Annual Report

of the

Pennsylvania
Office of Consumer Advocate

Fiscal Year 2008-2009

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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 regulatory 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 as portions of the utility industry move from a fully regulated to a more competitive status.

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 continues 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 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-governmental organizations such as the PJM Interconnection, whose decisions have a critical impact on electric prices and service in Pennsylvania. The OCA also seeks to ensure that consumers are protected and informed regarding 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 sought to ensure that customers continue to be protected even after rate caps expire through the development of stable, reasonably priced "default" service. Pursuant to Act 129 of 2008, the OCA has sought to ensure that Pennsylvania electric utilities provide reliable generation service to their customers at the lowest cost over time. The OCA also has been active in Act 129 proceedings to ensure that the energy efficiency, demand response, and advanced metering programs developed by Pennsylvania electric utilities provide the greatest benefit to consumers at the lowest reasonable cost. The OCA also has continued to support efforts to protect Pennsylvania consumers through its education activities and through various rulemaking and policy proceedings. Since much of the decision-making that affects Pennsylvania electric consumers now occurs at the federal and regional level, the OCA continued its expanded participation in key electric proceedings before the FERC and in the committees of the PJM Interconnection.
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 cases involving telephone competition, mergers, 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 maintain a reasonable cap on basic telephone rates, particularly in rural areas, and to expand the Lifeline telephone discount programs to low-income consumers who might otherwise not be able to afford service. The OCA also participates in service quality cases to ensure customers are receiving reliable service. At the federal level, the OCA works with the National Association of State Utility Consumer Advocates to provide the consumers’ perspective in numerous proceedings before the Federal Communications Commission.

In the water and wastewater industries, the OCA continues to represent consumers in base rate increase, acquisition, and other application 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, including the successful resolution of two Section 529 proceedings to ensure customers of troubled water and wastewater utilities receive adequate 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 Consumer Advocate has been called on to present formal testimony in the Pennsylvania General Assembly and the United States Congress 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 5 p.m. Monday through Friday.

The OCA also devotes substantial resources to educating consumers about changes in the utility industry. The Consumer Advocate, Consumer Liaison, and other members of OCA staff have helped plan and participate in consumer presentations, roundtables, and forums across the Commonwealth to help educate
consumers about changes in the utility industry and to advise them about cases that affect them. During the last year, the OCA participated in more than 70 consumer outreach events across Pennsylvania, many of which were sponsored by members of the General Assembly. In addition, the OCA keeps consumers and members of the General Assembly informed through regular letters and bulletins about upcoming cases and public hearings. The OCA also provides consumer information and education through its website at www.oca.state.pa.us. Among the most popular items on the OCA Website are the OCA’s quarterly shopping statistics for electric and natural gas customers, as well as the OCA’s monthly shopping guides that provide “apples-to-apples” price comparisons for residential electric and natural gas customers who are looking for alternatives to their utility default service suppliers.

The OCA looks forward to continuing to meet these 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 2008-2009.
ELECTRIC

Pennsylvania

FirstEnergy Companies

Metropolitan Edison, Pennsylvania Electric,
Pennsylvania Power

Joint Petition of Metropolitan Edison Company and Pennsylvania Electric Company for Approval of a Voluntary Prepayment Plan, Docket No. P-2008-2066692. The Companies’ September 25, 2008 Petition proposed to implement a rate mitigation plan that would allow consumers to opt in to a prepayment plan. The voluntary plan would allow customers to make monthly prepayments, starting in March 2009 and ending in December 2010, which would build up a balance, with 7.5% interest paid by the Companies, to be later applied to reduce bills for service between January 2011 and December 2012. The OCA supported the basic framework of the Companies’ proposed prepayment plan. However, the OCA opposed the Companies’ plan to apply the customer’s prepayment balance to arrearages. The OCA also opposed the Companies’ request to track information and billing system costs as a deferred regulatory asset. The OCA and the Companies engaged in settlement negotiations. Through these discussions, a settlement was reached. Under the settlement, the Companies agreed that they would not use prepayment balances from the Phase-in program to offset customer arrearages without the affirmative consent of the customer. The parties agreed to a notice and consent procedure if a customer must be removed from the Phase In program due to arrearages. The Companies also agreed to share drafts of the notice and consumer education materials with the parties. In addition, the parties agreed that the Companies would not seek recovery outside of a base rate case for the capital costs or expenses associated with implementing the program. The settlement was approved by the PUC and the prepayment program was permitted to go into effect.

Metropolitan Edison Company and Pennsylvania Electric Company Default Service Plan, Docket Nos. P-2009-2093053 and P-2009-2093054. On February 20, 2009, Metropolitan Edison Company and Pennsylvania Electric Company filed their proposed default service plans for service beginning January 1, 2011. For residential customers, the Companies proposed to acquire full requirements supply through a descending clock auction process similar to that used in New Jersey. The Companies also proposed to continue their NUG stranded cost recovery as provided for in their 1999 Restructuring Settlement and to sell the NUG output into the competitive market beginning January 1, 2011. The proceeds of that sale would be used to establish the
NUG stranded cost level that will be paid by customers. The Companies also proposed to conduct an RFP to procure solar alternative energy credits required by the Alternative Energy Portfolio Standards Act. The RFP for the solar AECs will seek a 10-year contract. At the end of the Fiscal Year, this case was pending before the PUC.

Metropolitan Edison Company and Pennsylvania Electric Company Transmission Service Charge, Docket Nos. M-2008-2036197, M-2008-2036188. As discussed in last year’s Annual Report, in April, 2008, Met-Ed and Penelec filed their Transmission Service Charge rates for the upcoming year. The rates reflected both a reconciliation of costs incurred compared to revenues received and a projection of future costs. For both Met-Ed and Penelec, the costs incurred over the past year exceeded the revenues received to a substantial degree. The difference was primarily related to the incurrence of congestion charges on the PJM system and marginal loss charges from PJM. For Met-Ed, the underrecovery from the past year was $144.48 million. Recovery of the undercollected amount, and the continuing increased congestion costs and marginal loss costs in a one-year period would result in an overall rate increase of 20% for residential customers. Met-Ed proposed a rate mitigation plan to limit the overall rate increase to 6% for residential customers. For Penelec, the undercollection was $3.5 million. Recovery of this amount over a one-year period would result in an overall rate increase of 2%. The OCA filed a complaint against these rate increases. The OCA filed a Main Brief addressing the issue of the double recovery of certain costs included as marginal losses in the TSC of each company. The Administrative Law Judge, however, allowed the Company full recovery of the charges. The OCA filed Exceptions to the Recommended Decision. At the end of the Fiscal Year, this case was pending before the PUC.

Metropolitan Edison Company and Pennsylvania Electric Company 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 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 a violation of
the rate cap, which was specifically found to be illegal by the Commonwealth Court in a previous case involving these companies. In addition to the Rate Transition Plan issues, the Commission consolidated the 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 PUC’s 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 generation rate increases through 2010. The OCA’s adjustments adopted by the Commission also 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 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 the two issues raised by MEIUG/PICA, the OCA challenged the Commission’s allocation of universal service costs to only residential customers. The Companies challenged the Commission’s denial of generation rate relief and its consolidated tax savings calculation. Commonwealth Court affirmed the Commission’s decision. As to the issues raised by the OCA, the Commonwealth Court upheld the Commission’s decision and the OCA’s position that Met-Ed and Penelec were not entitled to an exception to the rate cap. As to the allocation of universal service costs, the Commonwealth Court held that the matter of allocation was within the Commission’s discretion, denying the OCA’s argument that the statute required these costs to be shared by all customer classes. Finally, as to the costs associated with transmission congestion, the Court affirmed the Commission’s decision that these costs could be categorized as transmission related and recovered through transmission charges. No party sought review by the Pennsylvania Supreme Court.

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

The OCA filed an Answer and Briefs supporting the position of Met-Ed and Penelec on this issue. The OCA argued that these benefits belonged to the utility and should be flowed through to the utility’s ratepayers. The ALJ issued a Recommended Decision adopting the position of the OCA, Met-Ed and Penelec that the ownership of the alternative energy credits generated within the long-term power purchase agreements entered into pursuant to PURPA prior to the passage of the Alternative Energy Portfolio Standards Act belong to the electric distribution companies. The Commission adopted the ALJ’s Recommended Decision finding that the AECs belonged to the purchaser of the energy, Met-Ed and Penelec, for the remaining term of the contract. The non-utility generators appealed the Commission’s decision to the Commonwealth Court.

After several delays due to the possibility of the passage of legislation on this topic, the parties filed briefs with the Commonwealth Court. The OCA filed its brief in support of the Commission’s Order which found that the AECs associated with non-utility generators that had entered into contracts under PURPA belonged to the utility until the expiration of the current contract. The Commonwealth Court upheld the Commission’s decision. In its Opinion, the Commonwealth Court utilized many of the arguments presented by the OCA at the Commission level and in the OCA’s Brief to the Commonwealth Court.

PECO Energy

Petition of PECO Energy Company For Approval to Procure Solar Alternative Energy Credits, Docket No. P-2009-2094494. On March 3, 2009, PECO filed a Petition seeking approval to issue a Request for Proposals to procure up to 8,000 Tier I solar AECs annually for a ten-year period. The OCA filed a Notice of Intervention and an Answer,
stating its general support for PECO’s proposal to pursue bids for long-term contracts for solar alternative energy credits (solar AECs) that would comply with electric distribution company (EDC) obligations under Pennsylvania’s Alternative Energy Portfolio Standards Act, 73 P.S. § 1648.1 et seq. (AEPS). However, in its Answer, the OCA identified a number of issues that needed to be addressed before Commission approval of the Petition. In its Answer, the OCA recommended that the review process of winning bids should be extended; a bid cap should be established on a confidential basis and all bids in excess of the cap should be rejected; no changes to the approved agreements should be permitted at the qualification stage as proposed by PECO; the quantities of solar AECs to be secured should be evaluated; and the average winning bid price from each solicitation should be made publicly available.

The OCA submitted direct testimony that addressed the following issues: (1) the need for a solar AEC limit price; (2) the Commission review period; (3) the minimum size of eligible solar facilities; (4) the release of public information regarding RFP results; and (5) the proposal for modifications to solar AEC agreements. OCA’s witness recommended modifications to PECO’s proposal to address the concerns that he identified.

The parties engaged in extensive negotiations and were able to reach a Settlement. First, the parties agreed that while no bid cap will apply, there will be alternate means to assess the reasonableness of the bids. Under the revised RFP, the OCA and OSBA will be able to review the market benchmarking analysis prepared by the independent RFP Monitor that is submitted to the Commission as part of the report on the results of PECO’s procurement. The OCA and OSBA will then have three days to submit comments to the RFP Monitor on the benchmarking analysis. Regardless of whether the RFP Monitor incorporates the OCA and OSBA’s comments in the report to the Commission, these comments will be appended to the report for the Commission’s benefit and for PECO’s benefit. Additionally, the Settlement required PECO to obtain bids from at least three unaffiliated bidders. The minimum number of unaffiliated bidders will help to ensure that the procurement is through a competitive process that results in a selection of solar AEC prices. Further, the Settlement lowered PECO’s proposed minimum procurement size from 500 solar AECs to 300 solar AECs. This serves to enlarge the pool of potential competitive bidders, while avoiding some increases in administrative and management costs.

Second, the parties agreed that the Commission will have ten calendar days to review the RFP Monitor’s confidential RFP report, prior to its decision of whether to approve the report and bid prices submitted by winning bidders, lengthening the review time by one week from PECO’s original proposal.

Third, because it is ratepayers who will ultimately be asked to pay the costs related to the procurement, PECO will release the average weighted price of the winning bids within fourteen calendar days of executing all agreements.
Fourth, PECO had initially proposed to allow bidders to change the solar AEC Agreement as part of the bidder qualification process and yet also asked the Commission to pre-approve the proposed solar AEC Agreement as an affiliated interest agreement. In Settlement, PECO agreed to remove the proposed text of its RFP that would have allowed changes to PECO’s solar AEC agreement, after Commission approval of the language of that agreement.

The results of the Settlement were potential safeguards and benefits to PECO customers that were absent under PECO’s initial proposal for solar AEC procurement. The OCA contended that the Settlement was in the public interest because it: (1) added measures to safeguard against unreasonably high prices; (2) provided for the public release of information necessary to provide a context for present and future assessments of reasonableness of PECO’s solar AEC procurements; (3) provided a more reasonable timeframe for Commission review in a case of first impression; and (4) protected the Commission’s review process from being circumvented, or a final decision from being delayed, by later changes to the RFP. The PUC approved the Settlement.

Petitions of PECO Energy Company for Approval of a Default Service Plan, An Energy Efficiency Package, and An Early Phase-In Program, Docket Nos. P-2008-2062739, P-2008-2062740, and P-2008-2062471. On September 10, 2008, PECO Energy Company filed three petitions with the Commission. In its Default Service Petition, PECO requested that the Commission approve: (1) its Default Service Procurement Plan for default service supply for all PECO customers who do not take generation service from an alternative electric generation supplier (EGS) or who contract for energy with an EGS which is not delivered; (2) its proposed rate design and tariffs for default generation service after December 31, 2010, including recovery of all of PECO’s costs associated with the provision of default service; (3) its revised universal service program to meet the needs of its low income customers after the expiration of the rate caps, and (4) its proposed Market Rate Transition Deferral Plan for residential and small business customers. As it concerns its default service procurement plan, PECO proposed to purchase three year full requirements contracts for the bulk of its residential load with some shorter term, one year contracts and 5% spot purchases meeting the remainder of its obligation. Subsequent to the passage of Act 129, PECO amended its plan to include a long term full requirements contract.

PECO separately filed a Market Rate Transition Energy Efficiency Package, at Docket No. P-2008-2062740, with new energy efficiency and demand side response tools to help customers reduce their electric usage when demand and prices for electricity are highest. For residential customers, PECO proposed three new programs – a discount program for compact fluorescent lightbulbs, an enhanced on-line energy auditing tool, and a direct load control program to cycle air conditioners during times of system emergency. Following the passage of Act 129, the Company withdrew this filing.
PECO also filed a Market Rate Transition Early Phase-In Program, at Docket No. P-2008-2062741, in which participating customers would pay a specific additional amount on their monthly electric bills in 2009 and 2011, and receive interest on that amount, in order to pre-pay a portion of the expected post-2010 market price increases.

As to the Market Rate Early Phase-In Plan, the OCA filed direct testimony raising certain concerns about PECO’s program. Of particular note, the OCA raised concern about PECO’s proposed treatment of the prepayment balances when a customer is removed from the program. PECO proposed to use the prepayment balances, which were paid by the customer to offset future rate increases, to pay down arrearage amounts for past service owed to PECO. The OCA also raised concerns with the narrow time frame for enrollment in the program, the consumer education materials, and the cost recovery proposal. Following the filing of direct testimony, the parties engaged in settlement negotiations. The parties were able to reach a comprehensive settlement. Under the settlement, PECO agreed that it will not use prepayment balances for any other purpose without the informed consent of the customer. PECO agreed to work with the parties to develop the procedures and notice for receiving such consent. Additionally, PECO agreed that it would allow customer to enroll in the program beyond the 60 day window originally established. Finally, PECO agreed that it would defer the costs associated with the program and seek recovery of those costs in a base rate case. The parties filed the Joint Settlement and it was approved by the Commission.

As to the residential Default Service Plan, the OCA filed Direct Testimony addressing the Company’s proposed full requirements approach for procuring needed supply and the proposed universal service program changes. In its testimony on the procurement methodology, the OCA presented expert testimony that a managed portfolio approach should be utilized to meet the requirements of Act 129 for a prudent mix of contracts designed to achieve the least cost, reliable service over time. The OCA presented evidence to demonstrate that the full requirements approach proposed by the Company was not likely to meet the standards of the Act. The OCA presented a simplified managed portfolio approach for the Company to implement when procuring supply for its residential customers. On the universal service issues, the OCA recommended some further refinements to the Company’s proposed modifications to more efficiently deliver the benefits of the Customer Assistance Program.

The parties engaged in settlement negotiations over several weeks and achieved a settlement. Under the settlement, PECO agreed to supply the needs of 25% of its residential customer load through a combination of block energy purchases of various terms, spot energy purchases, and purchases of other required products through the PJM markets. PECO will continue to use full requirements contracts to supply 75% of its residential customer load. In addition, PECO agreed to various data collection and reporting requirements to provide information regarding the two procurement approaches. Other aspects of the settlement call for implementation of the OCA’s recommendation on the Customer Assistance Programs and a series of collaborative
meetings to discuss enhancement to retail market procedures so long as appropriate consumer protections remain in place. The settlement was approved by the ALJ and the Commission on an expedited schedule so that PECO could enter the market early during these favorable market conditions.

**PECO Universal Service Plan**, Docket No. M-00061945. As discussed in last year’s Annual Report, every three years, electric and natural gas utilities are required to provide to the Commission a plan for meeting their universal service obligations under the Electricity Generation Customer Choice and Competition Act and the Natural Gas Choice and Competition Act. PECO made its filing as required and in the filing, reflected a number of changes to the plan that were agreed to as part of several merger settlements (to which the OCA was a signatory) and recommendations of the Universal Service Advisory Committee (of which the OCA is a member). Upon review of the plan, the Commission identified several issues for further consideration and assigned the matter to an Administrative Law Judge. The parties engaged in settlement discussions throughout the course of the proceeding resulting in a settlement in principle. Under the settlement, the benefits provided by the CAP program for the lowest income families, those with incomes below 50% of the federal poverty level, would be increased to improve the affordability of the customer’s bill. In addition, the settlement provided for some limited additional cost recovery to fund a portion of these improvements in the program. Other settlement terms provided for better screening to identify the use of non-permanent space heating, a dangerous source of heating used by some low income customers. The final settlement was approved by the Administrative Law Judge and the Commission.

**Petition of PECO To Establish A Residential Real Time Pricing Pilot Program**, Docket No. P-2008-2032333. As discussed in last year’s Annual Report, PECO filed a proposal with the Commission to establish a real time pricing program for residential customers. Under the program, residential customers that volunteer to participate would be charged the real time PJM spot market prices for the energy they use. The customer would be billed the hourly real time price for usage each and every hour of the day. The OCA filed an Answer raising several concerns about the design of the pilot and concerns as to whether other time of use pricing proposals should be pursued. In its testimony, the OCA identified several program design issues with the program that would make it difficult for residential customers to participate in the program and achieve savings in the program. The OCA also pointed out that there are wide arrays of time sensitive pricing programs that may garner wider support and participation from customers, and provide customers with a better opportunity to reduce or shift energy usage. The OCA recommended program design changes and consideration of additional programs. The parties pursued settlement discussions throughout the proceeding and were able to achieve a settlement. Under the Settlement, various program design changes would be implemented to ensure the proper screening of customers for participation in the pilot program, the use of prices for billing purposes that match the prices provided to the customer when making usage decisions, and appropriate consumer education. The
Settlement also provided for the Company to conduct studies that will enable it to consider other time sensitive pricing programs for residential customers. The Settlement was approved by the ALJ but was rejected by the Commission. The Company determined to withdraw the program at that time.

Investigation Into PECO Energy Company's Nuclear Decommissioning Adjustment Clause, Docket No. I-2009-2101331. Upon review of PECO’s tariff, the Commission questioned whether PECO’s tariff provision establishing its Nuclear Decommissioning Adjustment Clause should continue after the end of the generation rate cap. This adjustment clause was put in place as part of PECO’s 1998 Restructuring Settlement to recover the nuclear decommissioning costs that it would not be able to recover in a competitive market. The clause was designed to extend through the remaining lives of the nuclear plants due to various tax benefits that would be provided to customers from this treatment. The nuclear plants were transferred to PECO’s unregulated generation affiliate as part of the Restructuring Settlement. The Commission opened an investigation to determine if this treatment of nuclear decommissioning should continue. The OCA, as a signatory to the Restructuring Settlement, intervened in the proceeding and will participate fully. At the end of the Fiscal Year, this case was pending before the PUC.

Application of Exelon Corporation for the Transfer of Control of NRG Energy Center Harrisburg LLC and NRG Energy Center Pittsburgh LLC, Docket Nos. A-2009-2093057, A-2009-2093058, A-2009-2093059. Exelon Corporation filed an Application with the Commission seeking a certificate of public convenience authorizing the transfer of the Pennsylvania NRG Energy affiliates to Exelon. Exelon proposed an exchange offer for all of the outstanding shares of NRG common stock. Exelon also announced that it had proposed to expand the NRG board of directors and intended to solicit proxies from NRG shareholders regarding the proposal. Exelon sought to acquire NRG Energy and its subsidiaries through either a negotiated agreement or the exchange offer. Exelon filed its Application requesting the certificate of public convenience since any transfer of stock or voting interest by NRG shareholders to Exelon would require such under Section 1102(a)(3) of the Public Utility Code. The OCA intervened in this matter and filed testimony questioning whether there was sufficient detail regarding the acquisition to properly assess the transaction. The OCA’s testimony also concluded that the proposed transaction, as filed, did not provide substantial affirmative benefits as required by Pennsylvania law and recommended a number of protections, called “ring fencing measures,” to protect ratepayers against any adverse consequences related to the financing of such a transaction, and suggested some conditions to bring substantial affirmative benefits if the takeover occurs. The OCA’s testimony also examined the proposed market power analysis and the mitigation proposed by the Applicants to remedy market power issues resulting from the combination of the generating assets of NRG and Exelon. The OCA also recommended some additional conditions related to market power mitigation. Prior to the commencement of hearings, Exelon ended its attempt to takeover NRG and the Application was withdrawn. The matter is now closed.
Pike County Light & Power

Pike County Light & Power Company Base Rate Case, Docket No. R-2008-2046518. On July 18, 2008, Pike filed a request with the PUC to increase the level of rates that it charges for electric distribution service to its customers. Pike requested an increase of $1.2 million in its annual operating revenues for its electric division. This would represent a 9.6% overall increase. The total bill for a residential customer using 660 kWh per month would increase from $109.47 to $125.37 per month or by 14.5%. The OCA filed a complaint against Pike’s request. The OCA recommended in its direct testimony that the Company receive an increase of $825,000. The OCA also recommended that the Company’s proposal to increase the residential customer charge from $5.00 to $8.00 be rejected. Through settlement, the parties agreed that the Company could increase its revenues by $855,000. In addition, the parties agreed to moderate the residential customer charge increase, agreeing that the charge could increase from $5.00 to $6.25. The settlement was approved by the ALJ and the Commission.

Petition of Pike County Light & Power Company For Approval Of Its Default Service Plan, Docket No. P-2008-2044561. As discussed in last year’s Annual Report, Pike filed a Petition seeking approval of its third default service plan to begin on June 1, 2009. Pike set forth several procurement options based on the number of customers it will be required to serve. One issue was the status of the Direct Energy Aggregation program, the program under which the majority of Pike customers are served. The program was scheduled to end on May 31, 2009. The OCA filed an Answer. Following the enactment of Act 129 of 2008 which modified an EDC’s procurement obligation to require a prudent mix of resources that will provide the least cost to customers over time, the procedural schedule was suspended so that the parties could discuss how Pike should implement the new Act. The parties engaged in settlement negotiations and a settlement was reached. Under the settlement, Direct Energy would continue to serve the bulk of Pike’s customers for the next default service period with a rate established pursuant to an agreed upon formula. The settlement was approved by the Commission and the generation rate for the Direct Energy service was set at 9.8¢/kwh. The Settlement also called for the parties to file briefs on how customers should be treated at the end of the aggregation program. The OCA filed its Brief arguing that at the end of the aggregation program, customers should be returned to the default service provider unless they affirmatively chose to remain with Direct Energy. At the end of the Fiscal Year, this case was pending before the ALJ.

PPL Electric

Application of PPL for Approval of the Siting of the Susquehanna to Roseland Transmission Line, Docket No. A-2009-2082652. PPL filed an Application seeking approval for the siting of a 500 Kv Transmission line to run from the Susquehanna
Nuclear Generating Station to the Roseland, New Jersey area. The proposed transmission line was included in the PJM Regional Transmission Expansion Plan to resolve alleged reliability problems in the New Jersey area. PPL was designated by PJM as the transmission owner responsible for the construction of the Pennsylvania segment of the line. The OCA filed a Protest and evaluated the need for the line and the underlying analyses provided by PPL in support of the line.

Two public input hearings were convened, at which time approximately 600 citizens attended. Fifty-five of those in attendance offered sworn testimony on the issues relevant to the Application. Among the witnesses were a representative of the National Park Service and several officers of the Saw Creek Estates Community Association (SCECA). As the transmission line is proposed to run directly through the Saw Creek Estates community, SCECA requested an on-site hearing to be convened May 6, 2009; similarly, the National Park Service of the Department of the Interior requested a site view of the proposed right of way through its Delaware Water Gap National Recreation Area. On May 5 and 6, 2009, site views were held at the Delaware Water Gap National Recreation Area and Saw Creek Estates, respectively. These site visits were on-the-record proceedings. On May 5, 2009, several employees of the National Park Service testified as to how PPL’s proposed project could impact specific areas of the Park that were toured on the site visit. On May 6, 2009, numerous members of SCECA testified as to how PPL’s proposed project could impact the landscape in Saw Creek, and also the residents. In response to expressed public interest, additional public input hearings were held on May 21, 2009 and on July 2, 2009.

On June 30, 2009, the OCA served its Direct Testimony in this matter, which found that some level of electrical infrastructure upgrade would be needed by 2012-2013 in order to avoid potential reliability issues. This finding, however, was based on the Company’s filed load forecasts and projections of future demand for electricity. The OCA argued that based on more up-to-date and inclusive forecasts of demand, infrastructure upgrades may not be needed by 2012-2013 and perhaps may not require the scale of project that PPL is currently proposing. In addition, the OCA argued that in the event a 500kV upgrade is built, it should not be routed through the Saw Creek Estates due to the very congested nature of that community and the close proximity of many homes to the proposed transmission right of way. Evidentiary hearings were held and Briefs have been submitted. The Final Order of the Public Utility Commission is expected by the end of January 2010.

