute, which resulted in the bill being lowered to $299.

- We received a request for assistance from a legislator’s office. One of his constituents was having a problem with a utility pole in his front yard. The work was done on the new pole, but the old pole was left behind and the yard was left dug up. When he called both of the utilities who attached the pole, neither one wanted to take responsibility. We contacted the companies involved and the pole was removed a few days later. All of the work was completed to the customer’s satisfaction.

- We assisted a woman who had not received her security deposit refund after one year of current payments. She was upset because she was advised that her check would be refunded and now it is two months later and she still does not have her check. We contacted the company and the check was sent out within a week.

- We received a call from a consumer who had a payment arrangement with his water company. His bills included water and wastewater charges, however 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.

\(^1\) This number does not include consumer contacts made in November 2006 when we experienced a telephone system failure, which resulted in the loss of the November data.
• 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 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 received an illegible bill from his gas company. When he contacted them to request a new bill, he was advised that they were not willing to send him one. We called the company and were advised that they had computer problems which resulted in two bills printing on top of one another. We were able to get the matter resolved to the customer’s satisfaction.

• A customer called to say that her gas company had turned off her service due to a small leak. The leak was repaired and the company said they would come to turn her service back on. The company did not show when they said they would and they asked the customer to send in the paperwork again. When she did send the necessary papers to them, they made another appointment which they did not keep. The customer was angry and asked for our intervention. We contacted the company and they went to her home to restore service that day.

• We were contacted by a man who had a dispute with his gas company. He moved into a house 6 months ago with a friend. The gas service was placed in both of their names. She has since moved out of the house and his service has been terminated. The company told him that he is responsible for the outstanding bill that she had from a previous location, before she moved in with him. We contacted the gas company and they agreed that if he can provide them with his lease and or proof that he lived elsewhere, they would take her outstanding balance off his bill. He was able to prove that the bill was not his responsibility and he paid the outstanding balance at this current location. His service was subsequently restored.

• We assisted a gentleman who had a misunderstanding with his gas company. He purchased a home that he was going to renovate, which included replacing the gas furnace. He had not yet transferred service with the gas company when his contractor turned on the furnace. The company realized the service was being used and they turned service off, claiming theft of service. We requested that the company check into his previous record of good service and come up with an amount of money needed to restore service in his name. They agreed and service was restored in his name without any further complications.
• We assisted a customer who called us because her gas had been turned off on a Sunday, due to a gas leak. She had no other source of heat and was very upset and had to stay with relatives until her service was turned back on. We contacted the company and her service was turned on the same day.

• We assisted a woman who had asked her gas company for a final reading for her home because she was moving. The company read her meter and sent her the final bill, which she paid in full. She then continued to receive bills for her previous home, even though the new residents had called the company to have service put in their name. This customer contacted the company four times and still could not resolve the problem. We contacted them on her behalf and successfully resolved the problem.

• We were contacted by a woman whose husband had recently passed away and she was having trouble with her gas supplier. Following his death, she called the company to cancel service and when she paid the money owed, the supplier then sent her a bill for the money she had already paid to her distribution company. We contacted the distribution company and they investigated the problem. They found out that the supplier credited her payments to another customer by mistake. We resolved the problem for the customer.

• An elderly lady contacted us about her gas bill. She moved from her home into an apartment and was sent her final bill. She is on a fixed income and could not pay the full amount of the bill, so she called the company to see if they would set up a payment arrangement. The amount they wanted each month was more than she could afford, so she called her State Representative for help. The Representative’s office called us and asked us to intervene. We contacted the company and arranged for her to make monthly payments for the next six months at a rate she could afford.

• We assisted a customer who had charges on his monthly telephone bills from the telephone carrier that he had deactivated in 1998. The company acknowledged that it had made a billing error, but it was only willing to give him credit going back 6 months. We contacted the company and were able to have them go back one year, plus they paid a bank fee that the customer had incurred when a charge came through and he did not have enough money in his account. He received a total refund of $510.

• A customer contacted us because she was receiving bills from her long distance carrier, which she had cancelled in July. When she contacted the company they assured her that they would cancel the billing, but the billing continued for several months. We were able to facilitate a call between her local telephone company and her previous long distance carrier and the matter has been resolved.

• We were contacted by a consumer who said she was having a billing dispute with her telephone company. She paid her bill in full and then told the company to cancel her service because she wanted to use her cell phone to make all of her calls. She received another bill for service and when she contacted the company they had no record of her request to cancel service. We intervened and were successful in getting the matter resolved to her satisfaction.
• A customer contacted us because he ordered internet service with his telephone company, but the service was not working when they indicated it would be turned on. He called his telephone company and was advised that according to them he has service. When he called again, they said they didn’t know why it wasn’t activated. We contacted the company and they were able to find the problem and fix it. He now has service and the company agreed to credit him one month of service.

• We assisted a couple who had DSL on one of their two home telephone lines. They had repeatedly tried to have the service switched from one line to the other, with no success. According to the company, they would be able to make the switch, but because the second phone was located in an additional structure on their property they considered it an off premise line. We contacted the company and had the customer’s line switched as they requested.