Petition of PPL Electric Utilities for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 through May 31, 2014, Docket No. P-2008-2060309. On August 28, 2008, PPL filed a Petition seeking approval of a full post-transition default service plan. Under PPL’s proposal, it would procure 90% of the load needed to meet its customer’s needs through full requirements contracts. PPL would contract with an entity to provide 10% of the need through the spot market. PPL also proposed various rate design changes for residential customers. The OCA filed an
Answer to the Petition. Based upon the passage of Act 129 of 2008 which modifies PPL’s procurement obligation to require a prudent mix of resources that will provide the least cost to customers over time, the Company modified its plan. Under the modification, the Company proposed to procure 10% of the load for its residential customers through a long term block purchase of energy and capacity. The Company would procure 5% of the load through a spot market contract and the remaining 85% of the load would be the full requirements, load following contracts originally proposed.

The OCA’s testimony on December 22, 2008 argued that the Company’s plan could not meet the requirements of Act 129, particularly the least cost standard. The OCA recommended that the Company’s plan be rejected and that the Company be required to assemble a portfolio of products that would meet the least cost standard over time. Specifically, the OCA noted that Company’s proposal did not allow the benefits of the demand side management and energy efficiency initiatives required by Act 129 to be captured for the benefit of ratepayers. The OCA proposed a simplified portfolio as a first step that would better reflect all of the requirements of the Act. Following hearings, the parties engaged in settlement negotiations.

A settlement was reached on most of the issues in the case. Under the settlement for residential customers, PPL agreed to buy a mix of block products consisting of 200 MW of one-year blocks, 100 MW of five year blocks and a 50 MW unit entitlement contract. For these blocks, PPL would procure capacity and ancillary services from PJM and would procure its alternative energy credits through a separate RFP. PPL would also procure 10% of its needed load from the spot market through an RFP procedure. The remainder of PPL’s residential load would be filled with full requirements contracts. PPL agreed to a reporting mechanism so that information on the pricing of the various products can be obtained.

In addition to the procurement methodology, the settlement called for a further phase-out plan for Rate Schedule RTS. The remaining rate differential between Rate RS and Rate RTS would be eliminated by January 1, 2012, one year later than previously required. The settlement also called for a collaborative on retail market enhancements, such as a purchase of receivables program, so long as consumer protections are provided. The ALJ and the Commission approved the settlement.

Petition of PPL Electric to Offer Customers a Voluntary Alternative Energy Program And to Bank Alternative Energy Credits, Docket No. P-2008-2021398. As discussed in last year’s Annual Report, PPL filed a Petition seeking approval to offer their default service customers the option to purchase Alternative Energy Credits (AECs) in accordance with the Alternative Energy Portfolio Standards Act during the remainder of the generation rate cap period. Under the plan, PPL will purchase AECs which represent alternative energy delivered to the PJM grid. Customers can elect to purchase these AECs from PPL and if they do, the AECs will be retired. AECs that are not purchased by customers will be banked by PPL for use in future compliance years. The OCA filed an
Answer generally supportive of PPL’s plan. A settlement in principle was reached and the matter was pending before the ALJ at the end of the Fiscal Year.

**West Penn Power**

In Re: Application of Trans-Allegheny Interstate Line Co. (TrAILCo) For A Certificate of Public Convenience, Docket Nos. A-110172, A-110172F0002-F0004, and G-00071229. As discussed in last year’s Annual Report, in May 2005, PJM announced the “Project Mountaineer” which was intended to consist of one or more reinforcement 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 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 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 public officials, customers, and other parties to this proceeding. Public input hearings were held in late August and September, 2007. Additionally, three days of site views were conducted by the ALJ along the proposed route of the line. The OCA attended all public input hearings and site views.

The OCA submitted its Direct Testimony on October 31, 2007. The OCA’s expert witnesses evaluated the reliability problems identified by the Company using the detailed PJM load flow studies and evaluated other aspects of the economic basis for the project. As to the portion of the line that runs from the 502 Junction to Prexy, located entirely in Pennsylvania to address Pennsylvania reliability requirements, the OCA expert witness concluded that a new 500 KV line on new rights-of-way was not needed to address these problems. Rather, additional 138 KV lines mostly on existing rights-of-way could address all reliability issues. In addition, the OCA experts found that targeted demand side response and energy efficiency programs could further bolster reliability in the vicinity of Washington and Greene Counties. As to the 1.2 mile segment of the line that runs from the 502 Junction to West Virginia, and then continues 230 miles through West Virginia and Virginia, the OCA experts recommended that the
Company and PJM conduct further analyses. The OCA participated in the technical evidentiary hearing phase of this matter and submitted its Main and Reply Briefs. On August 21, 2008, the Office of Administrative Law Judge issued a Recommended Decision urging denial of the TrAILCo Applications. In a lengthy decision, Administrative Law Judges Michael A. Nemec and Mark A. Hoyer recommended that all five applications submitted by TrAILCo be denied.

TrAILCo filed extensive Exceptions to the ALJs’ Recommended Decision, urging the Commission to approve immediately the portion of the power line that was to run from the 502 Junction in Pennsylvania through West Virginia to Loudoun Virginia. As to the portion of the line running from 502 Junction through Greene County and Washington County to the proposed Prexy Substation, the Company asked the Commission to stay that portion of the proceeding and establish a collaborative process to consider possible alternatives to those facilities.

After filing the Exceptions, on September 25, 2008, TrAILCo filed with the Commission a letter and proposed Agreement among TrAILCo, West Penn Power Company (West Penn) and the Greene County Commissioners. The TrAILCo letter reiterated the request for expedited consideration of the 502 Junction Substation and the Pennsylvania 502 Junction Segment (together the “502 Junction Facilities”), without modification of the substation site and line route, as proposed by TrAILCo. With respect to the Prexy Facilities, TrAILCo reiterated its earlier request that the Commission stay that portion of the Application proceeding until completion of a “collaborative” that would consider alternatives to the TrAILCo Washington County area proposals. The alternatives were to include “demand side management, energy efficiency, enhancement and improvements to existing facilities and new transmission infrastructure.”

The Agreement submitted with the letter obligated TrAILCo and West Penn to record “quitclaim” documents to relinquish all of the claimed rights of way associated with the proposed 500 kV Prexy Segment, as well as the Prexy 138 kV lines, in both Washington and Greene Counties, within fourteen days of the signing of the Agreement. Importantly, that portion of the Agreement was to be accomplished by October 9, 2008, regardless of whether the remaining terms of the Agreement are approved by the Commission. TrAILCo further agreed that, if the Agreement is approved, it will no longer seek authorization to exercise eminent domain authority with respect to the 500 kV Prexy Segment, but reserved the right to do so in connection with any new alternative. In the remainder of the Agreement, TrAILCo stated that the Company would not submit an application to the Federal Energy Regulatory Commission (FERC) to invoke “backstop authority” under the Federal Power Act, with respect to the Prexy Facilities. The Agreement called for completion of a “collaborative” to address Washington County reliability issues within 180 days of filing the Agreement with the Commission. TrAILCo specifically agreed, however, that the alternatives to be
considered would not include the construction of any 500 kV lines in Greene County, “unless agreed to by the Parties.”

With respect to the 502 Junction Facilities to Virginia, the Agreement stated that the “Commission should approve all elements” of the TrAILCo Application including, among others, authorization to locate and construct the facilities, the request for a certificate of public convenience to be a public utility and authorization to exercise the power of eminent domain.

Finally, TrAILCo agreed to pay to Greene County a contribution of $750,000, in three installments of $250,000, timed six months, eighteen months and thirty months from the date of issuance of the Final Permits by the Greene County Planning Commission.

In response to this proposal, the OCA expressed support for TrAILCo and West Penn’s Agreement with Greene County to relinquish all of the rights-of-way that would have been required to construct the 500 kV thirty-six mile Prexy Segment as well as the agreement to consider all alternatives, including demand side management, energy efficiency, enhancements and improvements to existing transmission lines, substations and related equipment, as well as new transmission infrastructure, in advance of going forward with any new project.

The OCA, however, opposed the request for a stay of the Prexy Facilities portion of the Application. Instead, the OCA argued that the Commission should deny the Company’s Application for the Prexy Facilities. The OCA urged the Commission to adopt the position of the ALJs that the 500kV Prexy Facilities are not needed at this time.

On December 15, 2008, the Commission ruled on the proposed settlement and the ALJs’ decision. The Commission first approved the 1.2 mile 502 Junction segment. The Commission then ordered a collaborative process to consider the alternatives to the 37 mile Prexy segment in Washington and Greene Counties. The OCA determined to participate in the collaborative process. Preliminary meetings of the Collaborative were held on December 1 and December 15, 2008. As a result of these first meetings, the Collaborative agreed to have the Keystone Center provide a facilitator for the group, and also agreed to use Whitfield Russell Associates (WRA) as the group’s independent technical consultant. After these formational meetings, substantive discussions started in earnest and several further in-person meetings were held on January 29, March 30, May 21, and June 4, 2009. In addition to the main Collaborative group, a subset of Collaborative members was formed as a Technical Assistance Group (TAG), which included representatives from the OCA. The TAG participated in weekly, multi-hour conference calls with Keystone and WRA, which included in-depth review of technical data and open exchanges of information as to the nature of the potential reliability concerns in Washington County. These weekly sessions were facilitated by Keystone using webinar formats. Members of the Collaborative also participated in tours led by TrAILCo on April 16th and again on May 21st to see how potential solutions might be
implemented on the ground. On June 4, 2009, Keystone and Whit Russell Associates gave a final presentation on the two preferred solutions to all Collaborative members. The Collaborative participants unanimously agreed to the solution known as S5. The S5 solution would entail limited construction of new transmission infrastructure on existing rights-of-way, and the reconductoring of approximately 2.5 miles of existing transmission lines. The estimated cost of the S5 solution is $11 million, as compared to the approximately $211 million cost of the original project as proposed by TrAILCo. A Joint Petition for Settlement was filed with the Commission and the OCA filed its Statement in Support of the Settlement. At the end of the Fiscal Year, the matter was pending before the Administrative Law Judge who presided over the litigated portion of this matter.

Petition of West Penn Power Company dba Allegheny Power for Approval of its Retail Electric Default Service Program and Competitive Procurement Program for Service at the Conclusion of the Restructuring Transition Period, Docket No. P-00072342. As discussed in last year’s Annual Report, on October 25, 2007, West Penn Power filed a Petition seeking approval of its default service program to be implemented at the end of its transition period, i.e., on January 1, 2011. Under the proposed plan, West Penn proposed to conduct a series of competitive procurements, by customer class, between June 2008 and October 2010 to procure supply. As to the rates, West Penn provided that the residential rates adjust quarterly and that the rates be fully reconcilable. West Penn also offered a voluntary rate mitigation plan that would allow customers to phase-in the rate increase for January 1, 2011. The OCA filed an Answer to the Company’s Petition and opposed the Company’s proposal. The matter proceeded to hearings. The OCA presented testimony of two expert witnesses in support of the use of a portfolio approach for procuring default service supply for residential customers. The ALJ issued his Recommended Decision rejecting the Company’s proposed plan and the OCA’s proposed plan. Instead, the ALJ recommended the adoption of a plan submitted by the Retail Electric Suppliers Association (RESA). Under the plan recommended by the ALJ, the Company would procure supply mostly under full requirements contracts, mostly with terms of one year or less. The OCA filed Exceptions to the Recommended Decision. The Commission adopted, in substantial part, the Recommended Decision. Specifically, the Commission approved of the use of full requirements contracts to meet the supply need.

In early February of 2009, West Penn filed a request with the Commission to accelerate its procurement schedule so that it could issue RFPs for residential supply in the Spring of 2009. The Company sought to take advantage favorable market conditions for electricity supply. The OCA filed an Answer strongly supporting the Company’s request. Other parties have opposed the proposed change in the schedule. The Commission approved the acceleration of the procurement schedule and the Company successfully implemented the procurement. The full requirements price, at retail, was approximately 7.2 ¢/kwh. The Company requested further acceleration of its
procurement schedule and the OCA filed an Answer in support of that request. The
second request was also approved by the Commission.

Citizens’ Electric
Wellsboro Electric

Petition of Citizens and Wellsboro for Approval of Its Third Default Service Plan, Docket Nos. P-2009-2110780 & P-2009-2110798. On May 29, 2009, Citizens’ and Wellsboro filed a Petition with the PUC for approval of their proposed Default Service Plan for the June 1, 2010 through May 31, 2013 period. The Companies’ Plan followed the current model for the procurement of energy and related products necessary to serve their default generation customers. The Companies proposed to retain the services of a portfolio manager to purchase energy, capacity, and ancillary services in the wholesale market in order to provide power to their non-shopping customers at the least cost over time. The Companies filed testimony supporting their plan on June 13, 2009. The OCA retained the services of an expert witness to assist it in the review of the Companies’ Default Service Plan. The OCA’s expert filed testimony that is generally supportive of the Plan which incorporates numerous elements of the OCA’s prior testimony in the previous default service proceeding.

Citizens’ Electric and Wellsboro Electric Request for Approval of a Default Service Plan, Docket Nos. P-00072306 and P-00072307. As discussed in last year’s Annual Report, 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 was 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 Commission adopted the procurement plan developed by the OCA and the Company. The Company then filed a Petition to amend the plan to include a congestion management component. The OCA filed an Answer generally supportive, but seeking clarification of one aspect of the plan. On March 5, 2009, Citizens and Wellsboro filed a Petition to amend its approved default service procurement plan. The companies sought approval to purchase additional quantities of energy due to the favorable market conditions at that time. The OCA filed an Answer in support of the Companies’ Petition on March 12, 2009. An answer in opposition was filed. As a result of the delays associated with the litigation of the proceeding, the Companies withdrew the Petition on April 3, 2009.
Petition of Wellsboro Electric Company for Waiver of Interim Filing Requirements And For Recovery of Non-Recurring Congestion Costs Over a Nine Month Period, Docket No. P-2008-2020257. As discussed in last year’s Annual Report, in January 2008, Wellsboro began to incur extraordinary congestion costs when it sought to move the energy it purchased to its customers. The costs were related to congestion on the transmission system that was partially related to the outage of a transformer owned by another utility. Wellsboro sought recovery of these costs but since the costs had the potential to significantly increase the rate paid by customers, Wellsboro requested to amortize the costs over a nine month recovery period rather than the shorter time frame required by the Commission’s regulations. The OCA recommended to the Commission that the recovery period be extended further to a 12-month period to mitigate the impact of this unusual occurrence. The Commission approved the extension of the recovery period to 12 months by Order entered February 29, 2008. The Commission also instituted an investigation into the causes of the increased congestion costs and any plans that could be developed to hedge against these increased costs. The OCA filed its Direct Testimony and identified concerns with the impact of engineering and maintenance practices of the Pennsylvania Electric Company on the transmission system that resulted in the congestion costs. The OCA also evaluated several options for Wellsboro to hedge against increased congestion, particularly given its dependence on the transmission system. Settlement negotiations were held and the parties were able to achieve a settlement. Under the settlement, Wellsboro and Penelec agreed to a number of transmission projects to better serve the Wellsboro area. In addition, Wellsboro and Penelec agreed to approach PJM and FERC for approval to relocate the delivery point for supply that Wellsboro purchases to address the congestion issue. The OCA supported the settlement which was approved by the Administrative Law Judge. The settlement was approved by the ALJ and, at the end of the Fiscal Year, the case was pending before the Public Utility Commission.

**UGI Electric**

Petition of UGI-Electric For Approval of Procurement of Alternative Energy Credits, Docket No. P-2008-2063006. UGI-Electric must meet the requirements of the Alternative Energy Portfolio Standards Act to procure certain percentages of alternative energy resources to serve its customers. To meet this obligation, UGI-Electric must procure Alternative Energy Credits. Through this Petition, UGI-Electric presented its plan for this procurement. The OCA intervened in this proceeding to review UGI-Electric’s plan. At the end of the Fiscal Year, this case was pending before the PUC.

**Other Energy Activities - Harrisburg Steam Works**

Harrisburg Steam Works Base Rate Filing, Docket No. R-2008-2028395. As discussed in last year’s Annual Report, on March 31, 2008, the Harrisburg Steam Works filed a
distribution base rate case seeking to increase rates by $1.8 million. The Steam Works serves both residential and commercial customers in the downtown Harrisburg area. The OCA filed a complaint and retained witnesses to evaluate the Company’s claim. The OCA filed Direct Testimony in the case challenging many of the Company’s claims. In particular, the OCA recommended a lower return on equity than the Company requested and made several adjustments to the expense claims. In its Direct Testimony, the OCA found that the Company had justified only about half of its request. After reviewing the Company’s Rebuttal testimony, the OCA refined its position. The OCA then recommended that the Company be awarded an increase of no more than $1,091,506. The parties engaged in settlement negotiations and were able to successfully resolve this proceeding. The parties agreed that Harrisburg Steam could increase its rate by no more than $1,091,506. In addition, the Company agreed to withdraw its request to include its electricity costs for one of its steam plants in an automatic adjustment clause. The Commission approved the settlement.

Policy Cases

Act 129 of 2008. An Act Providing for Energy Efficiency and Conservation Programs; Amending the Duties of Electric Distribution Companies’ Obligation to Serve; Providing for Smart Meter Technology and Time of Use Rates; Providing Additional Market Power Remediation for Market Misconduct; Providing Additional Alternative Energy Sources; and Providing a Carbon Dioxide Sequestration Network. Act 129 of 2008 was signed into law by Governor Rendell on October 15, 2008 and became effective on November 14, 2008. Act 129 made a number of significant amendments to the Public Utility Code, many of which will have a direct impact on the rates and service of customers of Pennsylvania’s electric distribution companies (EDC). Of particular importance, Act 129 amended the default service obligation of the electric distribution company. Under Act 129, an EDC that is serving as the default service provider of electric generation service must procure supply for its customers at the least cost over time.

Additionally, the EDC must include a prudent mix of purchases, including long term contracts, short term contracts and spot market purchases from the competitive wholesale markets. EDCs are also under an obligation to achieve specified reductions in energy usage and peak demand. By May 31, 2013, an EDC must reduce the consumption of its retail customers by 3% of the forecasted consumption for June 1, 2009 to May 31, 2010. Also by May 31, 2013, an EDC must reduce the weather-normalized demand of its retail customers by a minimum of 4.5% in the 100 hours of highest demand. Act 129 provided specific fines for an EDC’s failure to achieve the standards for reduction contained in the Act.

Act 129 also called for the deployment of smart meter technology by EDCs with all meters utilizing smart meter technology within the next 15 years. With the widespread deployment of the smart meter technology, the Act also called for the establishment of
voluntary real time pricing programs and time of use rates for residential and commercial customers that would allow those customers to better manage their energy usage and their total bills.

The EDCs are be required to make numerous filings in July of 2009 to implement the energy efficiency and demand reduction programs called for under the Act and to begin the deployment of the smart meter technology. The OCA will be participating in all of the matters at the Public Utility Commission related to the implementation of Act 129 of 2008.

To date, the OCA filed comments with the Commission regarding the development of the Commission’s program required by Act 129 and on various provisions that the Commission must interpret. The OCA also participated in working group meetings with the Commission and EDCs regarding the Act. On January 15, 2009, the Commission issued its Implementation Order setting forth its Program and resolving various issues raised regarding the energy efficiency and demand side response provisions of the Act.

The OCA filed comments on the Commission’s Draft Implementation Order for the Smart Meter Plans. The OCA also continued to work with the EDCs in the collaborative stakeholder process on the development of their specific Plans.

**En Banc Hearings Regarding the Wholesale Energy Markets.** The Commission conducted a series of hearings into the operation and competitiveness of the wholesale energy markets. The Consumer Advocate presented testimony at the December 18th hearing. The Consumer Advocate raised concerns with the structure and competitiveness of the wholesale markets, particularly the Reliability Pricing Model (RPM) auctions for capacity.

**Proposed Policy Statement re Interconnection Application Fees, Docket No. M-00051865.** As discussed in last year’s Annual Report, on July 26, 2008, the Commission proposed to establish standardized application fees for applications by customer-generators requesting interconnection with their electric distribution company (EDC). The Proposed Policy Statement would advance the goals of the Alternative Energy Portfolio Standards Act. For small projects, called Level 1 projects, the Commission proposed a fee of $250. In Comments filed on September 2, 2008, OCA recommended that there be no fee for Level 1 interconnection requests. Level 1 projects would include residential solar heat systems, small wind and other small scale (less than 10 kilowatt) energy generation projects. The OCA expressed its concern that the $250 fee would deter small residential consumers from pursuing these projects or applying for interconnection. The OCA also pointed out that other neighboring states do not charge a fee for Level 1 interconnection applications. At the end of the Fiscal Year, this case was pending before the Public Utility Commission.
Investigation of Conservation, Energy Efficiency Activities and Demand Side Response by Energy Utilities and Ratemaking Mechanisms To Promote Such Efforts, Docket No. M-00061984. As discussed in last year’s Annual Report, 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 actively participated 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. The Commission established an en banc hearing to further consider the staff recommendations. The Consumer Advocate was scheduled to testify at those hearings. Subsequently, Act 129 of 2008 was enacted which establishes specific energy efficiency and demand reduction standards for electric distribution companies in Pennsylvania. The Commission held a hearing on November 19, 2008 to receive comments on Act 129 as well as on general matters regarding energy efficiency and demand side response. The Consumer Advocate participated in the hearings and presented testimony. At the end of the Fiscal Year, this matter was pending before the Public Utility Commission.

Proposed Revisions to Policy Statement On Customer Assistance Programs, Docket No. M-00072036. As discussed in last year’s Annual Report, following the Commission’s Final Investigatory Order regarding the design, availability of and funding of customer assistance programs under the Electric Choice Act and the Natural Gas Choice Act, the Commission issued proposed revisions to its Policy Statement to implement necessary revisions. Areas where the Commission sought to revise or clarify its regulations included CAP development, expansion and revision; scope and funding; and design elements. Of particular concern to the OCA were the Commission’s proposed design changes to allow for the benefit provided to low income customers to more closely track the actual energy prices paid by the customer, the modifications to the percentage of each customer’s income that is to be paid toward the utility bill, improvements in the arrearage forgiveness program, and the addition of a program to phase a customer out of the CAP when their income increases. The OCA filed comments. At the end of the Fiscal Year, this case was pending before the Commission.
Proposed Rulemaking: Universal Service and Energy Conservation Reporting Requirements and Customer Assistance Programs, Docket No. L-00070186. As discussed in last year’s Annual Report, on February 9, 2008, the Commission’s proposed rulemaking to establish a unified process by which the level of funding for universal service and energy conservation plans for each energy utility in Pennsylvania could be determined was published in the Pennsylvania Bulletin. Through this rulemaking, the Commission proposed numerous changes to its regulations regarding the design and funding of its customer assistance programs. The OCA filed comments regarding the Commission’s proposals. At the end of the Fiscal Year, this case was pending before the Commission.

Revisions of 52 Pa. Code Chapter 57 Pertaining to Adding Inspection, Maintenance, Repair, and Replacement Standards for Electric Distribution Companies, Docket No. L-00040167. As discussed in last year’s Annual Report, in 2004 the Commission issued an 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 filed Comments. In its Comments, the OCA proposed a number of minimum inspection and maintenance standards for electric facilities and equipment that are critical to reliability. For example, the OCA recommended minimum inspection cycles for certain facilities such as transmission and distribution lines, substations, and electric poles. The OCA also recommended time frames for remedying deficiencies that are found during any inspection of critical facilities. The OCA reviewed the comments of other parties and prepared its Reply Comments. In its Reply Comments, 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. The OCA filed comments generally supporting the Commission’s approach, but recommending further standards for inspection, maintenance and repair of critical facilities.

On May 22, 2008, the Commission issued its Final Rulemaking Order. In its Order, the Commission adopted the OCA’s approach to establish minimum inspection and maintenance standards for certain key electrical facilities and to have each EDC file its detailed plans, identifying any deviation from the minimum standards with a full justification for such deviation. While adopting the OCA’s approach, the Commission did not adopt the OCA’s recommended minimum standards for inspection and maintenance of distribution facilities. The Commission primarily adopted time frames
for inspection recommended by the electric distribution companies. The Commission did adopt some of the testing, maintenance and repair recommendations for distribution facilities of the OCA and the AFL-CIO. As to transmission facilities, the Commission adopted no standards, deferring to the rulemaking of the Federal Energy Regulatory Commission that is ongoing. The PUC’s Final Rulemaking was approved by IRRC.

The Commission issued a request for further comments on a specific maintenance standard related to customer transformers. The OCA analyzed the request and filed brief comments. In its comments, the OCA encouraged the Commission to obtain the necessary data from the electric distribution companies regarding the failure rate of the identified transformer component (the neutral connection) and the damages that have resulted from these failures so that a proper analysis can be completed. The OCA supported the adoption of a cost-effective standard if the analysis warrants. At the end of the Fiscal Year, this case was pending before the Public Utility Commission.

Proposed Rulemaking: Implementation of the Alternative Energy Portfolio Standards Act of 2004, Docket No. L-00060180. As discussed in last year’s Annual Report, 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. At the end of the Fiscal Year, the matter was still pending at the PUC.

Federal

FERC Electric Cases

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

PPL Electric and PSEG Transmission Project, EL08-23. PPL Electric and PSEG are proposing to construct a 500 KV transmission line that was identified in PJM’s Regional Transmission Plan. The transmission line will run from the Susquehanna Nuclear Generating Station into northern New Jersey. In preparation for this construction, PPL and PSEG filed a request at FERC for approval of incentive rate treatment. Among the incentives sought are Construction Work in Progress, guaranteed recovery of all costs if the project is cancelled, a 200 basis point adder to their rate of return, and the right to transfer this incentive treatment to another affiliated entity if one is created to own the project. The OCA joined with a group of other state consumer advocates to object to the award of incentive rate treatment. FERC rejected the Protests and awarded PPL Electric and PSEG several incentive rate treatments, including a 125 basis point adder to the return on equity. The Joint Consumer Advocate group, and others, filed requests for rehearing. On September 5, 2008, FERC denied the Request for Rehearing.

Request of Duquesne Light Company to Withdraw from PJM, ER08-194. As discussed in last year’s Annual Report, Duquesne Light Company filed a request with FERC for authority to withdraw from PJM. Duquesne was seeking withdrawal from PJM due to the extraordinarily high capacity costs that have resulted from the implementation of PJM’s Reliability Pricing Model (RPM) auctions. Duquesne sought a ruling from PJM on its obligations to PJM as part of the withdrawal process, including its obligations to pay these capacity costs once it withdrew from PJM. The OCA intervened and filed comments supportive of Duquesne’s concerns with PJM’s RPM auctions and its plan to withdraw and join MISO once its obligations to PJM were satisfied. FERC issued an Order on January 17, 2008 approving the withdrawal on the condition that Duquesne pays its RPM obligations for the auctions that were completed. In essence, this meant that even if Duquesne withdraws from PJM, it will need to make the RPM capacity payments through 2010. FERC established settlement negotiations to address several withdrawal issues. The OCA participated in the settlement process. During the Fiscal Year, Duquesne decided not to withdraw from PJM rendering this case moot.
Duquesne Light Company MISO Tariff Filing, ER08-1309. As discussed in last year’s Annual Report, as part of the transition from participation in the PJM RTO to MISO, Duquesne filed tariffs to implement formula rates under the MISO Open Access Transmission Tariffs. Duquesne had previously received authority for formula rates as part of PJM. In that case, Duquesne, the OCA and the PA PUC had entered into a settlement regarding various aspects of the formula. Of particular note, the parties agreed that for purposes of setting the formula rates, the base return on equity would be set at 10.9%. Any incentives awarded by FERC are then added to this base ROE. In Duquesne’s case, FERC had already awarded a 50 basis point adder for Duquesne’s participation in PJM and it had awarded an additional 100 basis point adder to be applied to certain new facilities that Duquesne was constructing at the request of PJM. In its filing to become part of the MISO tariff, Duquesne sought a base return on equity of 12.38%. Duquesne waived its currently awarded incentives, but any future incentives would be added to this new base. In addition, this higher base return on equity would be applied to Duquesne’s entire rate base, not just to limited projects. The OCA filed a Protest against this filing. During the Fiscal Year, Duquesne decided not to join MISO, rendering this case moot.

Potomac-Appalachian Transmission Highline Co. (PATH), ER08-386. As discussed in last year’s Annual Report, the PATH project is a high voltage transmission line project that is seeking formula rates and incentive rate treatment at FERC. The OCA joined with a group of state consumer advocates in the PJM region to intervene in the proceeding. The consumer advocate group specifically objected to PATH’s request for a return on equity of 14.3% when the 200 basis points of incentive adders are taken into account. FERC ruled on the matter without setting it for hearings. In its Order, FERC approved the 14.3% return on equity for the Company. On March 31, 2008, the OCA joined with a group of state consumer advocates in filing a Request for Rehearing of this FERC Order. At the end of the Fiscal Year, this matter was pending before FERC.

Reliability Pricing Model, ER05-1410, ER05-148. As discussed in last year’s Annual Report, the OCA continues to work on issues related to the Reliability Pricing Model (RPM) and the implementation of the auctions under that model. The OCA joined with a diverse group of customer interests to oppose PJM’s compliance filing. PJM had made the compliance filing in response to a FERC Order that directed PJM to modify its tariff to eliminate certain discretion that had been provided to the Market Monitoring Unit. The customer coalition argued that PJM’s filing exceeded the scope of the FERC Order and went too far in limiting the Market Monitoring Unit’s discretion. In its March 21, 2008 order, FERC granted in part and denied in part the relief sought by the customer coalition. As to the relief granted, PJM developed a proposal related to default avoidable cost rate offers of capacity that was ultimately endorsed by the PJM stakeholders and conditionally adopted by FERC in its order of July 18, 2008. The PJM proposal preserved a key element of seller offer-capping that was sought by the customer coalition.
Complaint of PJM Against the Tower Companies Regarding Manipulation of the FTR Market, EL08-44. As discussed in last year’s Annual Report, PJM filed a complaint against the Tower Companies alleging that the companies engaged in market manipulation in the Financial Transmission Rights (FTR) market. The OCA intervened in this proceeding because the alleged market manipulation may have impacted the transmission rates of Wellsboro Electric Company and Metropolitan Edison Company. It is possible that other Pennsylvania EDCs experienced higher transmission costs as a result of the alleged market manipulation as well. If FERC finds the allegations to be well-founded and orders a refund, the ratepayers of Wellsboro and Met-Ed may be entitled to such refunds. FERC denied two elements of the complaint and further denied Requests for Rehearing on the denials; the remainder of the Complaint remained under investigation by FERC’s Office of Enforcement at the end of the Fiscal Year.

Maryland Public Service Commission, et al. v. PJM Interconnection, L.L.C., EL08-67. As discussed in last year’s Annual Report, the OCA joined with a coalition of state public utility commissions, including the Pennsylvania Commission, other consumer advocate offices, industrial customers, public power agencies, rural electric cooperatives, the United States Department of Defense and a Pennsylvania electric utility to file a complaint alleging that PJM’s Reliability Pricing Model as implemented through several transitional auctions has produced unjust and unreasonable capacity prices. The coalition, termed the RPM Buyers, represent consumers in the PJM operating area that will pay the cost for capacity that resulted from these auctions. The RPM Buyers alleged that the RPM transitional auctions were flawed for at least three reasons: 1) the auctions lacked competition for new resources, including demand response and new transmission; 2) the administrative apparatus has proven inadequate to restrain the exercise of market power by withholding capacity to increase prices; and 3) the locational component created additional opportunities for sellers to raise prices but served no legitimate function during the transition. As a result of these deficiencies, the RPM Buyers Group alleged that customers will be paying higher capacity charges that far outweigh any possible benefit. The transitional auctions result in $26.2 billion in capacity payments to generators (most existing generators) with no discernible benefit for customers. For Pennsylvania, the RPM auctions result in $5 billion of additional capacity payments. The matter is pending at FERC at the end of the Fiscal Year. 

**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 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.

• Capacity Market Evolution Committee (CMEC) – The CMEC is responsible for developing, reviewing and ultimately proposing to the MRC and MC improvements to PJM’s capacity market construct known as the Reliability Pricing Model.

• Transmission Expansion Advisory Committee (TEAC) – The TEAC meets monthly 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 Independent Market Monitor to discuss the Annual Market Monitoring Plan as well as general enforcement policies. The Committee proposes changes in approaches to conducting market monitoring.

• Demand Response Steering Committee (DRSC) – the DRSC is responsible for setting policy direction for other committees and working groups aimed at promoting effective demand response market participation through the development of appropriate market rules. The DRSC reports to the MRC.
• 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.

• 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.

• Scarcity Pricing Working Group (SPWG) – The SPWG discusses and develops changes to the existing PJM scarcity pricing mechanism to make it fully compliant with the criteria set forth in FERC Order 719.
NATURAL GAS

Pennsylvania

Columbia Gas

Columbia Gas Base Rate Case, Docket No. R-2008-2011621. As discussed in last year’s Annual Report, on January 28, 2008, Columbia Gas Company filed a distribution base rate case. This is Columbia’s first base rate case since 1995. Columbia requested an overall increase of $59.9 million, or about 10.3%. For the average residential customer using 7.2 Mcf of gas from Columbia per month, the increase would be about 10.68%, or from $102.95 to $113.94 per month. Columbia requested a return on equity of 11.375%. Columbia also requested a Distribution System Improvement Charge (if one becomes legal) to recover some of the costs of its extensive infrastructure improvement program. Columbia also proposed a number of new energy conservation programs for customers with incomes between 151% and 200% of the Federal Poverty Level. In their testimony, the OCA witnesses recommended that the Company be awarded a rate increase of $16.7 million, providing the Company an opportunity to earn a 9% return on equity. The OCA also recommended that a lower percentage of the rate increase burden be allocated to residential customers.

The parties engaged in settlement negotiations and were able to reach a settlement of the matter. Under the settlement, the Company was permitted to increase its rates by $41.5 million, or 7.2%. For a typical residential customer, the monthly bill will increase 8.1% rather than the 10.68% proposed by the Company. The settlement also provided for a lower customer charge than that proposed by the Company. The settlement provided for the implementation of the new energy efficiency programs and it increased funding for the Low Income Usage Reduction Program (LIURP). The proposed DSIC tariff was not included in the settlement. Under the settlement, the parties briefed an issue regarding a proposed purchase of receivables program that would have allowed the Company to terminate essential utility service for residential customers for non-payment of unregulated charges. The OCA opposed this aspect of the program. Upon review of the settlement and the briefs, the ALJ approved the settlement and ruled in favor of the OCA on the purchase of receivables program. The ALJ agreed that allowing termination of essential utility service for non-payment of unregulated charges was inconsistent with prior Commission decisions and unsound public policy. The Commission approved the Settlement but required the Company to make changes to its purchase of receivables program once the Commission issues new generic guidelines as to these programs.
Dominion Peoples

Application for Approval of the Acquisition of Dominion Peoples, Docket No. A-2008-2063737. The Dominion Peoples Natural Gas Company filed an Application with the Commission seeking authority for an acquisition by Babcock & Brown Infrastructure Fund North America LP (BBIFNA). Through this transaction, Dominion Peoples would no longer be owned by Dominion Resources and would be solely owned by BBIFNA, a private investment fund. The OCA retained a team of expert witnesses to review all aspects of this transaction. In its direct testimony, the OCA raised a number of concerns with the transaction and found that the transaction, as proposed, had not met the statutory requirement that it provide substantial, affirmative benefits to the public. The OCA recommended a number of conditions to protect ratepayers and provide substantial, affirmative benefits. Among the conditions proposed by the OCA were a rate stay-out, various ratemaking provisions to protect customers from the flow through of the costs of the transaction and to address the loss in certain rate base values that previously benefitted customers, cost of capital protections, a service quality plan to assure that service quality was maintained or improved, requirements for continued improvement in universal service programs, and requirements for continued community giving. The OCA also raised concerns about the arrangements the new owners proposed for purchasing natural gas supplies for customers. The OCA found the details of such an important function to be lacking and urged the Commission not to approve the transaction until the details of the gas purchasing function were worked out in an acceptable fashion. The Company requested a suspension of the litigation schedule due to the change in the ownership structure of BBIFNA. The OCA agreed and the matter was continued. The proceeding resumed and the OCA filed testimony regarding the new ownership and continuing to support its recommended conditions. At the end of the Fiscal Year, this case was pending before the Commission.

Equitable Gas

Equitable Gas Resources Base Rate Case, Docket No. R-2008-2029325. On June 30, 2008, Equitable Gas Company filed a request with the PUC to increase the level of rates that it charges for providing natural gas distribution service to its customers. Equitable proposed a rate increase of $51.9 million in its annual operating revenues. This would represent a 10% overall increase. The total bill for a residential customer using 7.5 Mcf per month would increase from $142.63 to $157.14 per month. As part of this request, Equitable proposed to increase the monthly customer charge from $11.65 to $20.00 per month. The OCA filed a Complaint in this case and retained a team of expert witnesses to review this request. After filing extensive testimony on the Company’s claims, the parties entered into settlement negotiations. A settlement was reached. Under the settlement, the Company was permitted to increase its distribution base rates by $38.35 million, reflecting an overall increase of approximately 7.4%. Under the agreed upon allocation, residential customers would experience an increase
of about 7.5%. Under the settlement, Equitable’s residential customer charge would increase from $11.65 to $13.25 per month. Equitable also agreed that it would not file another base rate increase before April 1, 2010. The Commission approved the settlement.

**PECO Gas**

PECO Gas Distribution Base Rate Case, Docket No. R-2008-2028394. As discussed in last year’s Annual Report, for the first time since 1987, PECO Gas Company filed to increase its distribution base rates on March 31, 2008. PECO sought a $98 million increase. The increase includes a request for an 11.5% return on equity. The Company also proposed to significantly increase the residential customer charge. The OCA filed a complaint and hired a team of expert witnesses to review the Company’s filing.

After a review of the Company’s claims and its requested return on equity, the OCA recommended that the Company be permitted a revenue increase of no more than $61.7 million, based on an opportunity to earn a 9.25% return on equity. The OCA also made recommendations regarding PECO’s universal service programs and universal service cost recovery mechanism. The OCA also challenged the Company’s allocation of the rate increase to the various customer classes and its steep increase in the residential customer charge. After the filing of Direct testimony, the parties engaged in a series of settlement discussions. Those discussions resulted in a comprehensive settlement of all issues in the case. Under the Settlement, PECO would be permitted to increase its rates by $76.5 million, or an 8.7% overall increase compared to the Company’s requested 11.2% increase. The rate increase included sufficient revenues for the Company to meet, among other things, its manufactured gas plant remediation costs, and it included increased funding for PECO’s Low Income Usage Reduction Program (LIURP). Additionally, PECO agreed to limit its residential customer charge to $10.75 per month, a reduction from its proposed $12.00 per month charge. The Settlement was approved by the Administrative Law Judge and the Commission.

**Philadelphia Gas Works**

Petition of the Philadelphia Gas Works for Extraordinary Rate Relief, Docket No. R-2008-2073938. On November 14, 2008, PGW filed a request for extraordinary rate relief in the amount of $60 million to become effective on January 1, 2009. PGW also proposed to reduce its Gas Cost Rate by about $85 million on January 1, 2009 due to lower gas costs. PGW sought Commission review of its request no later than December 18, 2008. The Commission directed an expedited proceeding. In its filing, PGW alleged that it was facing a financial crisis due to the recent turmoil in the credit markets. Due to the turmoil in the markets, one of PGW’s banks was withdrawing
support for an interest rate swap transaction that allowed PGW to issue $311 million of its bonds as variable rate bonds rather than fixed rate bonds. With the loss of support for the transaction, PGW was required to reissue the bonds as fixed rate bonds at a higher interest rate and to pay a swap termination fee. PGW was also faced with rolling over two tranches of its commercial paper in the early portion of 2009. The OCA filed its testimony on December 2, 2008 recognizing the financial circumstances and recommending a $25 million rate increase. At the hearings on December 4, 2008, the Company substantially modified its case due to further turmoil in the markets placing upward pressure on various cost estimates underlying the needed transactions. The OCA continued to recommend the $25 million increase as it would still allow the Company to address the financial circumstances. On December 18, 2008, the Commission ruled on the matter allowing PGW to increase its rates by $60 million on January 1, 2009. The Commission also had previously approved PGW's request to lower its gas cost rate on January 1, 2009 with the reduction now estimated to be $107 million. The Commission directed PGW to file a full base rate case by December 31, 2009.

**Petition of PGW for Approval of Energy Efficiency and Demand Side Management Plan, Docket No. P-2009-2097639.** PGW filed a plan with the Commission to implement various energy efficiency and demand response programs to help reduce the consumption of natural gas by its customers. PGW sought to reduce the amount of natural gas that it must purchase so as to better manage its cash flow throughout the year. The EE/DSM Plan included programs for all customer classes, but focused primarily on residential natural gas consumption. PGW also proposed a surcharge recovery mechanism to recover the costs of the programs. The OCA filed an Answer to the Petition and participated in an ongoing collaborative process with interested stakeholders to discuss the possibility of PGW implementing certain programs. The collaborative process was scheduled to continue throughout July with litigation to follow if the issues cannot be resolved.

**Philadelphia Gas Works, Docket No. R-00061939.** As discussed in last year's Annual Report, on December 22, 2006, the Philadelphia Gas Works filed a request for an increase in its base rates revenues of $100 million. 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 revenues from off-system sales and capacity release. Under the current mechanism, all 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 testimony 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. Additionally, the OCA
supported PGW’s proposed spread 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 results in the entire $25 million rate increase being borne by the residential customer class. The OCA filed Exceptions on the issue of the spread of the rate increase and then filed Reply Exceptions in support of certain portions of the ALJ’s decision. At its Public Meeting of September 13, 2007, the Commission found that PGW was entitled to a rate increase of $25 million. The Commission adopted many of the OCA’s positions on the Company’s claims. The Commission adopted the ALJ’s recommended spread of the rate increase which results in residential customers paying approximately $24.3 million of the $25 million rate increase. The Company filed an appeal in Commonwealth Court challenging numerous aspects of the Commission’s Order. The OCA intervened in this appeal and filed a Brief in support of the Commission’s Order. The oral argument was held on September 11, 2008. The OCA presented oral argument in support of the Commission’s Order. On February 4, 2009, the Commonwealth Court entered its decision in this case. In its decision, the Court upheld the Commission’s decision in its entirety. In making its determination, the Court relied on the testimony of the OCA’s witnesses on many of the key issues. The Company requested reargument which was denied. The Company has now filed a Petition for Allowance of Appeal with the Supreme Court. The OCA filed a Brief in Opposition to the Petition.

Petition of PGW for a Declaratory Order, Docket No. P-00072335. As discussed in last year’s Annual Report, PGW sought a declaratory order from the Commission regarding the implementation of Chapter 14 of the Public Utility Code. Of particular importance, PGW sought to expand the methods available to it under Section 1407(e) to assign previous account arrearages to an applicant for service. PGW asked the Commission to find that the use of any government-issued document that contains an address and/or requires updating of that address, or the use of PGW’s business records could be used to establish that an applicant for service can be assigned a past account arrearage. PGW alleged that it needed these additional verification methods (in addition to the Section 1407(e) methods of the use of mortgage, deed or lease information and commercially available consumer credit reporting services). The OCA filed an Answer raising concerns about expanding the methods beyond those set forth in the statute. The OCA also raised concern about the reliability of some of the methods proposed by PGW for the purpose of determining the actual residence of an applicant during an historic period. At the end of the Fiscal Year, the matter remained pending before the Commission.

PGW Settlement with Law Bureau Re: Violations of Chapter 56, Docket No. M-00072017. As discussed in last year’s Annual Report, the Commission’s Law Bureau conducted an investigation into the death in a fire of an elderly Philadelphia resident
whose natural gas service had been terminated a year earlier and not restored. During its investigation, the Law Bureau determined that the fire was not a result of the loss of gas service, but that PGW had violated several Chapter 56 regulations in effectuating the termination and in failing to restore service. The Law Bureau and PGW reached a settlement of the matter that called for additional training for customer service representatives and additional spending on PGW’s weatherization program. Upon consideration of the settlement, the Commission assigned the matter to an ALJ for the development of a record so that the matter could be fully considered. The OCA intervened in the matter and has been assisting in the development of the factual record. The Company and Law Bureau have clarified certain settlement provisions and placed additional facts on the record in response to the OCA’s concerns. The revised settlement was approved by the ALJ and by the Commission.

Tenant Union Representative Network, et al v. Philadelphia Gas Works: Petition of Tenant Union Representative Network and Action Alliance of Senior Citizens For Declaratory Order, Docket No. P-2009-2109912. A consumer group in Philadelphia, represented by Community Legal Services, filed a Petition with the Commission seeking a declaratory order about the legality of a collection program that PGW was about to implement. The program that PGW was putting in place is referred to as a write-off reactivation program. Under this program, PGW will query its billing system to find past arrearages of its customers that PGW either wrote off from its books of accounts or failed to request payment of due to billing system problems. PGW proposes to take these found arrearages, no matter how old, and add them to the existing customer’s bill. PGW would then demand payment of these old arrearages and would terminate customers that are unable to pay the arrearage. TURN filed a request for a declaratory order for a determination by the Commission as to whether this program was in accordance with the Public Utility Code and the Commission regulations. The OCA has intervened in this matter and will participate in the proceeding.

PPL Gas

Application of UGI, Inc. for Acquisition of PPL Gas, Docket Nos. A-2008-2034045, A-2008-2034047. As discussed in last year’s Annual Report, UGI, Inc. filed an Application seeking to acquire PPL Gas. Through the acquisition, UGI would own three operating natural gas distribution companies in Pennsylvania—UGI-Gas, UGI-Penn, and PPL Gas. The OCA filed a Protest identifying various issues that should be considered by the Commission, including whether the acquisition will result in substantial, affirmative benefits for Pennsylvania ratepayers. After a review of the filing, the OCA’s witness concluded that the transaction, as filed, did not provide substantial affirmative benefits to the public as required by the Public Utility Code. The OCA’s expert also found that various aspects of the transaction could result in harm to consumers. The OCA recommended that if the transaction proceeded, a number of conditions be placed on the transaction to provide protections to consumers and bring affirmative benefits to the
public. Among the recommended conditions were that the Company provide a rate reduction to customers, that the Company refrain from filing a base rate case for a period of time, that the customer contributions to the pension fund be retained for ratemaking purposes, that certain tax benefits continue to be recognized for ratemaking purposes, that universal service programs be maintained, and that the Company meet various service quality and safety standards. Following the filing of testimony, the parties engaged in settlement negotiations.

The OCA and the Company were able to resolve the issues raised by the OCA through settlement. Among the provisions agreed to by the OCA and the Company were that the Company would refrain from receiving a base rate increase for one year; that at the conclusion of the base rate case, the Company would further reduce rates by $2.5 million until the next base rate case; that funding for the Low Income Usage Reduction Program be increased; that the Company seek to achieve designated benchmarks for service quality and safety; and that the Company continue its community contributions. The Settlement also resolved issues raised by the Labor Unions, the low income groups, the Office of Trial Staff and the Office of Small Business Advocate. The Settlement did not resolve issues raised by a gas marketer that had intervened in the case.

The Settlement was presented to the ALJ. The gas marketer opposed the entire settlement before the ALJ. The ALJ rejected this challenge and approved the settlement. Upon review by the Commission, the Commission also rejected the challenge to the settlement and approved the settlement in its entirety. The Commission, however, ordered that all parties, including the gas marketer, convene a collaborative to further discuss tariff issues raised by the gas marketer. At the end of the Fiscal Year, the parties were in the process of organizing the collaborative process.

UGI Gas

UGI Penn Natural Gas

UGI Penn Natural Gas, Inc. Base Rate Case, Docket No. R-2008-2079660. On January 28, 2009, UGI Penn filed tariffs which proposed to increase rates for gas service to produce an additional $38.1 million in revenues, an 11.42% increase over present rates. The average residential customer would see an increase in their monthly bill from $138.32 to $155.94, or by 12.7%, under UGI Penn’s proposal. As part of its request, UGI Penn sought a return on common equity of 12.25%. The OCA filed a formal complaint opposing the base rate request on February 19, 2009. The OCA engaged experts to review and present testimony regarding accounting, rate of return, allocation of costs among rate classes, the Company’s conservation program proposal and universal service issues.
The OCA filed direct and surrebuttal testimony of four witnesses challenging the Company’s claims. The OCA also filed rebuttal testimony in response to other parties’ cost of service proposals. The OCA recommended that the Company be awarded a rate increase of $12.3 million based on a return on common equity of 9.5%. The OCA also proposed that adjustments be made to the Universal Service cost recovery rider.

The OCA attended the public input hearings held in Wilkes Barre and Wellsboro on May 19 and 21, 2009. In the weeks before the scheduled evidentiary hearings, OCA, the Company and other parties engaged in settlement negotiations. The active parties reached an agreement in principle. The ALJ allowed the June hearings to be cancelled and scheduled a settlement hearing.

The Company, OCA and other parties submitted a Joint Petition for Settlement and Statements in Support to the ALJ. Pursuant to the proposed Settlement, the Company would implement new rates for distribution service designed to produce $19.75 million in additional revenues, $18.35 million less than the Company’s original request. The settlement provisions provided that the Company will expand its Customer Assistance Program and implement a lower Universal Service Program Rider surcharge. The customer charge for Residential Customers would increase to $13.25 per month, not the $18.00 level requested by the Company. Further, the Company would consult with parties regarding the design of programs intended to promote conservation and adoption of efficient heating systems.

The ALJ convened a settlement hearing. The Company’s rate filing and testimony, the testimony of the OCA’s expert witnesses, and other parties’ testimony was admitted into the evidentiary record. The ALJ issued a Recommended Decision in favor of approval of the Joint Petition for Settlement and the Commission entered an Order which approved the Recommended Decision of the ALJ.

UGI Central Penn Gas Company Base Rate Case, Docket No. R-2008-2079675. On January 28, 2009, UGI Central Penn Gas (CPG) filed for an increase in its annual distribution revenue of $19.6 million. If approved, CPG’s overall rates would increase by 12.05%. The average residential customer would see an increase in their monthly bill from $114.72 to $132.79, or by 15.8%, under CPG’s proposed increase. As part of its request, CPG sought a return on common equity of 12.25%. The OCA filed a formal complaint and retained expert witnesses to assist in the review of this request.

The OCA filed the direct and surrebuttal testimony of four witnesses challenging the Company’s claims. The OCA also filed rebuttal testimony in response to other parties’ cost of service proposals. The OCA recommended that the Company be awarded a rate increase of $6.2 million based on a return on common equity of 9.5%. The OCA also proposed that the residential class bear a smaller proportion of the rate increase than that proposed by the Company and that adjustments be made to the Universal Service cost recovery rider.
On May 19 and 21, 2009, the OCA attended the public input hearings held in Wilkes Barre and Wellsboro, open to customers of CPG and affiliate PNG. In late May and early June, OCA, the Company and other parties engaged in settlement negotiations. The active parties reached an agreement in principle. The ALJ allowed the June hearings to be cancelled and scheduled a settlement hearing.

The Company, OCA and other parties submitted a Joint Petition for Settlement and statements in support to the ALJ. Pursuant to the agreement, the Company would implement new rates for distribution service designed to produce $12.5 million in additional revenues. However, application of a $2.5 million acquisition credit related to UGI’s 2008 acquisition of CPG from PPL Gas reduced the revenue increase to $10 million. The settlement provisions provided that the Company will expand its Customer Assistance Program and implement a lower Universal Service Program Rider surcharge. The customer charge for Residential Customers would increase to $13.25 per month, not the $16.33 level requested by the Company. Further, the Company would consult with parties regarding the design of programs intended to promote conservation and adoption of efficient heating systems.

The ALJ convened a settlement hearing. The Company’s rate filing and testimony, the testimony of the OCA’s expert witnesses, and other parties’ testimony was admitted into the evidentiary record. The ALJ issued a Recommended Decision in favor of approval of the Joint Petition for Settlement and the Commission entered an Order which approved the Recommended Decision of the ALJ.