• We assisted a telephone customer who has had service problems with his telephone company for the past five years. Recently he connected with their broadband service and the problems transferred to his internet service as well. He was repeatedly told by his phone company that it was not their problem. We contacted the company and asked that someone be sent out to check all of his lines, which resulted in the company finding and replacing bad lines and connections. The customer was very grateful to have the service he had been paying for all of these years.

• We assisted a woman who did not subscribe to a long distance telephone company, yet she was getting bills from one of the companies on a monthly basis. Once we viewed her bills, we realized that she was still leasing her telephone and had done so since 1984, when the telephone company divestiture occurred. The customer was under the impression that she had to continue leasing, even though the telephone was quite worn out. We contacted the company and resolved her billing issues including a refund of the money she paid. We also put a stop to the monthly leasing charges, which made her very happy.

• We assisted a man who was having a problem with his telecommunications company. Five months earlier, he contacted his company to have a telephone jack installed in his home. Prior to the company doing the work, he called to cancel his request. Even though he cancelled, he was billed each month for the service and installation. He kept contacting the company and each month he would deduct that amount from his payment. When he received a termination notice, he contacted our office for assistance. We were successful in having the problem resolved and his billing was cleared of the charge.

• We were contacted by a consumer who had charges on her telephone bill for calls to Jamaica that she did not make. The telephone company was not going to do anything for her, but we found out that she had been having problems with her DSL service that could have caused these problems. The company agreed to give her credit for the calls and to fix her DSL service.
• We assisted a man who had signed up for a calling plan with his long distance carrier, but was billed at a much higher rate. When he signed up for the plan he was told it would be five cents per minute for calls in the United States and Canada. He received his bill and found that he was billed sixty-four cents a minute for a 129 minute call to Canada. When he called the company they told him that was the rate and he would have to pay it, so he did. He dropped the service and was very upset that he had to pay the high rate. We contacted the company on his behalf and they will send him a check for $87.53, which is the full amount he paid for the call.

• We assisted a man who was very angry with a telephone company because the company’s cable was attached to an electric pole, and it was so low that the man could reach up and touch it. Despite his numerous calls to the phone company, the wires had not been moved. We contacted the company on his behalf and they agreed to reroute the cable to the customer’s satisfaction.

• We assisted a woman who was having problems with her telephone company. She built a new house and was living in a trailer during the construction. She had telephone service at the trailer, and told the company to let her know if they needed to dig a trench for service. She was told that would not be necessary, and they would just use the electric pole for connection. Several weeks later the company informed her that she could not get service at her new house, because they needed to dig a trench. She had been in the new house for a week and had no telephone service. We contacted the company and were successful in getting them to put a rush on the work that had to be done in order to give her telephone service.

• 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 were contacted by a woman 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 did not 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 were successful in resolving a billing complaint from a woman who had just received a new meter from her electric company, due to faulty past billing. Her usage was not registering, so the company gave her a new meter and a bill for past unbilled service. She worked out a payment arrangement with the company with a certain amount to be added to her bills each month until she was caught up with the bills. Unfortunately, the company deducted the entire amount from her checking account all at once instead of the monthly payment. We contacted the company and they admitted the error and apologized. They gave her a credit for a month of service to make up for the problems she endured as a result of their error.

- A consumer contacted us because her electric bill payment had been taken out of her checking account through a debit transaction. She was not set up for this type of payment and her account became overdrawn which caused her to receive an overdraft charge. The company claimed they did not take the money even though she had the paperwork to prove it. We contacted the company and the person who keys in the account information admitted the error. The company returned her money and the amount for the overdraft charge.
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 44 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.
- Assistant Consumer Advocates Joel Cheskis and Barrett Sheridan participate in the NASUCA telecommunications Committee.
- 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 Phone Fraud Subcommittee.

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

- Mr. Popowsky 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.
- Ms. Hoover is the NASUCA representative to the American Water Works Association Public Interest Advisory Forum and served as its Chair from June 2003 through June 2007.
- Ms. Hoover is the NASUCA representative on the Environmental Protection Agency’s Federal Advisory Committee on the Total Coliform Rule and Distribution Systems.
- Senior Assistant Consumer Advocate Tanya McCloskey and Assistant Consumer Advocate David Evrard represent the OCA on the following PJM committees or groups: Members Committee, Markets and Reliability Committee, Market Implementation Committee, Transmission Expansion Advisory Committee, Tariff Advisory Committee, Market Monitoring Advisory Committee, Demand Side Response Working Group, Regional Planning Working Group, Public Interest/Environmental Organizations Users Group.
- Assistant Consumer Advocate Christy Appleby participates 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, serves on 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.

- Ms. Appleby participates 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. Sparks has worked closely with the Pennsylvania National Emergency Numbering Administration (NENA) on availability of 911 and emergency telephone related issues before the PUC.
OCA STAFF

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