Application of UGI, Inc. for Acquisition of PPL Gas, Docket Nos. A-2008-2034045, A-2008-2034047. As discussed in last year’s Annual Report, UGI, Inc. filed an Application seeking to acquire PPL Gas. Please see the Report under PPL Gas for activity in this case.

**Pike County Light And Power—Gas Division**

Pike County Light And Power Company Base Rate Case, Docket No. R-2008-2046520. On July 18, 2008, Pike County Light & Power Company filed a request with the Public Utility Commission to increase the level of rates that it charges for natural gas distribution service to its customers. The Company proposed a natural gas distribution rate increase of approximately $425,000 in its annual operating revenues for its natural gas division. This would represent a 21.4% overall increase. The total bill for a residential customer using 100 ccf per month would increase from $143.23 to $176.31 per month or by 23.1%. The OCA filed a Complaint in this case. In accordance with the procedural schedule, the OCA filed Direct, Rebuttal and Surrebuttal testimony. In its testimony, the OCA recommended an increase of $219,000. The parties engaged in settlement negotiations and were able to resolve all issues in the case. Under the
settlement, the Company would be allowed to increase its rates by $260,000. Additionally, the residential customer charge would increase from $5.00 to $6.29. The settlement was approved by the ALJ and by the Commission.

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 2008 and 2009. The OCA was a participant in each of these cases to ensure that each company has done the best possible job in securing the lowest cost gas resources available to serve their customers in a reliable manner.

The OCA reviewed the gas purchasing practices of all the Pennsylvania Natural Gas Distribution Companies (NGDCs) to ensure that they have an adequate risk management plan in place with a goal of reducing price volatility while still purchasing gas for customers at the lowest possible prices. The OCA made various recommendations to the NGDCs about the amount of their gas supplies that should be hedged and the timing of those purchases. 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, 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. In particular, the OCA provided careful evaluation of utility contractual commitments with interstate pipelines, while also evaluating lost-and-unaccounted for gas levels of NGDCS. Both of these issues can contribute to significant purchased gas costs. Regarding interstate pipeline contracts, the OCA analyzed the gas supply planning practices of gas utilities and NGDC decisions to renew capacity entitlement or acquire new capacity, 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.

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

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

Other issues addressed by the OCA included gas companies’ proposals for
performance-based gas purchasing programs. These include programs 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 2008-09:

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**2009 Cases**

T.W. Phillips Gas & Oil Co., Docket No. R-2008-2075250. On January 30, 2009, T.W. Phillips Gas and Oil Co. submitted its annual purchased gas cost filing pursuant to Section 1307(f) of the Public Utility Code. The OCA filed a formal complaint against TWP’s PGC filing on February 5, 2009. The OCA filed its Direct Testimony in this proceeding on March 20, 2009. Thereafter, the majority of the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the majority of the other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on May 19, 2009 and, on June 4, 2009, the ALJ issued a Recommended Decision recommending approval of the settlement.

The Settlement provided that the Company would remove from the instant PGC filing all costs related to electricity used to run compressors for storage. Regarding the Company’s asset management arrangements, the Settlement provided that: (1) the Company would request that participants in any future Request for Proposal related to pipeline and storage asset management provide, to the extent possible, a breakdown of cost components, including carrying costs, if any, built into the price of gas to be delivered to TWP under the arrangement; and (2) that in future base rate proceedings, the OCA and other parties reserved the right to seek an adjustment to the Company’s Cash Working Capital claim to account for the Company’s use of an asset management arrangement where the Cash Working Capital requirement is borne by a third party. The Settlement also reduced rates for the residential class by $2.1155/Mcf, rather than the Company-proposed reduction of $2.0747/Mcf. The Commission entered an Order adopting the Recommended Decision.

filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint against NFG’s PGC pre-filing on January 26, 2009. The OCA filed its Direct Testimony in this proceeding on March 24, 2009 and its Surrebuttal Testimony on April 27, 2009. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on May 19, 2009 and, on May 27, 2009, the ALJ issued a Recommended Decision recommending approval of the settlement.

The Settlement established design day requirements, including a system design peak day capacity requirement of 375,542 Dth for the period ending July 2010. Determination of a reasonable design day requirement ensures that NFGD does not obtain unnecessary capacity which the Company’s customers would then have to pay for through PGC rates. Further, pursuant to the Settlement, an MMT balancing charge rate of $0.23/Mcf would be implemented, as well as a fuel retainage rate of 0.54 percent. The MMT balancing charge moves towards a cost basis for the recovery of purchased gas capacity costs from customers receiving MMT service. The agreed-upon fuel retainage rate reflects an average of the Company’s actual historic fuel retainage levels over the last five years, thereby ensuring an appropriate retainage rate for those customers subject to this rate. The Commission entered an Order adopting the Recommended Decision.

Philadelphia Gas Works, Docket No. R-2009-2088076. On February 27, 2009, Philadelphia Gas Works submitted its annual purchased gas cost filing pursuant to Section 1307(f) of the Public Utility Code. The OCA filed a formal complaint against PGW’s PGC filing on March 10, 2009. The OCA filed its Direct Testimony in this proceeding on April 15, 2009. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on May 22, 2009 and, on June 12, 2009, the ALJ issued a Recommended Decision.

The Settlement provided for: (1) the modification and enhancement of the Company's hedging program, designed to increase the stability of rates for POW's customers; (2) the requirement that PGW explore asset management options in an effort to reduce future gas costs to be collected from ratepayers; (3) the requirement that PGW would present an evaluation of the alternatives available for optimizing its Liquefied Natural Gas resources for the benefit of ratepayers; (4) the further evaluation of the Company's capacity resources; and (5) the ability for PGW to employ the services of a gas pricing analysis and buying advisory service at a reasonable cost (capped at $125,000) in order to provide the Company with highly relevant market information to assist the Company when making gas purchases. The Commission entered an Order adopting the Recommended Decision.
Equitable Gas Co., Docket No. R-2009-2088072. On February 27, 2009, Equitable Gas Company submitted its annual purchased gas cost pre-filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint against Equitable’s PGC pre-filing on March 30, 2009. The OCA filed its Direct Testimony in this proceeding on May 20, 2009 and its Surrebuttal Testimony on June 11. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on June 24, 2009 and subsequently, the ALJ issued a Recommended Decision. In this Decision, the ALJ approved of the Settlement and ruled on a contested issue. The ruling on this contested issue does not materially impact the Settlement.

The Settlement provided that Equitable will reduce its rates by $27,796 to reflect the removal of a transportation migration rider discount. The Company also agreed that for future DTI storage capacity releases, it will undertake a cost-benefit analysis recommended by the OCA. The OCA will have the opportunity to review the analysis and to give input to Equitable, prior to future releases of DTI storage capacity. There will be an agreed-upon minimum bid required for the release of DTI storage. Additionally, if it is decided that the release of DTI storage capacity is in the best interest of PGC customers, Equitable will not share in the initial set of release revenues as it is currently entitled to do under the Performance-based rate mechanism. This provision should allow the cost of the DTI storage capacity to be covered so that PGC customers do not bear this cost.

Regarding off-system sales losses, the Settlement provided that Equitable may generally recover off-system sales losses through the PBR mechanism, if those losses were the result of occurrences outside the control of Equitable. However, net losses, as calculated on an annual basis, shall not be recoverable from PGC customers. This protects PGC customers from bearing the risk of an overall net loss that is more appropriately borne by the Company’s shareholders. At the end of the Fiscal Year, this case was pending before the PUC.

Dominion Peoples, Docket No. R-2009-2088069. On January 30, 2009, The Peoples Natural Gas Company b/d/a Dominion Peoples submitted its annual purchased gas cost pre-filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint against Peoples’ PGC pre-filing on March 16, 2009. The OCA filed its Direct Testimony in this proceeding on May 6, 2009 and its Surrebuttal Testimony on June 4, 2009. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the other active parties to the proceeding that resolved all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on June 23, 2009. The ALJ issued a Recommended Decision, recommending approval of the Settlement and ruled on a contested issue. The ruling on this contested issue does not materially impact the Settlement.
The Settlement provided that Dominion Peoples will undertake a hedging study and provide the results to the parties. The proposed study of cost-based hedging is the appropriate first step to examining whether cost-based hedging may result in lower PGC rates and to better quantify any risks associated with cost-based hedging. The Company will also monitor the ongoing construction of the REX pipeline project and continue to analyze the feasibility of REX interconnections. Additionally, Dominion Peoples will open discussions with the Tennessee Gas Pipeline to explore relocating its Zone L Primary Receipt point to Ohio. This would allow for easier access to REX and would provide for capacity release considerations beneficial to Peoples customers. At the end of the Fiscal Year, this case was pending before the PUC.

Columbia Gas, Docket No. R-2009-2093219. On February 27, 2009, Columbia Gas of Pennsylvania, Inc. submitted its annual purchased gas cost pre-filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint against Columbia’s PGC pre-filing on April 6, 2009. The OCA filed its Direct Testimony in this proceeding on May 11, 2009 and its Surrebuttal Testimony on June 5, 2009. On June 9, 2009, technical hearings were held in this proceeding and the OCA actively participated. Briefs were submitted and the ALJ issued his Recommended Decision. At the end of the Fiscal Year, the case is pending before the PUC.

UGI Penn Natural Gas, Inc., Docket No. R-2009-2105904; UGI Central Penn Gas, Inc., Docket No. R-2009-2105909; UGI Utilities, Inc. - Gas Division, Docket No. R-2009-2105911. On May 1, 2009, UGI Penn Natural Gas, Inc., UGI Central Penn Gas, Inc. and UGI Utilities, Inc. - Gas Division submitted their annual purchased gas cost pre-filings pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed formal complaints against each Company’s pre-filing on May 20, 2009. The OCA filed its Direct Testimony in these proceedings on July 9, 2009. Thereafter, the majority of the parties engaged in negotiations and, as a result, settlements in principle were reached with the Companies and the other active parties to the proceedings that resolve all of the OCA’s contested issues. The proposed settlements were submitted to the ALJ.

The Settlements stated that all three companies will provide additional information regarding their bid sheet and off-system sales transactions. The availability of this added level of detail at the start of the PGC proceedings will enable the OCA and its expert witnesses to more efficiently review the Companies’ filings. The Settlements also allowed the Companies to reinstitute call options. The use of call options, as one part of the Company’s overall hedging strategies, should provide PGC customers with some level of protection from extreme price volatility. Additionally, UGI and PNG agreed to reduce their swing supply service volumes by one half beginning December 1, 2009. For their remaining swing supply service volumes, the Companies will submit a plan in their 2010 PGC filing for review which will continue, modify or eliminate the use of swing service for the period beginning December 1, 2010. Discontinuing 50% of the swing service contracts now will provide an immediate cost savings for PGC customers. At
the same time, agreeing to review the remaining swing service volumes in the 2010 PGC proceedings will allow the parties to make a decision based on then-current market conditions.

For PNG, the Company proposed a PGC rate of $8.9473/Mcf. As a result of the Settlement, the PGC rate for PNG would decrease by $0.0357/Mcf, which should save residential PGC customers $747,984 over the course of the next year. For CPG, the Company proposed a PGC rate of $5.51/Dth. As a result of the Settlement, the PGC rate for CPG would decrease by $0.0140/Dth, which should save PGC customers $115,799 over the course of the next year. For UGI, the Company proposed a PGC(1) rate of $9.5344/Mcf. As a result of the Settlement terms, the PGC(1) rate for UGI would decrease by $0.0466/Mcf, which should save residential PGC customers $1,422,624 over the course of the next year. At the end of the Fiscal Year, the cases were pending before the ALJ.

PECO Energy Co., Docket No. R-2009-2108705. On April 29, 2009, PECO Energy Company submitted its annual purchased gas cost filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint in this proceeding on June 5, 2009. The OCA filed its Direct Testimony. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and the other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ.

The Settlement provided that the existing hedging program will be significantly modified in an effort to increase rate stability for customers. In particular, the Settlement provided for major enhancements to the hedging program that are designed to address the impact of gas price volatility on rates. The Settlement also allowed PECO to continue its use of the gas price analysis and buying advisory services of Planalytics for a year at a cost not to exceed $125,000. Further, the Settlement addressed the retainage percentage for PECO’s high volume transportation customers, and required the Company to continue to investigate the cause of the above-average lost and unaccounted for gas experienced during the 12 months ended March 31, 2008 and report the results of its investigation with the testimony in its next PGC filing. At the end of the Fiscal Year, this case was pending before the PUC.

2008 Cases

settlement in principle was reached with the Company and all other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on May 19, 2008 and, on June 9, 2008, the ALJ issued a Recommended Decision recommending approval of the settlement.

The settlement contained several provisions which are advantageous to ratepayers of NFGD. First, the Settlement established design day requirements, including a system design peak day capacity requirement of 436,611 Dth for the period ending July 2009. Determination of a reasonable design day requirement ensures that NFGD does not obtain an unnecessary excess of capacity which the Company’s customers would then have to pay for through PGC rates. Second, the Settlement provided for an MMT balancing charge rate of $0.20/Mcf to be implemented, as well as a fuel retainage rate of 1.75%. The MMT balancing charge ensures that a cost-based rate for the recovery of purchased gas capacity costs is applied to customers receiving MMT service. The agreed-upon fuel retainage reflects the Company’s lost and unaccounted for gas levels, thereby ensuring an appropriate retainage rate for those customers subject to this rate. Third, the Settlement also corrected the interest rate calculation from 8% to 6% and reflected NFGD’s withdrawal of its original request for cost recovery for the Intercontinental Exchange demand charges through the PGC. Both of these Settlement provisions will provide for lower rates for PGC customers. Finally, the Settlement provided for a financial hedging program and allowed for deferral accounting for the costs of the program. The existence of a financial hedging program ensured that the Company would have the ability to hedge its supply contracts and purchases to the benefit of customers. On July 22, 2008, the PUC entered an Order adopting the Recommended Decision of the ALJ.


Philadelphia Gas Works, Docket No. R-2008-2021348. On February 1, 2008, Philadelphia Gas Works submitted its annual purchased gas cost pre-filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint against PGW’s PGC pre-filing on March 6, 2008. The OCA filed its Direct Testimony in this proceeding on April 16, 2008. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and all other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on May 22, 2008 and, on June 23, 2008, the ALJ issued a Recommended Decision recommending approval of the settlement.
The settlement contained several provisions which are advantageous to ratepayers of PGW. In particular, the Settlement provided for the continuation of the Company’s hedging program designed to increase the stability of rates for PGW’s customers. PGW’s gas costs have been subject to volatility over recent periods. Under the Settlement, the Company will continue its Gas Purchasing Program, including non-discretionary purchasing guidelines, intended to minimize volatility in PGC rates paid by ratepayers. The benefits of reduced volatility of gas costs are significant, particularly for residential customers with limited flexibility in their monthly budgets. Further, the Settlement provided for the modification of the Company’s proposed sharing mechanism for off-system sales margins and capacity release revenues. Under the Settlement, the Company would be authorized for the first time to institute a sharing mechanism for off-system sales margins and capacity release credits. The Settlement provided that all of the sharing amounts would be used for the benefit of ratepayers, with 75% credited directly to ratepayers through the GCR, and 25% provided to a capital fund. The 25% retained by the Company and placed in a capital fund will be used for needed infrastructure repair and replacement and will reduce the costs that ratepayers would otherwise pay for these repairs and replacements. The Settlement provided that this sharing mechanism will be in place for three years, and that PGW would file with the Commission a report that provides confirmation that the capital fund is used for infrastructure improvements. Finally, the Settlement also established that, as part of its Section 1307(f) pre-filing in February 2009, the Company would provide information regarding its evaluations and, if applicable, action plans concerning the operation of its liquefied natural gas facility, PGW’s efforts to market its available capacity/natural gas in different ways, and the balancing of security of supply with the Company’s demand requirements, capacity resources, the composition of its capacity components, and the level of off-system sales margin and capacity release credit opportunities. On October 15, 2008, the PUC entered an Order adopting the Recommended Decision of the ALJ.

**Equitable Gas Co.,** Docket No. R-2008-2021160. On February 29, 2008, Equitable Gas Company submitted its annual purchased gas cost pre-filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint against Equitable’s PGC pre-filing on March 11, 2008. The OCA filed its Direct Testimony in this proceeding on May 27, 2008. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and all other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on July 11, 2008 and, on July 25, 2008, the ALJ issued a Recommended Decision recommending approval of the settlement.

The settlement contained several provisions which are advantageous to ratepayers of Equitable. In particular, the settlement provided that $1,787,750 in revenues realized from Equitable’s exchange activities have been returned to PGC customers and Equitable would not recover through PGC rates costs associated with a web based
natural gas trading platform, membership in the North American Energy Standards Board and costs related to subscriptions to industry publications. On August 21, 2008, the PUC adopted an Order accepting the Recommended Decision of the ALJ.

Dominion Peoples, Docket No. R-2008-2022206. On February 29, 2008, The Peoples Natural Gas Company b/d/a Dominion Peoples submitted its annual purchased gas cost pre-filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint against Peoples’ PGC pre-filing on March 13, 2008. The OCA filed its Direct Testimony in this proceeding on May 15, 2008 and its Surrebuttal Testimony on June 20, 2008. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and all other active parties to the proceeding that resolved all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on July 2, 2008 and, on July 22, 2008, the ALJ recommended approval of the settlement. The Settlement contained several key provisions which are advantageous to ratepayers of Dominion Peoples. In particular, the Settlement specified that, with respect to discounts of retainage charges for certain transportation customers, Dominion Peoples would maintain the current discounts for all transportation customers whose contracts expire between October 1, 2008 and September 30, 2009. In addition, prior to awarding any future discount, Peoples would demonstrate that the customer is entitled to the discount via the applicable net benefits test. This would work to ensure that only qualifying transportation customers receive discounts, and that any retainage or base rate discount or combination of the two awarded during the 2008-2009 PGC period will be reasonably balanced. The Settlement also stated that Dominion Peoples will attempt to identify the causes of lost-and-unaccounted-for gas (LUFG) on its system by measuring LUFG at various points in its gathering system. After monitoring LUFG on the gathering system, Peoples will report its findings in its 2009 1307(f) proceeding. On August 22, 2008, the PUC entered an Order accepting the Recommended Decision of the ALJ.

Columbia Gas, Docket No. R-2008-2028039. On March 1, 2008, Columbia Gas of Pennsylvania, Inc. submitted its annual purchased gas cost pre-filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint against Columbia’s PGC pre-filing on April 1, 2008. The OCA filed its Direct Testimony in this proceeding on May 15, 2008 and its Rebuttal Testimony on June 9, 2008. The OCA filed Surrebuttal Testimony on June 17, 2008. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and all other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on July 14, 2008 and, on July 23, 2008, the ALJ recommended approval of the settlement.

The Settlement contained several provisions which are advantageous to ratepayers of Columbia. In particular, with respect to the Company’s Unified Sharing Mechanism, the Settlement provided for a reduced, fixed period of one year for the USM mechanism but increased the sharing for PGC customers. Currently, PGC customers receive 75% of
all net proceeds generated from off-system sales and capacity release up to $3,500,000. The customers receive 70% of all net proceeds exceeding $3,500,000 as a credit to the PGC rate, and the Company retains 30%. Under the Settlement the benchmark would be increased from $3.5 million to $6 million. Further, the Settlement specified that 7% will be used to calculate the storage gas related interest credit applied to PGC customers. The Company had initially proposed to use 6% to calculate this credit. These provisions provide tangible benefits to the Company’s PGC customers. On August 25, 2008, the PUC entered an Order accepting the Recommended Decision of the ALJ.

PPL Gas Utilities, Inc., Docket No. R-2008-2039634. On June 2, 2008, PPL Gas Utilities Corporation submitted its annual purchased gas cost filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint against PPL Gas’ filing on June 18, 2008. The OCA filed its Direct Testimony in this proceeding on July 11, 2008 and its Surrebuttal Testimony on August 6, 2008. Hearings were held and briefs filed. However, the parties continued to engage in negotiations and, as a result, a settlement in principle was reached with the Company and the majority of all other active parties to the proceeding that resolves all of the OCA’s contested issues. Of particular note, the Settlement provided for a nearly $200,000 refund to PGC customers based on the investigative efforts of the OCA in this proceeding. The proposed settlement was submitted to the ALJ on October 1, 2008 and, on October 7, 2008, the ALJ recommended approval of the settlement. On November 14, 2008, the PUC entered an Order adopting the Recommended Decision of the ALJ.

UGI Utilities, Inc. - Gas Division, Docket No. R-2008-2039417. On May 1, 2008, UGI Utilities, Inc. - Gas Division submitted its annual purchased gas cost pre-filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint against UGI’s PGC pre-filing on May 20, 2008. The OCA filed its Direct Testimony in this proceeding on July 15, 2008 and its Surrebuttal Testimony on August 7, 2008. Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and all other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on September 2, 2008 and, on October 10, 2008, the ALJ recommended approval of the settlement.

The Settlement contained several provisions that are advantageous to ratepayers of UGI. Specifically, the Settlement provided that:

1. UGI shall work collaboratively with interested parties to develop RFP and bid evaluation processes to meet peak day core market capacity requirements which foster competition, meet core market and transportation customer reliability expectations, and preserve the integrity of contracts. For the first year following the execution of this Settlement Agreement, the collaborative will meet semi-annually to ensure that RFPs
and bid evaluation processes are consistent with current and changing market conditions.

2. UGI will increase its projected incentive sharing mechanism credits by $3.675 million for the 12-month period beginning November 2008 to reflect projected Asset Management revenues. This Settlement term provided immediate relief to ratepayers who are already facing higher natural gas costs by reducing PGC rates for UGI by $.0996/Mcf.

3. UGI will increase its sharing mechanism credits by $87,010.24 to correct a classification error for certain secondary market transactions. These revenues were generated by capacity release transactions that used PGC assets, but were erroneously classified. These further immediate offsets to UGI’s PGC will directly benefit PGC customers.

4. UGI shall be allowed to recover the cost of Prophet-X through its PGC rates as a risk management tool, but will drop its claims for recovery of all other risk management tool expenses through PGC rates in this proceeding.

5. UGI shall modify its existing peaking service agreements with GASMARK to make the following modifications:
   - For the one year period beginning November 1, 2008 reduce the otherwise applicable contract price for Offer I by $15/Dth;
   - For the remaining three years of Offer I beginning November 1, 2009 reduce the otherwise applicable contract price by $30/Dth; and
   - For the one year Offer II term beginning November 1, 2008 and ending March 31, 2009, reduce the otherwise applicable contract price by $15/Dth.

6. UGI agreed, commencing December 1, 2008, to include off-system sales made without the use of PGC assets in the sharing mechanism.

As a result of these Settlement provisions, over the next 4 years, the settlement reduced total demand charges by $742,500. The settlement also eliminated $23,800 in risk management costs for the 2008 PGC rate period and UGI has increased PGC customers’ projected share of Asset Management Revenues by $3,675,000. There is also a sharing of revenues from off-system sales which do not use PGC assets which the OCA estimates at $108,780 per year. Thus, the negotiated terms of this Settlement provide approximately $4.4 million in savings for UGI’s ratepayers. UGI proposed a PGC (1) (residential) rate of $13.6210/Mcf, which represented no change from its current PGC (1) rate. As a result of this Settlement, the PGC rate for UGI under its filing assumptions would be $13.5056/Mcf—a reduction of 12 cents/Mcf. On November 7, 2008, the PUC entered an Order adopting the Recommended Decision of the ALJ.

Thereafter, the parties engaged in negotiations and, as a result, a settlement in principle was reached with the Company and all other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on September 2, 2008 and, on October 10, 2008, the ALJ recommended approval of the settlement.

The Settlement contained several provisions that are advantageous to ratepayers of UGI Penn. Specifically, the Settlement provides that:

1. UGI Penn will work collaboratively with interested parties to develop RFP and bid evaluation processes to meet peak day core market capacity requirements, which foster competition, meet core market and transportation customer reliability expectations, and preserve the integrity of contracts. For the first year following the execution of this Stipulation, the collaborative will meet semi-annually to ensure that RFP and bid evaluation processes are consistent with current and changing market conditions.

2. UGI Penn agreed to increase its projected incentive sharing mechanism credits by $0.6 million for the 12-month period beginning November 2008 to reflect projected Asset Management revenues. This Settlement term provided immediate relief to ratepayers who are already facing higher natural gas costs by reducing PGC rates for PNG by $.0271/Mcf.

3. UGI Penn will increase its sharing mechanism credits by $22,129.03 to correct a classification error for certain secondary market transactions. These revenues were generated by capacity release transactions that used PGC assets, but were erroneously classified. These further immediate offsets to the Company’s PGC will directly benefit PGC customers.

4. UGI Penn shall be allowed to recover the cost of Prophet-X through its PGC rates as a risk management tool, but will drop its claims for recovery of all other risk management tool expenses through PGC rates in this proceeding.

5. UGI Penn shall modify its existing peaking service agreement with GASMARK ("PNG Peaking Agreement") to make the following modifications:
   - Shorten the term to ten years (November 1, 2007 through March 31, 2017);
   - For a one year period beginning November 1, 2008 reduce the otherwise applicable contract price by $15/Dth; and
   - For all subsequent years of the PNG Peaking Agreement term reduce the otherwise applicable contract price by $25/Dth.

As a result of these Settlement provisions, over the next 9 years, the settlement will reduce the total demand charges by $3,895,000. The settlement also eliminated $12,936 in risk management costs for the 2008 PGC rate period and UGI Penn has increased PGC customers’ projected share of Asset Management Revenues by $600,000. Thus, the negotiated terms of this Settlement provide approximately $4.5 million in savings for PNG’s ratepayers. UGI Penn’s filed position provided a PGC rate of $11.6820/Mcf, which represented no change from its current PGC rate. As a result of this Settlement, the PGC rate for PNG under its filing assumptions would be
$11.6215/Mcf—a reduction of 6 cents/Mcf. On November 7, 2008, the PUC entered an Order adopting the Recommended Decision of the ALJ.

PECO Energy Co., Docket No. R-2008-2039468. On May 31, 2008, PECO Energy Company submitted its annual purchased gas cost filing pursuant to Sections 53.64 and 53.65 of the Pennsylvania Code. The OCA filed a formal complaint against PECO’s PGC filing on June 9, 2008. Prior to the OCA submitting its Direct Testimony in this proceeding, a settlement in principle was reached with the Company and all other active parties to the proceeding that resolves all of the OCA’s contested issues. The proposed settlement was submitted to the ALJ on August 1, 2008 and, on August 11, 2008, the ALJ recommended approval of the settlement.

The Settlement contained several provisions that are advantageous to ratepayers of PECO. First, under the Settlement, the Company will continue to be required to lock-in the price of natural gas at multiple times throughout the year, reducing the Company’s exposure to extreme price spikes at specific points in time. As a result of the Hedging Policy agreed upon in this Settlement, PECO’s consumers will continue to benefit from increased price stability, while allowing the Company to use its knowledge and discretion when making purchases for the purpose of reducing gas costs. Furthermore, the Settlement required that PECO study the possible benefits of a relatively constant percentage of gas purchases being hedged throughout the year for possible incorporation in future gas hedging plans. Second, the Settlement required PECO to evaluate its capacity resources for the longer term and include the evaluation with its next PGC filing. The evaluation submitted by PECO will help the parties determine if PECO needs to further diversify its supply sources in order to ensure ongoing system reliability and minimize its overall gas costs. Finally, the Settlement extended the Company’s existing sharing mechanism for off-system sales and capacity for an additional one year period, until March 31, 2010. Based on the historical margins shared under this mechanism, additional credits to ratepayers should result. On September 15, 2008, the PUC entered an Order adopting the Recommended Decision of the ALJ.

Miscellaneous Gas Cases and Issues

Investigation into the Natural Gas Supply Market, Docket No. I-00040103F0002. In a Report to the General Assembly issued in October 2005, the Public Utility Commission determined that effective competition did not exist in Pennsylvania’s retail natural gas market. As a result of that determination, the Commission convened the Natural Gas Stakeholders Group, which became known as SEARCH, to explore avenues for increasing competition. The OCA participated actively in the SEARCH process. At the conclusion of the process, the Commission Staff issued recommendations to the Commission regarding changes that might be considered to increase competition. On September 11, 2008, the Commission entered an Order setting forth an “Action Plan” to
increase competition in the retail natural gas market. The Action Plan will result in the establishment of several working groups and the issuance of new regulations and policy guidelines. Many of the recommendations will have an impact on consumer protection and service. The OCA will participate in all aspects of this Action Plan.

At this time, the OCA has filed Comments and Reply Comments on the Commission’s proposal to require each NGDC to file a Purchase of Receivables Program or undergo a further unbundling of their distribution rates. The OCA raised concerns with Purchase of Receivables programs that allow essential natural gas service to be terminated for failure to pay unregulated supplier charges. The Commission directed the filings of purchase of receivables programs following the issuance of further guidance on the design of such programs.

Natural Gas Distribution Companies and the Promotion of Competitive Retail Markets, Docket No. L-2008-2069114. On March 27, 2009, the Commission issued a Proposed Rulemaking Order to adopt regulations governing the relationship between Natural Gas Distribution Companies (NGDCs) and Natural Gas Suppliers (NGSSs). The proposed rulemaking was in response to the Commission’s Final Action Plan resulting from a stakeholder group convened to identify barriers to competition. The Commission identified certain steps that it would consider taking to promote the development of competition in the retail market for natural gas supply. The proposed regulations in this rulemaking addressed five areas: 1) the reformulation of the price to compare, 2) purchase of receivables programs, 3) mandatory capacity assignment, 4) recovery of NGDC costs of competition-related activities, and 5) recovery of regulatory assessment costs. The OCA filed comments to the proposed regulations opposing the regulations in substantial measure. The OCA argued that the regulations would make supplier of last resort service volatile and confusing, degrade essential consumer protections and increase costs to consumers. The OCA urged the Commission to withdraw this rulemaking or substantially modify the proposed regulations. The matter remains pending before the Commission.

Revision of Guidelines for Maintaining Customer Services: Establishment of Interim Standards for Purchase of Receivables (POR) Programs, Docket No. M-2008-2068982. On October 16, 2008, the Commission solicited comments on a proposal to revise its guidelines issued in 1999 regarding the use of termination of regulated natural gas service based on unregulated supplier charges. The Commission’s guidelines prohibited a natural gas distribution company (NGDC) from terminating a customer’s regulated service based on the non-payment of unregulated charges. The OCA viewed these guidelines as consistent with the Public Utility Code and the Commission regulations. The OCA filed comments opposing the Commission’s proposal to now allow termination of essential utility service based on unregulated charges. After consideration of the Comments, the Commission determined to revise its guidelines and allow for the termination of regulated distribution service based on unregulated charges. The Commission stated that the issue of whether any consumer protections were
needed as a result of this ruling would be taken up in the context of specific programs proposed under the regulations.

Petition of T. W. Phillips for a Purchase of Receivables Program, Docket No. P-2009-2099192. In response to a Commission Order, T.W. Phillips filed a Petition with the Commission proposing a purchase of receivables (POR) program. Under the POR, T.W. Phillips would bill and collect the charges to customers from unregulated natural gas suppliers (NGS). T.W. Phillips would remit to the NGS the full amount of the charges (with a small discount) even if it had not collected the charges from customers. T.W. Phillips requested authority to terminate customers that did not pay these unregulated charges, even if the charges were higher than Columbia’s supplier of last resort service. T.W. Phillips also asked that its Petition be held in abeyance as there was little to no activity by NGSs on its system. The OCA filed an Answer supporting T.W. Phillips request to hold its Petition in abeyance. If the Commission considered the program, however, the OCA argued that if termination was to be permitted, certain consumer protections needed to be put in place. Specifically, the OCA argued that T.W. Phillips should not be permitted to terminate regulated natural gas service for charges that were higher than the supplier of last resort charges. The matter remains pending before the Commission.

Petition of National Fuel Gas Distribution for a Purchase of Receivables Program, Docket No. P-2009-209933. In response to a Commission Order, NFGD filed a Petition with the Commission proposing a purchase of receivables (POR) program. Under the POR, NFGD would bill and collect the charges to customers from unregulated natural gas suppliers (NGS). NFGD would remit to the NGS the full amount of the charges (with a small discount) even if it had not collected the charges from customers. NFGD requested authority to terminate customers that did not pay these unregulated charges, but only to the extent that the charges were at or below NFGD’s supplier of last resort service. The OCA filed an Answer supporting the Company’s proposal due to the inclusion of necessary consumer protections regarding the termination of natural gas service. The matter remains pending before the Commission.

Petition of Columbia Gas for a Purchase of Receivables Program, Docket No. P-2009-209933. In response to a Commission Order, Columbia Gas filed a Petition with the Commission proposing a purchase of receivables (POR) program. Under the POR, Columbia would bill and collect the charges to customers from unregulated natural gas suppliers (NGS). Columbia would remit to the NGS the full amount of the charges (with a small discount) even if it had not collected the charges from customers. Columbia requested authority to terminate customers that did not pay these unregulated charges, even if the charges were higher than Columbia’s supplier of last resort service. The OCA filed an Answer arguing that if termination was to be permitted, certain consumer protections needed to be put in place. Specifically, the OCA argued that Columbia should not be permitted to terminate regulated natural gas service for charges that were
higher than the supplier of last resort charges. The matter remains pending before the Commission.

Federal

FERC Gas Cases

Tennessee Gas Pipeline Company, Docket Nos. RP91-203 and RP92-132. On May 15, 1995, Tennessee filed with the FERC a comprehensive settlement agreement to resolve outstanding issues relating to Tennessee’s recovery through rates charged to its customers of the costs of remediating PCBs and other hazardous substance list (HSL) contamination at specified locations on its pipeline system. The Settlement established a PCB/HSL cost recovery mechanism that is to apply throughout the duration of Tennessee’s federal and state mandated programs to assess and remediate the PCB/HSL contamination. The Settlement permitted Tennessee to recover $17 million per year of certain defined “eligible costs” related to the PCB/HSL Project and initially established a PCB adjustment surcharge (PCB surcharge) as the mechanism for recovery of Tennessee’s eligible costs for the period from July 1, 1995, through June 30, 2000. The Commission approved the Settlement by Orders dated November 29, 1995, and February 20, 1996.

The Settlement provided that the PCB surcharge shall be extended beyond the PCB Adjustment Period (ending June 30, 2000) in twenty-four month increments “as necessary to collect additional costs to eliminate the account balance” or to “reflect additional Eligible Costs.” Between May 31, 2000 and May 31, 2006, Tennessee filed for four twenty-four month extensions of the initial PCB Adjustment Period and all were granted by the FERC. Tennessee filed for a fifth extension on May 31, 2008 to extend that period for another twenty-four months.

In the May 31, 2008 filing, Tennessee stated that through 2007, Tennessee had spent approximately $229 million in Eligible Costs on the PCB/HSL Project and had a pre-collection credit balance of approximately $148 million in the Recoverable Cost / Revenue Account (RCRA). Tennessee also stated that it expected to expend an estimated $10 million to complete the Project and provide for ongoing monitoring requirements. Therefore, Tennessee recognized that the RCRA balance most likely exceeds what is needed for such completion.

After a further settlement process at the FERC, Tennessee, on April 13, 2009, filed an Amendment to the comprehensive settlement agreement entered May 15, 1995. The purpose of the Amendment was to resolve the issues surrounding Tennessee’s over-collected RCRA balance. Under the terms of the Amendment:
1. Tennessee will make Interim Refunds to shippers of $156.6 million, plus interest. The Interim Refund Amount is based on Tennessee’s representation of the balance in the RCRA as of December 31, 2008 plus estimated carrying charges at an annual interest rate of 10 percent through June 30, 2009, net of $10 million to be retained to apply to the shippers’ share of additional Eligible Costs.

2. Tennessee will make quarterly installment payments over a three-year period amortized at an annual interest rate of 8 percent. The first quarterly installment is to be paid on July 1, 2009. The first six quarterly installments will be in the amount of $9.6 million each. The remaining six installments will be in the amount of $20.06 million.

3. The Interim Refund Amount will be allocated to shippers pro rata based on surcharge collections during the PCB Adjustment Period. A shipper that contributed to the surcharge collections will be entitled to its pro rata share regardless of whether the shipper remains a customer on the Tennessee system.

4. At any time during the term of the original settlement, Tennessee is authorized to refund all or a portion of the Interim Refund Amount and/or the remaining balance of the RCRA to all shippers without penalty. Tennessee will then be entitled to re-determine the Interim Refund Amount.

5. If at any time during the Interim Refund Period, Tennessee incurs or is required to recognize in its financial statements Eligible Costs and the customers’ share of the Eligible Costs exceeds the Retained Amount in the RCRA, the additional customers’ share of the Eligible Costs will first be netted against the remaining Interim Refund Amount balance. The Interim Refund Amount will not be reduced to reflect Additional Eligible Costs as a result of early distribution of the Interim Refund. Instead, if the Interim Refund Amount is insufficient to offset the Additional Eligible Costs, Tennessee shall reinstate the PCB adjustment, consistent with the original settlement, as necessary to provide for recovery of the Additional Eligible Costs.

6. All carrying charges will be calculated by using the greater of: (1) an annual interest rate of 10% for the period ending on June 30, 2009 and 8% thereafter, or (2) the then-applicable FERC-prescribed interest rate for pipeline refunds.

7. The term of the original settlement will be automatically extended if, at the end of such term, Tennessee is incurring Eligible Costs, or an extension of the term is necessary to complete cost recovery or refunds, including the payment of Interim Refunds, or an extension is necessary to effectuate the results of any pending litigation.
8. The Amendment will become effective on the date that the Commission order approving the Amendment, without modification, becomes final.

On May 5, 2009, the FERC Settlement Judge certified the Amendment to the Commission recommending approval. Support for the Amendment was unanimous among the parties. The OCA joined with numerous other parties in the case to send a letter to FERC requesting expedited action on the Amendment. At the end of the Fiscal Year, this case was pending before FERC.
TELECOMMUNICATIONS

Pennsylvania

Merger Proceedings

Joint Application of the United Telephone Company of Pennsylvania d/b/a Embarq Pennsylvania and Embarq Communications, Inc., Docket No. A-2008-2076038. On November 21, 2008, the United Telephone Company of Pennsylvania LLC d/b/a Embarq Pennsylvania (Embarq PA) and Embarq Communications, Inc. (ECI) filed a Joint Application seeking such approvals, under Chapter 11 of the Public Utility Code, in connection with the proposed transfer of control of the Joint Applicants to CenturyTel, Inc.

Embarq PA is a certificated Incumbent Local Exchange Carrier (ILEC) in Pennsylvania, authorized to provide local exchange services in 92 exchanges in all or parts of 25 counties in Pennsylvania. Embarq PA serves approximately 326,000 access lines in Pennsylvania. ECI provides interexchange toll service to approximately 160,000 Pennsylvania customers. CenturyTel is a Louisiana corporation that provides service as an ILEC to approximately 2.1 million local access lines in 25 states. In addition to its service as an ILEC, CenturyTel provides internet and entertainment services across its network and maintains approximately 600,000 broadband connections with customers on its network.

On December 23, 2008, the OCA filed a Protest to ensure that the proposed transaction provides substantial affirmative benefits to Pennsylvania consumers as required by law – specifically, Sections 1102 and 1103 of the Public Utility Code, Section 69.901 of the Commission’s regulations and other applicable precedent. Given the number of Pennsylvania utility consumers served by the Joint Applicants, the OCA sought to ensure that CenturyTel, the acquiring company, was able to meet the needs of the Joint Applicants’ customers, and to provide substantial affirmative benefits in support of the proposed transaction.

The OCA submitted the Direct Testimony of Dr. Trevor Roycroft on February 5, 2009. In that testimony, Dr. Roycroft articulated several concerns about the merger and recommended that either the Commission deny the merger or place conditions on the merger to ensure that the applicable statutory and appellate precedent governing the proceeding is satisfied. More specifically, Dr. Roycroft testified that it would be a substantial affirmative public benefit if the synergy savings associated with the merger were shared through an extension of the cap on noncompetitive services. Dr. Roycroft also recommended that the combined Company accelerate its network modernization and provision of high-speed internet access in advanced of its current statutory
obligations as a benefit of the merger. Dr. Roycroft also recommended other conditions be placed on the merger such as those addressing service quality and low-income benefits as a benefit of the merger. Other parties to the proceeding also filed testimony on February 5, 2009 generally recommending that the merger be denied or conditioned as well.

Hearings were held and briefs filed. On April 6, 2009, the ALJ issued an Initial Decision in this matter. The ALJ determined that the Application as filed should be approved in its entirety, without the imposition of any conditions. The ALJ determined that the applicants had satisfied all applicable legal standards that applied.

In response to the ALJ’s decision to approve the Application without conditions, the OCA filed Exceptions on April 17, 2009. On May 28, 2009, the Commission granted the parties’ Exceptions in part and denied them in part by approving the Joint Application subject to certain conditions. In particular, the Commission conditioned its approval of the Joint Application on the merged entities agreeing to submit quarterly reports on the integration of the companies’ billing systems and business and repair office operations, with speed of answer included in the report; submit a quarterly report identifying the number of company personnel associated with the maintenance of Pennsylvania network facilities; and continue the service quality reporting obligations established in Embarq’s 2005 Spinoff settlement. The Commission Order was subsequently appealed by the Office of Small Business Advocate and that appeal was pending as of the end of the Fiscal Year.

Application of Verizon North Inc. for Any Approvals Required Under the Public Utility Code for Transactions Related to the Restructuring of the Company to a Pennsylvania-Only Operation and Notice of Affiliate Transaction, Docket Nos. A-2009-2111329, et al. On May 29, 2009, Verizon North, Inc. filed an Application under Section 1102 of the Public Utility Code seeking any necessary approvals from the Commission in conjunction with Verizon Communication’s nationwide divestment of certain of its wireline properties to Frontier Communications Corp. Verizon is not divesting any of its Pennsylvania wireline properties to Frontier as part of the transaction but indicates that it is separating Verizon North’s Pennsylvania properties from the rest of Verizon North as part of the transaction. On June 15, 2009, the Communications Workers of America (CWA) filed Preliminary Objections in essence seeking more information from Verizon North regarding the Application. The OCA has been monitoring this case in an attempt to determine the extent to which service to Pennsylvania consumers may be affected by this transaction. At the end of the Fiscal Year, this case was pending before the PUC.

Joint Application of Denver & Ephrata Telephone & Telegraph, D&E Systems, Buffalo Valley Telephone Co., and Conestoga Telephone, Docket No. A-2009-2109530. On May 21, 2009, the Joint Applicant D&E Entities comprised of 3 affiliated rural local exchange companies and 1 competitive local exchange company affiliate, filed an application for PUC approval of a proposed transfer of control to Windstream
Corporation. Windstream Corp. is a holding company and parent of Windstream Pennsylvania, a Pennsylvania local exchange carrier.

The OCA filed a Protest and public statement on June 22, 2009. The OCA Protest requested that the PUC either deny the application, or impose conditions that would ensure that the transfer of control would affirmatively benefit consumers and the public. At the end of the Fiscal Year, this case was pending before the PUC.

Joint Application of Pymatuning Independent Telephone Company and P.T. Communications Corp., Docket No. A-2009-2114073. On June 12, 2009, Pymatuning, a rural local exchange carrier (RLEC) and P.T. Communications, an affiliate and interexchange carrier filed an application for approval of transfer of all stock to Townes Tele-Communications. Townes owns and operates 8 RLECs in other states. Townes proposed to acquire all stock in Pymatuning Holding Company (PHC), the corporate parent of Pymatuning and P.T. Communications. In 2005, the PUC had approved a transfer of control of Pymatuning Holding Company to two entities and the pledge of the RLEC’s assets as collateral for debt obtained to finance the 2005 stock transaction. In August 2008, the owners of PHC were given notice that they were in default on the debt. Townes subsequently acquired the debt. Pymatuning filed the Joint Application so that, subject to PUC approval, Townes could become owner of the stock in PHC and take over management and operation of the RLEC. At the end of the Fiscal Year, this case was pending before the PUC.

Access Charge Proceedings

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

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

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

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

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

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

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

Hearings were held in February 2009. On May 11, 2009, the OCA submitted its Main Brief articulating its positions in this proceeding. The OCA continued to advocate that the $18 benchmark should be maintained at this time for reasonable rural basic local exchange rates. The OCA further continued its position that since the concepts of comparability and affordability change over time, the Commission should establish a mechanism that adjusts the benchmark rate over time as well. The OCA argued that this benchmark should be no greater than 120% of the Verizon average weighted basic local exchange rate and no greater than 0.75% (three-quarters of one percent) of the Pennsylvania median rural household income. In addition, the OCA presented its position on the other issues raised by the Commission in its Order instituting this investigation, including the role of the Pennsylvania Universal Service Fund in maintaining this basic local service rate cap for rural customers. On June 4, 2009, the OCA filed a Reply Brief in response to various arguments raised by other parties in this proceeding in their Main Briefs. At the end of the Fiscal Year, this case was pending before the PUC.

AT&T Communications of Pennsylvania, LLC, et al. v. Armstrong Telephone Company – Pennsylvania, et al., Docket No. C-2009-2098380. On March 19, 2009, AT&T Communications of Pennsylvania, Inc., TCG New Jersey, Inc. and TCG Pittsburgh, Inc. filed Formal Complaints against each of the thirty-two Pennsylvania rural local exchange carriers. These Formal Complaints were consolidated. In its Formal Complaints, AT&T averred that the RLECs' intrastate access rates are excessive. AT&T claimed that such rates are anti-competitive and violated Sections 1301 and 3011 of the Public Utility Code. AT&T requested that the RLECs' intrastate access rates be reduced to interstate switched access levels, both in rate levels and in rate structure.

On April 24, 2009, the OCA formally intervened into the consolidated complaints. The OCA was concerned that any revenue-neutral reduction in intrastate access rates must be considered in light of the $18.00 limit on monthly residential basic local exchange service. All RLECs’ monthly residential basic local exchange service rates are capped at $18.00 with any amounts above $18.00 coming from the Pennsylvania Universal Service Fund (Pa USF). As a result, it is also necessary to consider these issues in light of the pending Commission investigation at Docket No. I-00040105, discussed above.

On April 30, 2009, the RLECs filed Preliminary Objections and Motion for Stay or Consolidation. On May 5, 2009, Sprint Communications filed a Petition for Intervention. AT&T filed an Answer to the RLECs Preliminary Objections and Motion on May 13, 2009.
The OCA will continue to advocate for consumer interests in this matter, particularly since any reductions in intrastate access rates must be revenue neutral, which may result in an increase to basic local exchange rates. At the end of the Fiscal Year, this case was pending before the PUC.

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. As discussed in last year’s Annual Report, the OCA filed a formal complaint jointly with PULP and the Pennsylvania chapter of AARP on July 10, 2007 against restrictions imposed by Verizon PA and Verizon North on how low income consumers who are eligible for the federal Lifeline 135 discount may purchase local service. Verizon PA and Verizon North did not allow consumers who receive the Lifeline 135 discount to purchase local service as part of a bundled package with other services. The Joint Formal Complaint of OCA, PULP and AARP asked 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.

On November 20, 2007, OCA filed a Motion for Summary Judgment with exhibits on behalf of the Joint Complainants. The Motion described Verizon’s obligations under Section 3019(f) and federal regulations incorporated by Act 183 to extend the Lifeline discount to all eligible low income consumers regardless of whether they purchase their telecom services a la carte or at a bundled price. The Joint Complainants’ Motion described Verizon’s restrictions as unreasonable discrimination as to both service and rates in violation of Sections 1304, 1502, and 3019(f)(2) of the Public Utility Code. The OCA also filed a Joint Answer and Brief in Support in opposition to Verizon’s Motion for Summary Judgment on December 20, 2007.

By Initial Decision issued May 21, 2008, the PUC ALJ ruled that the Complaint and Motion for Summary Judgment filed by OCA, AARP and PULP should be granted and that Verizon’s motion for judgment should be denied. ALJ Rainey relied on the arguments of the OCA, AARP and PULP that Section 3019(f) and subsequent PUC rulings related to the availability of Lifeline require Verizon to provide Lifeline eligible consumers with the opportunity to purchase local calling service bundled with other services. The ALJ directed Verizon to revise its tariffs and open certain bundled offerings to Lifeline consumers. The ALJ determined that Verizon’s obligation to offer the combination of services best suited to the consumer’s needs would protect and benefit Lifeline eligible consumers.

Verizon filed Exceptions to the Initial Decision. The OCA, PULP and AARP filed Reply Exceptions on June 20, 2008. In particular, the OCA and other Joint Complainants
emphasized that the Lifeline discount is federally supported and advances public policy goals. The Joint Complainants supported the ALJ’s determination that as a matter of law the Commission should require Verizon to pass through the Lifeline discount even if the Lifeline customer wishes to purchase local calling and other services, including long distance, as a single priced bundle.

The Commission entered an Order in favor of the OCA and Joint Complainants on December 22, 2008. The Commission denied each of Verizon’s exceptions and granted the Joint Complainants’ Motion for Summary Judgment. The Commission agreed with the Joint Complainants that Verizon PA and Verizon North’s tariffs violate Section 3019(f)(2) by restricting access by Lifeline eligible consumers to bundled packages at the tariffed rates. The Commission ordered Verizon PA and Verizon North to revise their tariffs to conform with the Order.

Verizon Pennsylvania 2009 Price Change Opportunity Filing, Docket Nos. R-2008-2074972 and P-00930715F1000. On October 31, 2008, Verizon PA filed its 2009 Price Change Opportunity (PCO) filing in which it proposed rate changes resulting in an annual increase in noncompetitive revenue of $13,436,600. On February 27, 2009, the Commission entered an Order in which it found the filing to be in partial compliance with the Company’s Chapter 30 Plan. On March 16, 2009, Verizon filed a Petition for Reconsideration and Stay of the portion of the February 27th Order that required Verizon to issue a one-time credit to customer bills. Verizon requested the opportunity to issue the credit as part of its 2010 PCO filing, instead of issuing a credit “mid-year.” The case was pending as of the end of the Fiscal Year.

Verizon Pennsylvania and Verizon North Price 2008 Change Opportunity Filings. On November 1, 2007, Verizon PA made its 2008 Annual Price Change Opportunity filing (Docket No. P-00930715). Based on the Company’s price stability mechanism, as revised under Act 183, Verizon’s PCO is $14,617,000. However, Verizon proposed that there would be no rate increases associated with this filing until June 2009 as a result of Verizon’s accounting for recurring and one-time adjustments from the 2006 and 2007 filings.

The OSBA filed a Formal Complaint averring that information filed by Verizon PA in support of the 2008 PCO filing may be insufficient to justify the future rate increases, and that Verizon PA’s proposed rates, rules, and conditions of services may be unjust, unreasonable, unduly discriminatory, and otherwise contrary to law. (Docket No. C-20078513) OSBA further contended that Verizon’s filing may violate Section 1301 and 3015(g) of the Public Utility Code. The OSBA complaint argued that adjustments in Verizon PA’s filing were not sufficiently documented and must be thoroughly investigated.

Likewise, on November 1, 2007, Verizon North made its 2008 Annual Price Change Opportunity (PCO) filing (Docket No. P-00001854). Based on the Company’s price
stability mechanism, as revised under Act 183, Verizon North’s PCO is $2,793,000. However, Verizon North also proposed that there would be no rate increases associated with this filing until February 2009 as a result of Verizon North’s accounting for recurring and one-time adjustments from the 2006 and 2007 filings.

The OSBA filed a Formal Complaint in opposition to the Verizon North PCO filing and proposed rates, rules, and conditions of services, largely echoing the complaint against Verizon PA’s filing. (Docket No. C-20078514). The OCA intervened in both OSBA complaint proceedings. The on-the-record proceeding was stayed to allow the parties to engage in settlement negotiations.

On May 22, 2008, in a related case, the Commission approved a Petition filed by Verizon seeking to amend the Commission’s Orders regarding Verizon’s 2006 PCO filings, which were subject to an appeal filed by Verizon, and Verizon’s Amended Chapter 30 plans. The Commission’s approval of that Petition resolved many of the outstanding issues contested in the 2008 PCO proceeding. On July 30, 2008, the parties submitted to the ALJs a Joint Settlement Petition which resolved by agreement all of the outstanding issues remaining in this case beyond those issues involved in the 2006 PCO filing. In particular, the OCA supported the Settlement because it properly addressed the accounting gap between the 2003 PCO banked decrease and the 2007 payment to the Pennsylvania Universal Service Fund by further delaying the implementation of any increase due to the 2009 PCO case. Verizon had previously proposed to bank the difference which would have been of less benefit to residential customers. The OCA further supported the Settlement because Verizon agreed to recover a prior overpayment into the Broadband Outreach and Aggregation Fund in a manner that would more likely ensure that consumers continue to reap the benefits of the Fund. The OCA did not oppose the resolution of the issues raised by other parties in this proceeding that were resolved in the Settlement as well. On August 28, 2008, the ALJs recommended approval of the Settlement in its entirety. The Commission approved the Joint Petition via Order entered September 25, 2008.

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. As discussed in last year’s Annual Report, 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.
The PUC subsequently gave notice and engaged in reconsideration of the June 2, 2006 Order, allowing the parties to present testimony and brief their positions. The presiding ALJ recommended no rescission or amendment of the June 23, 2006 Order. The ALJ found that the record evidence presented in the reconsideration proceeding did not support a decrease in the access rates.

Nonetheless, the PUC reversed its June 2006 Order and 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. Then 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 Commission's reversal of the June 2006 Order and permission for the D&E companies to charge their residential customers more than the $18 rate cap for basic local gave rise to various petitions for reconsideration and appeals. The OCA argued that the Companies are legally permitted to increase their access rates and that the Commission should not have granted a waiver of the $18 rate cap.

On April 9, 2008, the Commission found that the waiver of the $18 rate cap was appropriate, based on the unique circumstances of the case. As discussed above, the Commission also determined on April 9, 2008 to reopen their investigation into rural telephone companies’ access charges for the limited purpose of determining whether there is a need to increase rate caps and/or funding of the Pennsylvania Universal Service Fund in order to accommodate the guaranteed revenue increases allowed to the companies under Chapter 30.

On May 9, 2008, the D&E Companies appealed the Commission’s July 11, 2007, December 7, 2007 and April 9, 2008 Orders collectively in Commonwealth Court. In the Petition for Review, the D&E Companies asserted violations of Chapter 30 of the Public Utility Code and the Companies’ approved Chapter 30 plans.

The OCA filed a Cross Petition for Review in response to the D&E Companies’ Petition for Review. The OCA raised the same arguments in the Cross Petition regarding the $18 rate cap.

The OCA’s Brief filed on September 26, 2008 asserting three specific arguments. The OCA averred that the Commission’s Orders 1) violate Section 3015(g) of the Public Utility Code because they increase rates beyond a previously commission-approved annual rate change limitation, 2) violate Section 3013(b) of the Public Utility Code because they modify the Companies’ Chapter 30 plans without the Companies’ express agreement and 3) fail to give proper notice and opportunity to be heard regarding the
matters pertaining to the Pennsylvania Universal Service Fund and the $18.00 cap on residential basic local exchange service.

The D&E Companies also filed a Brief on September 26, 2008 raising generally the same issues. In addition, the Companies argued additional issues, including that the Commission’s Orders violate Section 703(e) of the Public Utility Code because they were not based on substantial evidence or supported with the necessary findings. At the end of the Fiscal Year, this case was pending before Commonwealth Court.

**Office of Small Business Advocate v. The United Telephone Company, d/b/a Embarq, Docket Nos. R-2008-2062354, C-2008-2062966, and P-00981410F1000.** Embarq filed its Price Stability Mechanism calculation and proposed rate increases on August 29, 2008. Embarq proposed no increase to residential basic local service, an increase of $932,221 based on changes in certain rates for optional services, business local exchange and wholesale services and to bank $1,344,195 of allowed revenue increase. OSBA filed a formal complaint on September 10, 2008 alleging that the rate increase to business customers violated agreements to freeze or limit business rate increases set forth in Commission orders approving the spin-off of Embarq from Sprint Communications and/or an intrastate rural access reform. The OCA filed a notice of intervention and public statement on September 30, 2008. On October 23, 2008, the parties executed a Settlement agreement, whereby Embarq agreed to withdraw the proposed business rate increases, which OSBA had opposed, and instead bank the $116,000 of allowed revenue increase. On December 4, 2008, the Commission approved the settlement, as recommended by the ALJ.

**Verizon Pennsylvania Inc. v. Penn Telecom Inc., Docket No C-20066987.** As discussed in last year’s Annual Report, Verizon filed a formal complaint, which alleged that Penn Telecom was 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. On December 14, 2007, the ALJ issued an Initial Decision which sustained Verizon’s Complaint and directed Penn Telecom to reduce its intrastate switched access charges and provide a refund of any past overcharges. The ALJ determined that Penn Telecom did not justify its higher rates. Penn Telecom filed Exceptions to the ALJ’s decision.

On August 7, 2008, then Vice-Chairman Cawley moved to have Verizon’s complaints against Penn Telecom Inc. and CTSI (see below) sent to mediation for a period of 60 days commencing with the entry of the Commission’s Order. The motion passed. The PUC’s August 29, 2008 Opinion and Order identified considerations to be addressed by the PUC, upon further review, in the event mediation is unsuccessful. On September 19, 2008, Verizon and Penn Telecom filed separate petitions requesting reconsideration
and/or clarification. The PUC granted the petitions, pending resolution of the merits, by Order entered September 29, 2008.

Since September 2008, the OCA has participated in a number of mediation sessions, through June 2009. The matter was pending before the PUC at the end of the Fiscal Year.

Verizon Pennsylvania Inc. v. CTSI, Inc., Docket No. C-20077332. As discussed in last year’s Annual Report, Verizon filed a formal complaint on January 29, 2007, which alleged that CTSI, Inc. was charging access rates higher than allowed under Section 3017(c). Verizon alleged that CTSI had not provided cost justification for the rates it is charging. The OCA intervened to both assure that access rates are just and reasonable and to protect local service rates.

On February 29, 2008, the ALJ issued her Initial Decision and directed CTSI to lower its intrastate switched access rates to a level equal to Verizon’s intrastate switched access rates on a prospective basis. The ALJ, however, denied Verizon’s request for refunds back to the passage of Section 3017(c) associated with access charges at rates in excess of Verizon’s access rates. On March 20, 2008, both CTSI and Verizon filed Exceptions to the Initial Decision.

As noted above in Verizon v. Penn Telecom Inc., Vice-Chairman Cawley proposed, by motion dated August 7, 2008, a mediation period, to allow the parties to consider the possibility of settlement. The PUC’s August 29, 2008 Order and Opinion also followed the format of the Penn Telecom Order, identifying issues subject to PUC ruling, in event of no settlement. Verizon filed a Petition for Reconsideration on September 15, 2008, which the PUC has granted pending review of the merits.

Since September 2008, the OCA participated in a number of mediation sessions. As a result of the mediation process, CTSI agreed to file revised tariffs which propose lower intrastate access rates. The OCA filed a letter on March 19, 2009 indicating that OCA did not oppose the revised tariffs. On May 21, Verizon filed a petition for permission to withdraw its formal complaint. By Secretarial Letter issued June 12, 2009, the Commission closed the proceeding.

Bona Fide Retail Request Program (BFRR) As discussed in last year’s Annual Report, Verizon Pennsylvania, Verizon North, Embarq d/b/a United Telephone Company of Pennsylvania, and Windstream (formerly known as ALLTEL) are required under the terms of their revised Chapter 30 Plans and Act 183 to offer consumers who are not yet able to receive broadband service from their telephone company the opportunity to aggregate their request with others in their community. The BFRR was intended to help consumers get service deployed faster than the telephone utility might otherwise be planning to deploy. The program is under the combined jurisdiction of the Department of Community and Economic Development and PUC. In February 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 continues to receive multiple inquiries regarding the BFRR program from consumers throughout the state. The OCA provides assistance to these consumers in a variety of forms. The OCA also continues to emphasize consumer education about the BFRR program so that more consumers are aware of this opportunity. The OCA continues to monitor the Companies’ semi-annual BFRR reports as part of the oversight of the BFRR program.

Additional Telecom Cases

814, 717 and 570 area code issues. Recently, the North American Numbering Plan Administrator (NANPA) informed the Commission that the 814, 570 and 717 area codes are nearing exhaustion. That is, the area codes are running out of assignable telephone numbers. As a result, NANPA, along with the Commission and various industry representatives, has been conducting conference calls to discuss various options for the additional a new area code in each of these areas. The OCA has been participating in these informal proceedings to monitor the current action.

On June 10, 2009, NANPA filed a Petition with the Commission pertaining specifically to the 814 area code in which it recommended that an area code “overlay” be implemented for this area code within the next three years. The Commission is expected to issue an Order wherein it will accept Comments on this Petition. While the OCA initially opposed the implementation of an area code overlay for the 814 area code when the issue first arose earlier this decade because of, among other things, concerns with mandatory 10-digit dialing, the OCA supports an area code overlay at this time. The OCA, however, will also advocate that the Commission continue its efforts to ensure the efficient use of numbering resources and implement any new area codes only after it is clear that a new area code is necessary. At the end of the Fiscal Year, this case was pending before the PUC. Similar Petitions have also been filed with respect to the 570 and 717 area codes.

Petition of Full Service Network, L.P. for Declaratory Order or, in the Alternative, an Exemption/Waiver of Various Chapter 64 Regulations as Applied to Pre-Paid Landline Service, Docket No. P-2009-2097542. On March 26, 2009, Full Service Network, L.P. (FSN) filed a Petition for Declaratory Order or in the Alternative an Exemption/Waiver of certain Chapter 64 regulations. FSN sought approval to offer pre-paid wireline service in Pennsylvania. FSN has offered pre-paid wireline service on a pilot basis in a limited geographic area since 2007 and would like to do so on a permanent basis and more broadly throughout Pennsylvania.
The OCA filed an Answer to the Petition on April 15, 2009 generally supporting the Petition but raising a few concerns in the process. In particular, the OCA contended that a Declaratory Order was not justified but that a temporary waiver of certain Chapter 64 regulations may be appropriate so long as they were in the public interest and continue to ensure that consumers are adequately protected. The OCA, for example, did not object to waiver of certain billing and payment regulations but did raise concerns about termination issues so customers could avoid an unintended loss of service. The OCA also advocated that FSN should continue to comply with the Commission’s medical emergency provisions.

The PUC published notice of the FSN Petition in the Pennsylvania Bulletin for comment. OCA filed Comments which mirrored the OCA Answer previously filed. FSN filed Reply Comments which clarified some of the OCA’s concerns, but FSN still requested that the PUC grant the declaratory order.

Comcast Digital Phone of Pennsylvania, LLC d/b/a Comcast Digital Phone and Comcast Business Communications, Inc. v. Verizon Pennsylvania, Inc. and Verizon North, Inc., Docket No. C-2008-2023687. As discussed in last year’s Annual Report, on February 13, 2008, Comcast Phone of Pennsylvania filed a Formal Complaint against Verizon Pennsylvania and Verizon North. In its Complaint, Comcast argued that "Verizon is engaging in a systematic and illegal retention marketing process whereby customers who have agreed to switch to Comcast Digital Voice but for whom the telephone number ‘port’ (i.e., transfer) has not been executed are subject to an unlawful campaign of letters, emails and telephone calls from Verizon with the goal of inducing the customer to remain with Verizon’s telephone service." Comcast sought an order from the Commission directing Verizon to, among other things, “cease and desist from using Comcast’s request for customer service record[s] and request to port the customer’s telephone number to initiate retention marketing activities in an attempt to convince the switching customer to reverse the decision to switch to Comcast Digital Voice service.”

On February 28, 2008, the OCA intervened into the proceeding in order to participate in and consider the important issues raised in the Formal Complaint filed by Comcast and to ensure that all applicable laws and regulations are being followed that protect customers. On March 11, 2008, Verizon filed an Answer and Preliminary Objections in response to Comcast’s Complaint. Verizon argued that its actions were legal and, in fact, promoted consumer benefits through competition. Verizon further argued that Comcast’s Complaint should be dismissed because it fails to state a claim upon which relief can be granted. On March 21, 2008, Comcast filed an Answer to Verizon’s Preliminary Objections.

On April 11, 2008, the Chief of the Federal Communication Commission’s Enforcement Bureau released a Recommended Decision in a similar proceeding pending at the
federal level. The Decision recommended denying the complaint filed by Comcast and other cable companies against Verizon regarding similar retention practices.

On June 20, 2008, the FCC rejected the Recommendation of the Enforcement Bureau and sustained Comcast’s complaint. The FCC determined that Verizon’s actions violated section 222(b) of the federal Telecommunications Act of 1996 by using, for customer retention purposes, proprietary information of other carriers that it receives in the local number porting process. The FCC directed Verizon to immediately cease and desist from such unlawful conduct. In response, Verizon filed an appeal to the District of Columbia Court of Appeals. On February 10, 2009, the D.C. Court of Appeals denied Verizon’s appeal. The D.C. Court of Appeals affirmed that Verizon’s activities violated federal law and required Verizon to continue to cease and desist from engaging in its market retention activities. As a result, on April 14, 2009, Comcast filed with the Commission a Petition for Leave to Withdraw Without Prejudice. Verizon did not oppose the Comcast Petition. As a result, the proceeding before the Commission is effectively concluded.

**Rulemakings**

Rulemaking re: Provision of Bundled Service Package Plans at a Single Monthly Rate by Local Exchange Carriers, Docket No. L-00060179. As discussed in last year’s Annual Report, 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 single price bundled 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 reviewed the comments filed by Verizon and others, as well as the comments of the Independent Regulatory Review Commission. The Commission opened the Proposed Rulemaking for additional public comment by notice published June 7, 2008. The OCA filed comments that were generally supportive of the Commission intent of preserving customer’s access to local service in the event of non-payment of a single-priced bundle of local and other calling and unregulated services.

On September 2, 2008, IRRC gave notice that it had reviewed the additional public comments and would review the PUC’s response in its final rulemaking order, as part of IRRC’s review to determine whether the rulemaking is in the public interest.

On November 7, 2008, the PUC issued a Secretarial Letter which invited interested parties to review and informally comment on an expanded and revised proposal to amend Chapter 64.
On March 27, 2009, the Commission entered a Final Rulemaking Order adopting rules that safeguard the provision of protected basic local exchange telephone service within bundled service packages that are offered by telephone companies in Pennsylvania. The Commission established that a customer who purchases a bundled service package will not lose basic service when failing to make full payment on that bundled package.

On April 13, 2009, Verizon filed a Petition for Reconsideration and/or Clarification in response to the March 27th Order. Verizon sought clarification that a telephone company that converts non-paying customers to a zero-balance basic service account can continue to do so to avoid customer confusion and the imposition of unnecessary billing requirements. The OCA filed an Answer in support of the Verizon Petition on April 23, 2009. The OCA noted that the clarification sought by Verizon will in fact benefit consumers and should be adopted by the Commission. At the end of the Fiscal Year, Verizon’s Petition remains pending before the Commission.

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. As discussed in last year’s Annual Report, 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. OCA filed Reply Comments in support of the recommendations mapped out by NENA in April 2007. The OCA identified the legal support for the PUC’s exercise of jurisdiction to assure that Competitive Local Exchange Carriers (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. At the end of the Fiscal Year, the case was pending before the PUC.

Rulemaking to Amend Chapter 63 Regulations to Streamline Procedures for Commission Review of Transfer of Control and Affiliated Filings for Telecommunications Carriers, Docket No. L-00070188. As discussed in last year’s Annual Report, on September 27, 2007, the PUC ruled on a petition filed in 2006 by Level 3 Communications, which asked the PUC to simplify the review process for proposed changes in control among or between competitive local exchange companies. Verizon had filed comments asking that the PUC grant broader relief and streamline the transfer of control process for all LECs. The PUC’s rulemaking Order set forth proposed changes to Chapter 63 regulations based in part on the FCC’s adoption of a streamlined review process for some transactions between smaller carriers.
The OCA filed Comments on April 9, 2008 opposing the Proposed Rulemaking. The OCA disagreed that the PUC’s existing review process results in regulatory delay and provided analysis in support. The OCA faulted the structure of the proposed regulations, which would create a regulatory presumption that any application may be “deemed in the public interest and approved” simply by the lapse of time. The OCA emphasized that the Public Utility Code required the PUC to make findings and approve, approve with conditions, or deny the application. The OCA is concerned that to meet the deadlines for approval of applications, the proposed regulations would reduce or eliminate due process protections, including meaningful notice and an opportunity to be heard and contest an application. The OCA recommended that the PUC withdraw the Proposed Rulemaking.

The OCA filed Reply Comments which opposed revisions and requests for clarification presented by Verizon, Level 3 and others. The comments of the telephone utilities sought to increase the likelihood that applications, even those involving a merger of incumbent local exchange carriers, would be “deemed” approved without PUC review of the merits.

In comments issued June 9, 2008, IRRC raised questions about the consistency of the Proposed Rulemaking with Section 1103 of the Public Utility Code. IRRC also noted that the OCA comments had presented information which showed that the Commission is processing applications without delay and so the need for a “streamlined” process is in doubt. IRRC also noted that the complex framework proposed lacked important details such as notice to the public. The Commission convened a stakeholders meeting to address the differences of opinions presented and how to move to a final rulemaking order. OCA participated in three meetings with Commission staff and other stakeholders in May and June 2009. In the meetings, OCA continued to advocate that applications for transfer of control of telephone utilities should be subject to review and final order by the Commission on a schedule driven by the issues, complexity of the transaction, and needs of Commission staff. OCA counsel will continue to participate in any future activity on this matter. At the end of the Fiscal Year, the matter was pending before the PUC.

Federal

*Federal Communications Commission (FCC) Proceedings*

Universal Service Joint Board, CC Docket No. 96-45. As discussed in last year’s Annual Report, the FCC created a proceeding to consider whether it should revise the eligibility for Lifeline enrollment. The OCA supported NASUCA’s efforts to broaden the parameters for Lifeline eligibility. The FCC issued an Order and Notice of Further
Rulemaking. The FCC adopted recommendations of the Joint Board and revised the eligibility criterion for Lifeline. In particular, the FCC allowed Lifeline recipients to qualify for assistance based upon having an income at 135% of the federal poverty level under the federal default program. The FCC further noticed for comment the question of raising this level to 150% of that income guideline. The FCC also requested comment on whether standards for outreach and advertising the availability of Lifeline should be adopted. 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.

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 co-authored NASUCA Comments that supported adoption of the higher income eligibility criterion as still important to advance universal service goals and addressed the need for advertising and outreach standards. NASUCA filed the Comments on August 24, 2007. A telephone industry trade group, the United States Telecom Association (USTA), filed comments in opposition. Embarq also opposed adoption of the higher income criterion. OCA wrote NASUCA Reply Comments which countered the arguments of USTA and Embarq. NASUCA filed the Reply Comments on September 10, 2007.

On May 2, 2008, the FCC issued a News Release reporting on reforms adopted to the federal universal service program and inviting parties to refresh the record in related, still unresolved rulemakings, including the Lifeline eligibility docket. The OCA continues to work with NASUCA to continue to press for adoption by the FCC of the higher income eligibility standard. NASUCA filed an extensive document with the FCC on July 7, 2008 in support of modification of the Lifeline eligibility criterion and other important universal service program revisions.

Sprint Spectrum Petition for Declaratory Ruling Concerning Kansas Corporation Commission Lifeline Rules, WC Docket Nos. 03-109, 07-138. As discussed in last year’s Annual Report, 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 opposed a Kansas Corporation Commission ruling that required the wireless carrier to offer customers eligible for Lifeline a choice of wireless local calling plans. The FCC set the matter for comments.

OCA authored NASUCA Comments in opposition to the Sprint Petition. NASUCA explained that the wireless carrier’s view that state commissions can only require Eligible Telecommunications Carriers to offer one local calling plan option with the Lifeline discount was erroneous as a matter of federal law and policy. Although Sprint’s petition was directed at a particular Kansas Commission Order, Sprint and supporting wireless carrier Alltel asked the FCC to define federal policy which could apply to all states and so reduce the local calling plan options for Lifeline customers everywhere.
OCA wrote NASUCA Reply Comments which countered the legal and policy arguments of Alltel and noted the support of other public utility commissions and public interest groups for denial of Sprint’s request for FCC relief. At the end of the Fiscal Year, the matter was pending before the FCC.

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. As discussed in last year’s Annual Report, on September 6, 2006, the Verizon Telephone Companies filed six separate Petitions with the FCC seeking forbearance from a number 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 requested, 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 sought 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 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. Reply Comments were filed on April 18, 2007.

On November 6, 2007, the OCA led a delegation of consumer advocates from the affected states in meetings with staff members of the FCC’s Wireline Competition Bureau and related Divisions in this proceeding. The OCA provided a presentation detailing the advocates’ issues and addressed questions or concerns raised by the staff members. Similarly, on November 9, 2007, the OCA led a second delegation of consumer advocates from the affected states in three meetings with Legal Advisors from the staff of Chairman Martin, Commissioner Adelstein and Commissioner McDowell. The OCA provided the same presentation and again addressed questions or concerns raised by the Legal Advisors.

On December 5, 2007, the FCC released its Memorandum Opinion and Order denying, in their entirety, Verizon’s six Petitions. The FCC determined that the record evidence provided did not demonstrate that the forbearance requirements in the federal Telecommunications Act were satisfied with respect to any of the forbearance requests in any of the 6 MSAs.

Verizon filed a petition for review in the U.S. Court of Appeals for the District of Columbia Circuit on January 14, 2008. On February 11, 2008, the OCA intervened in the appeal before the DC Circuit Court. The OCA joined with other NASUCA offices, as
well as the Pennsylvania Public Utility Commission, who also intervened, to file a joint responsive brief. The OCA continued to advocate that Verizon’s Petitions were correctly denied since Verizon failed to provide sufficient relevant evidence to support them. In June 2009, the DC Circuit Court remanded the matter to the FCC for further explanation of the FCC’s decision. The matter was pending at the FCC as of the end of the Fiscal Year.

In the Matter of High Cost Universal Service Support; Federal-State Joint Board on Universal Service, WC Docket No. 05-337, CC Docket No. 96-45. On November 20, 2007, the Federal-State Joint Board issued a Recommended Decision that proposed changes and broadening of support for telecommunications infrastructure development in those portions of the Nation that are “high cost” due to low density, geographic, or other reasons. The R.D. proposed that federal universal service funds be made available to support build-out of broadband facilities in unserved or underserved parts of the Nation. The R.D. would cap the amount of high cost support currently received by incumbent LECs serving in high cost areas, including Pennsylvania carriers.

NASUCA filed Comments in response to the variety of issues presented. The NASUCA comments agreed with many of the Joint Board recommendations and proposed reforms. The OCA assisted in NASUCA’s preparation of reply comments. At the end of the Fiscal Year, the case was pending before the FCC.

In the Matter of Petition of Verizon for Forbearance Under 47 U.S.C. § 160(c) From Enforcement of Certain of the Commission’s Recordkeeping and Reporting Requirements, Docket No. WC-07-273; In the Matter of Petition of Embarq Local Operating Companies for Forbearance Under U.S.C. § 160(c) From Enforcement of Certain of ARMIS Reporting Requirements, Docket No. WC 07-204; and Petition of Frontier and Citizens ILECs for Forbearance Under U.S.C. § 160(c) from Enforcement of Certain of the Commission’s ARMIS Reporting Requirements, Docket No. WC 07-204. On October 19, 2007, the Embarq Local Operating Companies filed a Petition requesting forbearance from certain Automated Reporting Management Information System (ARMIS) requirements, including Service Quality Reporting and Operating Data Reporting. On November 13, 2007, Frontier and Citizens Communications Incumbent Local Exchange Telephone Carriers filed a Petition seeking the same relief. On November 26, 2007, Verizon filed a Petition requesting forbearance from enforcement of certain recordkeeping and reporting requirements as well. The Embarq and Frontier/Citizens Petitions were consolidated by the FCC. The FCC sought Comments from the public in response to the consolidated Petitions as well as the Verizon Petition.

NASUCA and the New Jersey Division of Rate Counsel filed Joint Comments on February 1, 2008 arguing that the Companies’ Petitions should be rejected because they failed to provide sufficient evidence that demonstrates that the three-part forbearance test created by Congress in the federal Telecommunications Act of 1996 is satisfied. Instead, the provisions from which the Companies seek forbearance provide
vital data that ensures that customers receive adequate and reliable basic local telephone service. NASUCA and the New Jersey Division of Rate Counsel also filed Reply Comments to the FCC on March 17, 2008 in response to Comments previously filed by other parties. On December 12, 2008, the FCC released a Memorandum Opinion and Order granting each Petition. The Commission found that the companies had satisfied each of the requirements for it to determine that forbearance from these reporting requirements was appropriate. The Commission determined that such actions were consistent with its prior steps to “grant relief from unnecessary legacy accounting and regulatory reporting requirements.”

Petition of Palmerton Telephone Co. and North-Eastern Telephone Co. for Waiver, CC Docket No. 08-71. Palmerton and NEP filed a petition with the FCC requesting waiver of a regulatory deadline for the filing of data necessary to support receipt of federal universal service fund support for the provision of line switching service. Without grant of the waiver, the two Pa. rural LECs would be at risk of not receiving several hundred thousand dollars of USF support. OCA filed comments in support of grant of the waiver, as reasonable based on the facts and in the best interests of the customers served by the two carriers. At the end of the Fiscal Year, the case was pending before the FCC.
WATER AND WASTEWATER

Base Rate Proceedings

Pennsylvania American Water Co., Docket No. R-2009-2097323. On April 24, 2009, Pennsylvania-American Water Company filed a request with the PUC to increase the level of rates that it charges for providing water service to its ratepayers. If the rate increase request proposed by the Company were granted, PAWC would be permitted to recover an estimated 12.5% annual increase in base rate revenues of $58,000,000. The total bill for a typical residential customer using 4,200 gallons of water per month would increase by $5.92 per month from $42.98 to $48.90. PAWC provides water service to approximately 630,000 residential, commercial, industrial, transportation and resale customers in 35 counties throughout Pennsylvania. The OCA filed a formal complaint in May 2009. OCA submitted the direct testimony of its consultants. The main accounting issues addressed were: 1) the OCA’s opposition to the Company’s proposed treatment of pension and OPEB expenses and 2) the OCA’s opposition to the Company’s treatment of Contributions In Aid of Construction and Customer Advances for Construction in the acquisition of Citizens’ Water Company. The OCA recommended a return on equity of 9.75%. The OCA witnesses also raised some quality issues, particularly the pressure increase in the Mechanicsburg system, and rate design issues. The OCA’s recommended an increase of no more than $9,852,522. At the end of the Fiscal Year, this case was pending before the PUC.

Aqua Pennsylvania, Docket No. R-2008-2079310. Aqua PA submitted a tariff supplement designed to increase the cap on its Distribution System Improvement Charge (DSIC) from 5.0% to 7.5%. The OCA filed a Formal Complaint and Public Statement against this increase on January 5, 2009. Hearings were held and briefs filed. The OCA argued that Aqua had failed to prove that an increase in the surcharge was necessary. Further, the OCA asserted that in light of the current economic crisis and the increased sources and amounts of funds available to Aqua to fund anticipated infrastructure improvements, the requested increase to the DSIC cap should be denied.

On May 29, 2009, the ALJ issued her Recommended Decision, wherein she recommended that Aqua’s requested DSIC cap increase be granted. The OCA filed Exceptions to the Recommended Decision on June 12, 2009. In its Exceptions the OCA again asserted that the Company failed to prove that an increase in the DSIC cap was necessary and if granted, would erode the essential consumer safeguards announced by the PUC in its Order allowing the surcharge mechanism. At the end of the Fiscal Year, this case was pending before the Commission.

Reynolds Water Co., Docket No. R-2009-2102464. On June 30, 2009, Reynolds Water Company filed a request with the PUC to increase the level of rates that it charges for
providing service to its ratepayers. Reynolds proposed additional annual revenues of $207,503, or 51%. The total bill for a typical residential customer using 15,000 gallons of water per quarter would increase 51% from $102.27 to $154.25 per quarter. Reynolds provides water service to approximately 740 customers in Pymatuning, Hemp field, and Delaware Townships, Mercer County. At the end of the Fiscal Year, this case was pending before the PUC.

Utilities Inc. of Pennsylvania, Docket No. R-2009-2117402; Utilities, Inc. – Westgate, Docket No. R-2009-2117389; Penn Estates Sewer, Docket No. R-2009-2117740 and Penn Estates Water, Docket No. R-2009-2117532. On June 30, 2009, Utilities, Inc. of Pennsylvania (UIP) filed a request with the PUC to increase the level of rates that it charges for providing service to its ratepayers. The Company provides wastewater service to approximately 1,270 customers in Bradford Township, Chester County. UIP proposed additional annual revenues of $378,737, or 59.7%. The flat rate for a typical residential customer would increase 66.6% from $110.63 to $184.31 per quarter. At the end of the Fiscal Year, this case was pending before the PUC.

Also on June 30, 2009, Utilities, Inc. - Westgate (Westgate) filed a request with the PUC to increase the level of rates that it charges for providing service to its ratepayers. Westgate proposed additional annual revenues of $158,326, or 45.4%. The bill for a typical residential customer using approximately 5,400 gallons of water per month would increase 46.8% from $36.80 to $54.02 per month. The Company provides water service to approximately 760 customers in Hanover Township, Northampton County. At the end of the Fiscal Year, this case was pending before the PUC.

Also on June 30, 2009, Penn Estates Utilities, Inc. filed requests with the PUC to increase the level of rates that it charges for providing water and wastewater service to its ratepayers. Penn Estates proposed additional annual water revenues of $281,927, or 68.9%. The water bill for a typical residential customer using 4,300 gallons of water per month would increase 70.1% from $19.84 to $33.75 and the monthly availability charge would increase from $8.60 to $14.63 per month.

Penn Estates proposed additional annual wastewater revenues of $318,297, or 45.5%. For a typical residential wastewater customer, the monthly flat rate would increase 46.2% from $34.29 to $50.14, and the availability fee would increase 46.2% from $25.80 to $37.73 per quarter. The Company provides water and wastewater service to approximately 1,660 customers in Stroud Township and Pocono Township, Monroe County. At the end of the Fiscal Year, this case was pending before the PUC.

Birch Acres Water Works, Inc., Docket No. R-2009-2110093. , On June 26, 2009, Birch Acres Water Works, Inc. filed a request with the PUC to increase the level of rates that it charges for providing service to its ratepayers. Birch Acres proposed additional annual revenues of $15,804, or 74%. The bill for a typical residential customer using 15,000 gallons of water per quarter would increase 74% from $133.98 to $234.59 per quarter.
The Company provides water service to approximately 46 customers in portions of Smithfield Township, Monroe County. At the end of the Fiscal Year, this case was pending before the PUC.

Lake Spangenberg Water Co., Docket No. R-2009-2115743. On June 24, 2009, Lake Spangenberg Water Company filed a request with the Public Utility Commission to increase the level of rates that it charges for providing service to its ratepayers. Lake Spangenberg asked for additional annual revenues of $92,292, or 400%. The bill for a typical residential customer using 7,000 gallons of water per quarter would increase 400% from $54.04 to $216.16 per quarter. The Company provides water service to approximately 145 customers in Jefferson Township, Lackawanna County. At the end of the Fiscal Year, this case was pending before the PUC.

Cooperstown Water Co., Docket No. R-2009-2105668; Fryburg Water Co., Docket No. R-2009-2105601. On April 30, 2009, Cooperstown Water Company filed a request with the PUC to increase the level of rates that it charges for providing service to its ratepayers. Cooperstown provides water service to approximately 128 residential customers in portions of the Borough of Cooperstown and the Township of Jackson, Venango County. Cooperstown proposed additional annual revenues of $13,998, or 32.9%. The bill for a typical residential customer using 3,000 gallons of water per month would increase 33% from $24.86 to $33.06 per month. The OCA filed a formal complaint. At the end of the Fiscal Year, this case was pending before the PUC.

Also on April 30, 2009, Fryburg Water Company filed a request with the PUC to increase the level of rates that it charges for providing service to its ratepayers. Fryburg proposed additional annual revenues of $29,973, or 40.9%. The bill for a typical residential customer using 3,000 gallons of water per month would increase 41% from $31.08 to $43.83 per month. Fryburg also proposed to increase the charge for restoration of service from $40.00 to $75.00. Fryburg provides water service to approximately 197 residential, commercial and public customers in portions of Washington Township, Clarion County. The OCA filed a formal complaint. At the end of the Fiscal Year, this case was pending before the PUC.


The OCA and its engineering consultant participated in multiple site visits. After extensive discovery and several settlement meetings and teleconferences, the parties were able to arrive at settlements in four of the five cases. The results of the settlements are shown in the chart below:
<table>
<thead>
<tr>
<th>Division and Location</th>
<th>Number Customers</th>
<th>Present Rate Avg. Residential Customer/Mo</th>
<th>Proposed Rate Avg. Residential Customer/Mo</th>
<th>Proposed % Increase</th>
<th>Settlement Rate Avg. Residential Customer/Mo</th>
<th>Settlement % Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridlewood R-2008-2081542 Thornbury Twp., Chester Co.</td>
<td>290</td>
<td>$30.00</td>
<td>$48.72 ($42.00 customer) ($1.20/M Usage)</td>
<td>62.4%</td>
<td>$44.51 ($37.00 Single Family) ($33.00 Townhome) ($1.63/M Usage)</td>
<td>48.36%</td>
</tr>
<tr>
<td>Deerfield Knoll R-2008-2081547 Williston Twp., Chester Co.</td>
<td>118</td>
<td>$41.05</td>
<td>$55.80 ($49.75 customer) ($1.95/M Usage)</td>
<td>36%</td>
<td>$55.45 ($45 Customer) ($3.37/M Usage)</td>
<td>35.08%</td>
</tr>
<tr>
<td>East Bradford R-2008-2081533 East Bradford Twp., Chester Co.</td>
<td>80</td>
<td>$91.47</td>
<td>$110.18 ($65.00 customer) ($6.95/M Usage)</td>
<td>20.5%</td>
<td>$109.79 ($60 customer) (7.66/M Usage)</td>
<td>20.02%</td>
</tr>
<tr>
<td>Links of Gettysburg R-2008-2081535 Mount Joy Twp., Adams Co.</td>
<td>105</td>
<td>$44.63</td>
<td>$80.35 ($68.50 customer) ($3.95/M Usage)</td>
<td>80%</td>
<td>$62.39 ($44 Customer) ($6.13/M Usage)</td>
<td>39.79%</td>
</tr>
<tr>
<td>Woodloch Springs R-2008-2081738 Lackawaxen Twp., Pike Co.</td>
<td>400</td>
<td>$39.18</td>
<td>$49.52 ($47.00 customer) ($1.20/M Usage)</td>
<td>26.3%</td>
<td>$49.52 ($47.00 Customer) ($1.20/M Usage)</td>
<td>26.39%</td>
</tr>
<tr>
<td>White Haven R-2008-2081738 Borough of White Haven, Luzerne Co.</td>
<td>450</td>
<td>$36.67</td>
<td>$45.67 ($41.35 customer) ($1.20/M Usage)</td>
<td>24.5%</td>
<td>$45.67 ($41.35 Customer) ($1.20/M Usage)</td>
<td>24.54%</td>
</tr>
<tr>
<td>White Haven R-2008-2081738 Kidder Twp., Luzerne Co.</td>
<td>600</td>
<td>$50.00</td>
<td>$62.50</td>
<td>25%</td>
<td>$62.50</td>
<td>25%</td>
</tr>
<tr>
<td>Pinecrest R-2008-2081738 Tobyhanna Twp., Monroe Co.</td>
<td>317</td>
<td>$33.33</td>
<td>$41.95 ($41.95 customer) ($0.53/M Usage)</td>
<td>25.9%</td>
<td>$41.95</td>
<td>25.9%</td>
</tr>
<tr>
<td>Eagle Rock R-2008-2081738 East Union, North Union Twp., Schuylkill Co. Black Creek, Hazel Twp., Luzerne Co.</td>
<td>738</td>
<td>$22.50</td>
<td>$41.14 ($38.50 customer) ($1.20/M Usage)</td>
<td>83%</td>
<td>Year 1 $34.89 ($32.25 Customer) ($1.20/M Usage) Year 2 $38.14 ($35.50 Customer) ($1.20/M Usage)</td>
<td>55%</td>
</tr>
<tr>
<td>Laurel Lakes R-2008-2081738 Rice Twp., Luzerne Co.</td>
<td>194</td>
<td>$23.17</td>
<td>$50.00 ($44.00 customer) ($1.20/M Usage)</td>
<td>115.8%</td>
<td>Year 1 $39.00 ($36.00 Customer) ($1.20/M Usage) Year 2 $50 ($44.00 Customer) ($1.20/M Usage)</td>
<td>89.9%</td>
</tr>
</tbody>
</table>


The Eagle Rock filing was not settled. The ALJ approved the Settlement agreements in all other divisions. The Commission conducted hearings on the issues raised by the Eagle Rock Community Association and Eagle Rock Resort. The Parties have submitted Main and Reply Briefs on Eagle Rock division issues and the proposed Eagle Rock Settlement rates and conditions. The ALJ recommended approval of all of the Settlements and the PUC adopted the recommendations except for Eagle Rock where, at the end of the Fiscal Year, the parties are awaiting a final order.

Needmore Water Supply Company, Docket No. R-2008-2049231. On August 20, 2008, Needmore filed a request to increase its revenues by $53,335, or 266%. Under the Company’s proposal, a typical residential customer using 10,102 gallons per quarter, would see an increase from $48.25 to $177.68, or 268%. The OCA filed a formal complaint on October 2, 2008. The Company serves approximately 105 customers in portions of Belfast Township, Fulton County. The Company voluntarily extended the suspension date of the rate case because the Company reached an agreement to sell the company to the local municipality. The case remained open while those parties are working out the asset purchase agreement. Subsequently, the parties were informed that the sale had fallen through and the case was scheduled to move forward. At the end of the Fiscal Year, this case was pending before the ALJ.

Rock Spring Water Company, Docket No. R-2008-2047291. On July 29, 2008, Rock Spring Water Company filed a request to increase its annual revenues by $42,545, or 46%. For average residential customers using 13,100 gallons of water per quarter, this request would result in an approximate 38% quarterly increase—from $44.38 to $61.26. The Company provides water service to approximately 450 customers in Ferguson Township, Centre County, Pennsylvania. On December 23, the parties filed a Joint Petition for Settlement with the ALJ. Under this Settlement, the Company would be allowed to increase rates to recover an additional $39,069. This rate increase reflected an increase in overall revenues of 43%, compared to the Company’s original request of a 46% increase in overall revenues. Quarterly rates for an average residential customer would increase by $16.23 or by 37% to $60.61, under the proposed Settlement. The
Company agreed to a six month stay out from the end of the case. In addition, the Company has agreed to submit its quarterly unaccounted for water calculations to both the OCA and the Office of Trial Staff (OTS). While the Company had made great strides in improving its level of unaccounted for water, submission of this report will allow the OCA and the OTS to ensure that the Company continues to make progress. Also, in keeping with Commission regulations, Rock Spring has agreed to keep detailed records of outages, boil water advisories and consumer complaints as well as to use 6" pipe when it needs to replace portions of its distribution system. These conditions should ensure that the Company is in compliance with Commission regulations. Further, the detailed record keeping will aid all parties in any of the Company’s future proceedings by easing access to information. The ALJ and then the Commission approved the settlement as filed.


The non-company parties served Direct Testimony on December 19, 2008. Settlement negotiations ensued and an agreement in principle was reached. A Joint Petition for Approval of Settlement was filed in January 2009, bearing the signatures of all active parties in the case.

The salient features of the settlement were as follows.

- The Company agreed to accept an 8.97% increase in annual operating revenues, $420,000, in lieu of the originally requested $695,802, 14.85%.
- The Company agreed not to file for another rate increase for eighteen months following the Commission’s approval of the Settlement.
- The bill impact for a Newtown residential customer using 15,000 gallons per quarter would be $10.35 (from $70.70 to $81.05 – instead of $86.63, under originally proposed rates).
- The bill impact for an Indian Rock residential customer with the same usage would be $5.85 (from $89.60 to $95.45 – instead of $102.08, under originally proposed rates).

The ALJ and the Public Utility Commission found the settlement to be in the public interest and approved it without modification. The Commission entered its Final Order on February 26, 2009.

Columbia Water Company, Docket No. R-2008-2045157. On July 15, 2008 Columbia Water Company filed a request to increase its revenues by $616,402, or 16.5%. Under the Company’s proposal, a typical residential customer using 3,000 gallons per month
would see an increase from $25.17 (including PennVest surcharge) to $29.04 per month, or 15.4%. The OCA filed a formal complaint on August 28, 2008. The Company filed its testimony in December. OCA testimony, filed in January, recommended an increase of no more than $97,232 (2.61%). Hearings were held in February and briefs were filed. On March 30, 2009, the ALJ adopted many of the OCA and OTS recommendations, reducing the revenue increase to $278,405. Notably, the ALJ accepted the OTS return on equity of 10.18% and denied Columbia’s request for two, 25 basis point rate of return premiums for a 1998 acquisition and perceived management efficiency. The OCA filed exceptions on the ALJ’s decision. Reply exceptions were filed on April 30, 2009 and the Commission entered an Order on June 10, 2009.

The Commission adopted the OCA’s revenue adjustments related to lease revenue from cell phone providers and a barn rental, and a refund of improperly charged sales and use tax, which resulted in a $52,016 increase to revenues. The Commission also adopted, in part, the OCA’s expense adjustments related to employee benefits and membership dues, which resulted in a $7,612 adjustment to expenses. Based, in part, on the OCA’s 9.5% cost of equity recommendation, and on the OCA’s opposition to two proposed 25 basis point performance factor adjustments, the Commission reduced the Company’s equity claim from 12.05% to 10.5% and reduced overall return from 10.01% to 9.07%, which reduced Columbia’s return by $105,310. This was in addition to OCA recommended adjustments that the Company accepted without litigation. Specifically, the OCA recommended adjustments related to revenues from Merchandising and Jobbing, removal of prior rate case expense amortization, removal from rates of charitable contributions expense, recovery of actual 2008 bad debts expense, and reflection of tax credit for domestic production activities, for a total addition of $12,622 to revenues and a reduction to expenses of $46,822. The OCA’s participation in this proceeding benefited Columbia Water ratepayers by approximately $225,000.

York Water Co., Docket No. R-2008-2023067. As discussed in last year’s Annual Report, on May 16, 2008, York Water Company requested approval of a $7 million (21%) increase in base revenues. If the Commission granted the request in full, the monthly bill for a residential gravity customer using 5,267 gallons per month on a 5/8-inch meter would increase from $27.75 to $33.19. The monthly bill for a gravity customer would increase from $33.96 to $40.62. Both gravity and repump customers would experience bill increases of 19.6%. York serves an estimated population of 156,000 in York County.

On May 29, 2008, the OCA filed a Formal Complaint. The OCA subsequently served testimony recommending that the Company should be allowed no more than $4 million of the $7 million requested. Subsequently, the parties commenced settlement discussions which resulted in the filing of a Joint Petition for Settlement by all of the active parties. The material terms of the settlement included an overall revenue increase of $5.95 million, a rate filing stay out of 18 months, a provision related to a fair
allocation of York’s pension expenses to protect York’s ratepayers from even larger increases in the future, and a reasonable allocation of the rate increase. The PUC approved the Settlement Petition as filed.

Pennsylvania-American Water Co. – City of Coatesville Division (PAWC-CCD), Docket No. R-2008-2032689. As discussed in last year’s Annual Report, on April 28, 2008, PAWC-CCD sought Commission approval of $2.7 million in additional annual wastewater revenues. CCD serves approximately 5,900 residential and commercial customers in portions of Chester County, Pennsylvania and this was the first requested rate increase since PAWC’s acquisition of the municipal system. Under the Company proposal, a residential customer with average usage would experience a bill increase from $15.00 to $34.36 per month, an increase of 129.1%. PAWC-CCD also requested approval of an increased capacity charge, from $495 to $3250 per EDU (estimated dwelling unit) for new residential construction.

The OCA filed its Formal Complaint on May 29, 2008. The OCA served its testimony, recommending no more than $900,000 in additional revenues in lieu of the $2.7 million requested. Among other rate structure and design recommendations, the OCA witness recommended that the Commission reject the Company’s proposed increased capacity charge. All active parties pursued settlement discussions and were able to arrive at a settlement. The ALJ recommended approval of that settlement in the Recommended Decision issued October 24, 2008.

A major portion of the OCA analysis and recommendation in this proceeding consisted of accounting adjustments to Coatesville’s expense and rate base claims. The OCA’s testimony position was an increase of $1,457,994 or 54.2%, of Coatesville’s original request of $2,685,889. The overall revenue increase provided by the Settlement Petition, $1.85 million, represented approximately 68.8% of Coatesville’s original request. For the average residential customer using 4,300 gallons of sewage per month, this represented an increase from $14.85 per month to $27.54 per month (85.5%). Coatesville had proposed an increase to $34.03 per month (129.2%).

In addition to the settlement rates, the other salient terms were as follows:

- Rate increase stay-out until April 28, 2009
- An extended period under which ratepayers may receive benefits from the negative acquisition adjustment amortization.
- Elimination of capacity fees for persons meeting the definition of a bona fide service applicant under the Commission’s regulations.
- A thorough resolution of the quality of service issues experienced by Coatesville’s customers
- A customer assistance program in the next rate filing.
The Recommended Decision concluded that the Joint Petition for Settlement should be approved without modification. On November 14, 2008, the PUC adopted the Recommended Decision without modification.

warwick water and warwick drainage companies, docket nos. r-2008-2020885 and r-2008-2020873. as discussed in last year’s annual report, on january 31, 2008, warwick water works, inc. filed a request to increase its annual water operating revenues by $22,227 or 172%. the total water bill for a typical residential customer using 5,777 gallons per month would increase from a flat rate of $30 to a metered rate of $78.55 per month, or by 162%.

also, on january 31, 2008, warwick drainage company, inc. filed a request to increase its annual wastewater operating revenues by $21,858 or 101%. the total wastewater bill for a typical residential customer using 5,777 gallons of water per month would increase from a flat rate of $50 to a metered rate of $95.88 per month, or by 92%. warwick water and warwick drainage provide service to approximately 25 customers in warwick township, chester county.

the oca filed formal complaints. on may 22, 2008, a public input hearing was held in warwick township at which time eight customers testified regarding the impact of the proposed rate increase, service quality issues and issues related to recent meter installations.

the company, ots and oca were able to reach an agreement in principle which was submitted to the alj. the proposed settlement provided for additional annual water revenues of $22,227 (172%) and additional annual wastewater revenues of $21,858 (101%). it also provided that the additional annual revenues will be phased in over two years, with 65% of the proposed increase in the first year and the remaining 35% in the second year. the impact on a residential customer is as follows:

<table>
<thead>
<tr>
<th>water fixture rates-monthly</th>
<th>current</th>
<th>company proposed</th>
<th>settlement step 1</th>
<th>settlement step 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>typical residential customer (2 fixtures)</td>
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<th>company proposed</th>
<th>settlement step 1</th>
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<td>64%</td>
<td>22%</td>
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Under the proposed Settlement, the Companies cannot file rate cases for one year following the effective date of the Step 2 increase. Warwick agreed to make a good faith effort to explore the sale of the utilities and report back to the parties no later than eighteen months after the entry date of a Commission order approving this Settlement. This provision is one way to explore options for short and long term capability of the system. On October 21, 2008, the ALJ issued Recommended Decisions in which she recommended approval of the settlements. On December 4, 2008, the PUC entered orders adopting the Recommended Decisions.

**Superior Water Company**, Docket No. R-2008-2039261. As discussed in last year's Annual Report, on May 9, 2008, Superior Water Company filed a request to increase its revenues by $599,771, or 35%. Superior provides water service to approximately 2,661 residential customers in portions of Douglass, Upper Pottsgrove, Lower Pottsgrove, Upper Frederick, Worcester and New Hanover Townships, Montgomery County, North Coventry Township, Chester County and Washington Township, Berks County. The total bill for a typical residential customer using 5,655 gallons per month, would increase from $45.22 to $61.08 per month under the Company’s proposal. The OCA filed a formal complaint on June 19, 2008. Two public input hearings were held in Boyertown on August 11, 2008 at which time fifteen customers testified. The OCA filed testimony on rate of return and accounting issues and recommended an increase of no more than $353,962, or 20.63%. The Company, OCA and OTS reached an agreement in principle on revenue requirement and rate design. Center Point Farms Homeowners’ Association’s testimony recommended no increase in rates to its homeowners and that those homeowners should be a separate rate zone. The parties briefed that issue. A settlement agreement was submitted to the ALJ on October 14, 2008, that provided for additional annual revenues of $130,000 if a Chief Operating Officer is hired. The Settlement also provided for a one year stay out. Briefs were filed. On December 5, 2008, the ALJ issued a Recommended Decision in which she recommended approval of the settlement and rejected the arguments raised by Center Point. On February 5, 2009, the PUC adopted the settlement in Superior Water, including the scale back of the Company’s rate design.

**City of Bethlehem**, Docket No. R-00072492. As discussed in last year’s Annual Report, on June 29, 2007, the City of Bethlehem – Bureau of Water filed a tariff to become effective August 28, 2007, seeking PUC approval to recover an estimated annual increase in base rate revenues of $827,455 (12.5%) from customers who reside outside the City limits. A typical customer using 15,000 gallons of water per quarter would see an increase from $72.06 to $81.06, 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 on August 9, 2007. During Fall, 2007 the parties conducted settlement negotiations that resulted in a settlement among the City, OCA and OTS. A sale for resale customer that filed a formal complaint
did not join or oppose the proposed settlement. The proposed Settlement provided for a revenue increase of $240,000, or approximately 3.6% increase in total annual revenues for PUC-jurisdictional customers and the City could not file for another general rate increase before June 29, 2009. Lower Saucon Authority opposed the across the board increase, among other issues. A hearing was held on the contested issue. Briefs were filed by the parties in February 2008. The ALJ’s Recommended Decision was issued on April 7, 2008. She found that the Joint Petition for Settlement should be approved and rejected the Authority’s arguments against the proposed Settlement. On May 27, 2008, the PUC entered an Order denying the Authority’s exceptions. On June 9, 2008, Lower Saucon Authority filed exceptions to the compliance filing. On October 9, 2008, the PUC denied the Exceptions. On November 10, 2008, the Authority filed a Petition for Review in Commonwealth Court. The appellant, Lower Saucon Authority, filed its brief. The PUC and OCA briefs were due in June, 2009. Lower Saucon and the PUC determined that a remand of the proceeding, to address the petition for reconsideration filed by Lower Saucon, related to the City’s filing of its compliance tariffs, was appropriate. On June 12, 2009, Commonwealth Court granted the PUC’s application for a remand. The remand was pending before the PUC at the end of the Fiscal Year.

**Emporium Water Company**, Docket Nos. R-00061297 and R-00061454. As discussed in last year’s Annual Report, 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 or $316,144 in additional 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 recommended an increase of no more than $236,901. The parties agreed to stipulate the testimony into the record and briefs were filed on September 7, 2006. OCA’s final position was that Emporium should receive no more than $202,847 and if the PUC did not adopt the OCA’s recommendation regarding the Public Utility Realty Tax Assessment (PURTA) surcharge, the increase should be no more than $138,780.

On October 26, 2006, the OALJ issued the Recommended Decision of ALJ Fordham who 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. The Company filed a tariff supplement with the new increased base rates for service as of January 1, 2007. The Company then reduced the 19.23% surcharge for PURTA to zero as of April 1, 2007, the second step of the allowed change in rates and a benefit for consumers.

The Company filed a Petition for Reconsideration on January 12, 2007. The OCA filed an answer opposing the majority of Emporium’s request for relief. On April 22, 2007, the PUC ruled on the merits of the Company’s Petition for Reconsideration. The Commission declined to reconsider, by a 3-1 vote, the December ruling on what was an appropriate capital structure and overall rate of return for Emporium Water. The Commission did correct for an error related to taxes in the original December 28, 2006 Order which resulted in a higher overall increase of $254,471 or a total allowed revenue increase of $888,933. The OCA had not opposed this request for correction.

On May 25, 2007, Emporium filed an Appeal with Commonwealth Court. Emporium asked the Court to review the overall rate of return used to set rates, a level which the Company alleged is confiscatory and unreasonable. The Company also sought review of a restriction and reporting requirement imposed by the Commission on wage expense for summer employees.

The OCA filed a notice of intervention in the Emporium appeal on June 5, 2007. Emporium alleged that the PUC had confiscated Company property through an inadequate rate of return, abused its discretion and improperly imposed a condition on the Company’s use of part-time employees. The OCA filed its brief in support of the PUC’s Order. The Company’s position would require the Court to rewrite the accepted ratemaking equation and would be contrary to ratemaking principles and jurisprudence. Oral argument was held on April 8, 2008. On June 4, 2008, the Court affirmed the PUC’s decision. The Court found that the use of a hypothetical capital structure is solely within the discretion of the PUC. Regarding the second issue raised by Emporium on appeal, the Court found it to be within the PUC’s discretion and said that the Company received what it requested and given Emporium’s history on this type of
issue, the reporting requirement was within the PUC's discretion. Emporium filed a Petition for Allowance of Appeal with the Supreme Court of Pennsylvania. The OCA and PUC filed Briefs in Opposition on July 24, 2008. On November 18, 2008, the Pennsylvania Supreme Court denied Emporium’s Petition for Allowance of Appeal.

**Applications, Petitions, and Investigations**

Kathleen Sylvester et al. v. W.P. Water Co. and W.P. Sanitary Co., Docket Nos. C-20055453, C-20055473, C-200565849 (Sylvester Complaint), and Application of Aqua, Pennsylvania, Docket No. A-210104F0074 (Saddle Ridge Application), and Application of W.P. Sanitary Co., Inc., Docket No. A-230550 (Abandonment Application). Between October 2005 and January 2006, eleven customers filed formal complaints regarding the quality of their water and wastewater service. Specifically, customers in the Sylvester Complaint case 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 engineer conducted an inspection of the companies’ systems (pursuant to a subpoena granted by the presiding ALJ), met with customers and reviewed the PaDEP's records on these companies. The OCA filed written testimony by its engineer and regulatory analyst and participated in evidentiary hearings. The OCA subpoenaed the attendance of a DEP Water Quality Specialist Supervisor at the May 23, 2006 hearing and worked with the PaDEP to develop the record in this proceeding. The PUC’s Law Bureau is also an active party and presented the testimony of its engineering expert. Cases were simultaneously pending against the companies for violation of laws and regulations administered by the PaDEP and PA Fish and Boat Commission.

The OCA and Law Bureau filed timely briefs in September and October 2006, which included more than 130 jointly proposed findings of fact. 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 in the Sylvester Complaint proceeding, reopening the record until March 7, 2007, to take additional evidence from WP Water and WP Sanitary, as well as Mr. and Mrs. Kresge, 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 Saddle Ridge Application docket, Docket No. A-210104F0074. In the
Saddle Ridge Application case, WP was a protestant opposing Aqua PA's application to serve customers of the new Saddle Ridge development which WP claimed was in WP’s territory. The basis of the WP Petition to Reopen was an agreement of sale between WP Water and United Water. The OCA filed an answer opposing the Petition to Reopen the Sylvester Complaint proceeding. In the Saddle Ridge Application proceeding, the OCA filed an answer arguing that if the ALJ determines to look at the fitness of the protestant as an issue in the case, 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 in the Sylvester Complaint case 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 failure of WP to provide safe, adequate, reliable, and effective service over a long period of time.

An Initial Decision in the Sylvester complaint proceeding was issued on August 16, 2007, in which the ALJ found W.P. Water and W.P. Sanitary to each be subject to a civil penalty of $547,500. The ALJ also found that the owner and president of W.P. Water and W.P. Sanitary be subject personally to civil penalties of $109,500, each, for disregard of Commission requirements and regulations. The ALJ ordered that these penalties be held in abeyance pending the resolution of the related case at Docket Nos. I-00070114, P-00072313, A-230550F2000 (Section 529 proceeding). On September 5, 2007, the OCA filed limited exceptions and on September 17, 2007, the OCA filed Replies to WP’s exceptions. On March 31, 2009, the Commission issued an Order approving settlement in the Section 529 proceeding described below that largely resolved the issues raised in the Sylvester Complaint case.

On May 1, 2007, the ALJ issued an Initial Decision in the Saddle Ridge Application case 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. WP filed Exceptions and the OCA and Aqua PA filed Reply Exceptions. The Commission adopted the decision of the ALJ by an Order entered July 12, 2007.

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 a Commission Order Instituting a Proceeding to Order the Acquisition of WP Water Company and WP Sanitary Company Pursuant to Section 529 of the Public Utility Code, Docket No. P-00072313. The OCA requested that the Commission order a nearby utility to acquire W.P. Water and W.P. Sanitary, based upon voluminous evidence from the Sylvester Complaint case and the Saddle Ridge Application case in which the OCA had already demonstrated that the companies lack financial, technical, and managerial ability to provide adequate water and sanitary service or make necessary improvements as required by the Public Utility Code. On July 11, 2007, the Commission opened the requested investigation at Docket No. 1-00070114 (Section 529 proceeding), and joined as parties the Commission's Law Bureau Prosecutorial Staff (LBPS), Aqua Pennsylvania (Aqua PA), Pennsylvania-American Water Company (PAWC), United Water Pennsylvania (UWPA) and Washington Township as parties. The Commission also invited the Department of Environmental Protection (DEP) to participate and assigned the case to Law Bureau and to an ALJ.

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.

On June 22, 2007, the OCA filed a motion to consolidate WP Sanitary's application to abandon service with the Section 529 proceeding, as these proceedings raised questions of common law and fact. The Commission 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.

Consistent with the litigation schedule in the Section 529 proceeding, the parties submitted statements and testimonies addressing the requirements of Section 529. One mediation session was held on September 11, 2007. A number of the parties met with Pennvest to discuss funding options on September 18, 2007. A second mediation was held on October 10, 2007, followed by an evening public input hearing. A further mediation was held on October 29, 2007. On November 1, 2007, the parties advised the presiding ALJ that they had reached an agreement in principle regarding the purchase price and capable public utilities to acquire WP. There were a number of issues that needed to be resolved including the drafting of the asset purchase agreements, a settlement petition and financing issues.
While drafting the asset purchase agreements, the parties became aware of several mortgage and mechanics’ liens recorded against WP, which prevented WP from delivering clear title to an acquiring, capable utility until these liens were removed or satisfied. In May 2008, WP and LBPS filed a Petition and Motion, respectively, asking the Commission to order the liens null and void. On May 28, 2008 a mediation was held to discuss outstanding issues. On June 18, 2008, the ALJ issued an Order declaring some of the mortgages void based on the pleadings and set the remaining encumbrances for hearing. On July 21, 2008, WP filed an Amended Petition to address additional liens. Hearings were held on July 22, 2008 and August 20, 2008. On September 10, 2008, the OCA, WP and LBPS filed briefs in support of the Motion and Petitions. On October 2, 2008, WP sent a letter to the ALJ attaching documentation to show that satisfactions have been recorded for all mortgage and mechanics’ liens against WP. On October 10, 2008, the ALJ issued an Initial Decision declaring all mortgage liens void but indicating that the Commission did not have authority to declare the mechanics’ liens void. The ALJ also noted receipt of WP’s letter regarding removal of all liens, noting that – if accurate – the removal of the liens would allow the parties to move forward with mediation. On October 30, 2008, the OCA filed a letter of no exception to the Initial Decision.

On January 26, 2009, signed asset purchase agreements between WP and Aqua were circulated to all parties. With the asset purchase agreements in place, the OCA worked diligently with all parties to finalize the terms of settlement for the Section 529 proceeding.

On March 18, 2009, the OCA filed with the Commission the settlement, with asset purchase agreements attached, and fully executed by the OCA, W.P. Water, W.P. Sanitary, Aqua PA, PAWC, UWPA, Washington Township, DEP and LBPS. Also on that day, the OCA and LBPS filed a Joint Petition for Certification of the Record and Expedited Treatment of the Settlement and Acquisition of W.P. Water Company and W.P. Sanitary Company. The Commission granted the petition for expedited treatment.

On March 31, 2009, the Commission entered an Order approving the settlement. Among other things, the settlement provided that: (1) Aqua PA purchase W.P. Water upon Commission approval of the settlement; (2) Aqua PA purchase W.P. Sanitary after Commission approval of the settlement if Aqua PA’s grant and PennVest funding contingency is met; (3) civil penalties stemming from the Sylvester Complaint case be amended to total $11,000 and made payable to the Commonwealth of Pennsylvania upon closing of WP assets; (4) refunds/credits of $12,500 be issued to those water system customers experiencing the worst water service problems; (5) refunds/credits of $12,500 be issued to those sanitary system customers experiencing the worst wastewater service problems; (6) pending or new Commission proceedings and enforcement actions against W.P. Water be terminated upon closing of the sale of W.P. Water; and (7) pending or new Commission proceedings and enforcement actions against W.P. Sanitary be terminated upon closing of the sale of W.P. Sanitary.
Petition and Complaint of Camp Hill Borough, Docket Nos. P-2008-20075142 and C-2008-2076720. On November 19, 2008, the Camp Hill Borough filed a Petition for Issuance of Emergency Order against Pennsylvania-American Water Company, seeking an injunction against planned gradual increases in water pressure within the Borough, due to main breaks on August 21, 22, 29, 30 and September 29, 2008. Additional breaks occurred on November 19 and 20, according to an amendment to the Petition. The OCA submitted its intervention in support of the Borough’s request on November 21, 2008. PAWC filed an Answer to the Petition, asserting that it acted prudently in providing safe and reliable service to the public and requesting that the Petition be denied.

On November 26, 2008, the Borough filed a Formal Complaint against PAWC alleging that PAWC’s actions in implementing the increased pressure program amounted to unreasonable and inadequate service. The OCA intervened in the Complaint. The Complaint sought an order requiring PAWC to bypass older mains and lines and to install pressure regulators or valves in vulnerable properties. It also averred that there were safer and more efficient means to increase the water pressure in and outside the Borough without jeopardizing the infrastructure and property of the Borough and residents, in support of the request for a stay of the pressure increase plan.

By Secretarial Letter, the Commission denied the Petition, stating that the Borough had failed to carry its burden of proving that its right to requested relief was clear, that the need for relief was immediate, the injury would be irreparable if not granted and that the relief requested was not injurious to the public. On December 11, 2008, the OCA, Camp Hill Borough, Lower Allen Township and Hampden Township, filed an Emergency Joint Appeal of Action of Staff Regarding the Petition of the Borough of Camp Hill for Issuance of an Emergency Order.

Commissioner Kim Pizzingrilli signed an Emergency Order on December 12, 2008, finding that the information submitted with the Emergency Joint Appeal showed that the right to relief was clear, that immediate relief is required, that irreparable injury would occur if the relief was not granted and that the requested relief was in the public interest. That Order was ratified by the full Commission on December 18, 2008.

On December 19, 2008, a hearing was convened and four days later, the ALJ issued a Recommended Decision recommending continuation and modification of the December 12, 2008 Emergency Order. After seventy-one Findings of Fact, the ALJ first concluded that the Petitioners’ right to relief was clear.

PAWC submitted Exceptions to the Recommended Decision and the OCA filed Reply Exceptions on January 8, 2009. On April 8, 2009, after considerable negotiations, the Parties submitted a Joint Petition for Settlement for the Commission’s consideration. The following summarizes the salient points within the proposed settlement.
The Settlement sufficiently resolved the issues raised by the OCA, in part, by establishing a carefully regulated and monitored approach to PAWC’s plans to increase the pressure in the West Shore distribution system. The Settlement provided that PAWC would not increase pressures in the system by more than 2 p.s.i. per day, and then after an increase will monitor the system for a full day to ensure system integrity before instituting any additional 2 p.s.i. increases. Settlement at ¶ 1(c). The Settlement also provided that PAWC will not engage in any pressure increases when unusual operating conditions exist in the West Shore system. Id.

PAWC agreed to dispatch leak detection crews to continuously monitor the distribution system throughout the pressure increase; provide 24 hours per day field operations staffing during pressure increases for immediate response; draw upon personnel from other PAWC systems as needed; and reinforce coordination of and place local contractors on alert during pressure increases.

The Settlement detailed other mitigation and safety efforts: PAWC agreed to maintain surplus material and inventory to repair multiple sizes and types of pipelines and appurtenances; ensure standby resources are available from neighboring PAWC and other local water utilities on a 24 hours per day, 7 days per week basis; place local and regional suppliers and utility contractors on alert during pressure increases, and secure 24 hours per day, 7 days per week contact numbers; coordinate with PA WARN, the Department of Environmental Protection, and the Public Utility Commission for emergency preparedness; locate response vehicles and equipment at strategic locations across PAWC's West Shore system for immediate response; relocate additional response vehicles and equipment to West Shore operations from neighboring PAWC systems; arrange for water tankers and supplies to be available; and communicate with neighboring water suppliers on the potential use of interconnect locations.

PAWC agreed to include the Camp Hill and Silver Spring service territory in its pilot group for purposes of the Commission’s Water Audit Pilot Project at Docket No. M-2008-2062697, and to utilize its current prioritization model in determining a statewide ranking for main replacement projects in all PAWC service territories.

Finally, the Settlement recognized that the proposed pressure increase affects the public and that members of the public have concerns in these matters and seek answers about how the pressure increase may affect them. These public concerns range from public safety preparedness on a large scale to individual customers interested in the effects that the pressure increase may produce in their household plumbing. The Settlement addressed these communications issues by incorporating very specific terms PAWC must meet relative to communication with its customers. The Settlement thus provided that PAWC would perform reasonable public outreach and involvement regarding the proposed pressure increase. This effort to engage with the public will smooth the identification and resolution of potential problems.
The Settlement provided for appropriate scheduling of the proposed pressure increase in the West Shore system. The Settlement also provided for a reasonable approach to damage claims that may result in relation to the proposed pressure increase in the West Shore system. The PUC adopted the ALJ’s recommendation and approved the settlement on June 18, 2009.

Application of CMV to Transfer Its Assets and Abandon Its Provision of Sewage Service in North Codorus Township, York County, Docket No. A-230056F2002. On September 25, 2007, CMV Sewage Company filed an Application with the PUC for approval to transfer its collection system assets and abandon sewage collection service to customers of the Colonial Crossings subdivision. CMV also provides service to Chanceford Manor Village, a fully built-out subdivision located approximately 30 miles from Colonial Crossings that utilizes non-contiguous wastewater treatment plant. Both Colonial Crossings and Chanceford Manor Village pay the same, unified rates based on actual usage. If the Application is approved, CMV would continue to provide service to Chanceford Manor Village but would cease to provide service to and would transfer, for $1.00, the collection system of Colonial Crossings to North Codorus Township Sewer Authority (NCTSA). Additionally, the Colonial Crossings customers would experience an immediate average quarterly bill increase of $70 (approximately 54%) and be charged a one-time $1,800 connection fee by NCTSA. In its testimony, CMV noted that the reason it filed the Application was due to a provision contained in its DEP-issued NPDES (National Pollutant Discharge Elimination System) permit.

The OCA filed a Protest, presented the testimony of its expert witness and fully litigated the Application. Specifically, the OCA challenged the validity of the transfer of over $300,000 in assets for $1.00, the need for the transfer, and the assertion of public benefits alleged to arise out of the Application. On September 5, 2008, the ALJ entered an Initial Decision finding that each of the factors that the Commission uses to determine the necessity for a public utility to abandon service weighed against the granting of CMV’s Application. The ALJ further found that the language of the NPDES permit, standing alone, cannot be determinative of the public interest. Accordingly, the ALJ found that the abandonment and transfer was not in the public interest and that the Application should be denied. On December 23, 2008, the Commission entered an order upholding the ALJ’s Initial Decision in the CMV Case and denying Application for transfer of CMV’s customers and assets. Specifically, the Commission found that the advantages alleged by NCTSA did not outweigh the certain, immediate adverse impacts of the proposed transaction.

Joint Application of Aqua Pennsylvania and Gouldsboro Water, Docket Nos. A-2008-2014446, A-2008-2014452. On December 20, 2007, Gouldsboro and Aqua filed a joint application to transfer 140 water customers from Gouldsboro to Aqua and to increase the rates charged for service. On February 13, 2008, the OCA filed a protest because the proposed rate increase was as much as 230% and because Gouldsboro and Aqua did not provide notice to customers regarding the proposed rate increase. OCA and the
utilities entered into negotiations to resolve the case, which were delayed for several months while Aqua and Gouldsboro addressed matters required by their Asset Purchase Agreement.

On October 30, Gouldsboro sent a letter to all customers notifying them of the proposed two-step rate increase agreed to by the OCA and Aqua, which provided 15 days for customers to file protests or contact the OCA with comments. On December 9, 2008, OCA and Aqua filed a Joint Stipulation to clarify and supplement information provided in the Application. The parties stipulated that Aqua would continue to charge each Gouldsboro customer their current bi-monthly rate until a meter is installed on their service line. As meters are installed, customers would be charged Aqua’s Main Division metered rates. Aqua also explained that its tentative 5-year capital plan for the system totaled approximately $566,000, including meter installation, treatment plant rehabilitation, distribution system rehabilitation and a new source of supply. The customer notice and provisions of the Stipulation satisfied the OCA’s concerns regarding the justification for and amount of the rate increase. On December 18, 2008, the Commission entered an Order approving the application, as amended by the Stipulation.
CONSUMER COMPLAINT PROCEEDINGS

Introduction

In addition to litigation in which the OCA responds to utility filings, the OCA also intervenes in 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,

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 raised 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 written Direct Testimony. 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 PUC issued the Initial Decision of the ALJ on August 15, 2008. The ALJ ruled that Verizon had not taken sufficient action towards clearing Mr. Miller’s outage in compliance with the regulatory standard. The ALJ recommended a $500 fine be assessed. Mr. Miller excepted to the ALJ’s determination that Verizon had not breached an appointment. The OCA chose not to file exceptions or reply exceptions. Verizon filed only reply exceptions.

On November 12, 2008, the Commission entered an order which sustained Mr. Miller’s complaint that Verizon had failed to take substantial action to clear his service outage as required by law. The Commission adopted the ALJ’s recommendation and fined Verizon $500.
Lerch v. Verizon Pennsylvania, Inc., Docket No. C-20077297. Mr. Lerch experienced a telephone service outage and filed a formal complaint in which he contended that Verizon provided inadequate repair service and complained about the Verizon’s Bona Fide Retail Request program. The OCA intervened in Mr. Lerch’s complaint on the quality of service concerns that are important to all residential telephone customers. The OCA engaged in discovery of Verizon’s practices regarding restoration of service and handling of Mr. Lerch’s request to have service restored.

The OCA attended the January 8, 2007 hearing in Harrisburg 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 OCA filed Main and Reply Briefs in this case.

The ALJ issued an Initial Decision recommending that the Formal Complaint of Mr. Lerch be dismissed. The OCA submitted Exceptions to this Initial Decision. The Commission entered an Opinion and Order on September 11, 2008 which denied the OCA Exceptions.

Water and Wastewater - Service Quality and Main Extension Cases

Emlenton Water. The OCA has been involved in a number of cases involving Emlenton Water, which serves 500 customers in Venango County.

Crumlich et al v. Emlenton Water Co., Docket No. C-20077924. The OCA intervened in this low water pressure case on August 8, 2007. Four consumers filed complaints about low water pressure and water outages. All the complainants are residents of Pearl Street in Emlenton. The OCA participated in mediation and developed a settlement providing for system improvements that were to be completed by December 2007. The Company did not meet this deadline and the case then proceeded to litigation. The OCA prevailed on all quality of service issues. On August 28, 2008 the ALJ issued an Initial Decision ordering the Company to make the facility improvements contemplated by the settlement and provided for a penalty of $1000 per day should the Company not make those improvements within 45 days of a final Commission order.

Bradley Louise v. Emlenton Water Co., Docket No. C-2008-2058636. Over the months of August and September 2008, approximately 94 customers of the Emlenton Water Company filed Formal Complaints against the Company’s boil water advisory that had been in effect since April 29, 2008. The OCA intervened in one of these Formal Complaints and also filed a motion to consolidate the Complaints on October 7, 2008. The PUC, upon OCA’s request, held a public evidentiary hearing in the Emlenton Water Company service territory on December 16, 2008.
On April 29, 2009, the ALJ Nemec issued a notice to all of the complainants to advise of the status of the complaint cases in light of the acquisition of Emlenton Water by Aqua PA. The ALJ allowed the Formal Complainants a thirty-day period within which to either withdraw or elect to go forward with their Formal Complaints.

Joint Petition of the Department of Environmental Protection and the Office of Consumer Advocate for Issuance of Emergency Order Against Emlenton Water Co., Docket No. P-2008- 2070480. After its preliminary investigation in the above Emlenton matters the OCA learned that the Pennsylvania Department of Environmental Protection was closely monitoring the Company and had expressed concern to the OCA that the system certified operator was not competent to operate the system. The OCA performed its own evaluation of Emlenton’s operations. OCA witness Terry Fought, P.E. examined the Emlenton system and also performed a DEP record review in the DEP office in Meadville. On October 22, 2008 the OCA and the DEP filed an Emergency Joint Petition with the Commission. The OCA and the DEP requested that the Commission designate a qualified certified operator to run and maintain the Emlenton system and to require Emlenton management to hire that certified operator to perform that function. In the Joint Petition, the OCA included an affidavit from Mr. Fought in the Joint Petition, which also included an affidavit from a DEP expert. Both experts concurred that the current certified operator did not possess the required technical knowledge to operate the Emlenton system to PUC and DEP standards. The OCA and the DEP jointly submitted a Petition for Emergency Relief to the Public Utility Commissioners pursuant to 52 Pa. Code §3.1, et seq.

On November 20, 2008, PUC Chairman James Cawley signed an Emergency Order granting that Joint Petition. In that Order, the Commission designated Aqua Pennsylvania as the certified operator with significant experience to provide operating services to Emlenton; required Emlenton to allow complete access and authority to Aqua to any extent deemed necessary to meet the requirements of the Order; that Aqua immediately provide an alternative sources of potable water until the Boil Water Advisory is lifted.

Prior to the action on the Joint Petition, Aqua Pa and Emlenton Water Company had submitted an Application together with an asset purchase agreement setting forth the terms of the sale of the Emlenton system to Aqua PA. The Commission approved the application and the transaction was consummated on December 30, 2008. The OCA intervened in the Application proceeding. The PUC approved the transaction on December 31, 2008.

The DEP Boil Water Advisory was lifted in mid-February, 2009. Multiple customers with quality of service and billing disputes contacted the OCA to report the amount of their claims. Aqua was required, as a condition of the purchase, to establish an escrow account for the purpose of any state sales tax refunds to customers or customer refunds
due to any other overbilling and the OCA has forwarded the claims to be paid from the escrow account.

Main Extension Complaints: As discussed in last year’s Annual Report, the OCA has been involved in three longstanding complaint proceedings 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 were in need of water service. The residents obtain water for household purposes from wells, cisterns or springs. Public Hearings were convened in Mount Pleasant Township on September 9, 2002 during which sixty-two witnesses testified. The hearings were attended by over three hundred people.

As discussed in last year’s Annual Report, the OCA was initially unsuccessful in obtaining service for these customers after lengthy litigation at the PUC, the Commonwealth Court and the Pennsylvania Supreme Court. However, as part of a subsequent Settlement with PAWC involving the transfer of ownership of the Company through an Initial Public Offering (IPO), the Company agreed to provide service to customers in Hickory and two other communities in Southwestern Pennsylvania.

PAWC agreed to provide service in the Hickory community within two years following state regulatory approval of the IPO. The Final Order of the Commission approving the Settlement in its entirety has been entered. PAWC must use best efforts to install the needed infrastructure by September 26, 2009.

Pickford, et al. v. Pennsylvania-American Water Co., Docket No. C-20078029. This complaint was filed by a PAWC customer who resides in Camp Hill, PA, an area served by the Company’s West Shore and Silver Springs Treatment plants. In June 2007, PAWC customers were notified that the Company planned to change its treatment process at the plants from a disinfection process using chlorine, to one using chloramines in early July, 2007. The stated reason for this change was to reduce the levels of chlorine disinfection by-products in anticipation of the requirements of an EPA regulation. A Complaint was filed by Ms. Pickford and twenty-two other formal complaints were filed on behalf of a total of fifty-six customers, complaining of inadequate notice, affordability, and issues of safety with the water supply. The OCA intervened in the case.

The OCA facilitated a public panel on October 5, 2007, consisting of representatives of the Company, the Pa. Department of Environmental Protection, Department of Health and the US Environmental Protection Agency. About 100 persons attended this panel discussion that was moderated by the OCA.
On October 5, 2007, an Initial Decision from the ALJ was issued, granting PAWC’s Preliminary Objections based upon lack of subject matter jurisdiction, and asserting that under Section 318(b) of the Public Utility Code, 66 Pa.C.S. § 318(b), and a Commonwealth Court opinion, only DEP has jurisdiction over water quality. The ALJ also concluded that the PUC does not have jurisdiction to administer the Pennsylvania Safe Drinking Water Act (SDWA) or challenge DEP’s decisions under that Act. The OCA, Ms. Pickford, and another Complainant filed Exceptions to the Initial Decision. The OCA asserted that the ALJ erred in her interpretation of Section 318(b) that instead confirms PUC jurisdiction over water quality. Moreover, the PUC has jurisdiction over the notice given to customers regarding the change, because the definition of “service” regulated by the PUC in the Public Utility Code is broad and includes the manner in which the utility communicates to its customers about the change. The OCA further argued that the complaints should not be dismissed without a hearing because the standard for dismissal had not been met.

At a Public Meeting on March 13, 2008, the Commissioners issued statements and voted 4-0 to grant the Exceptions filed by OCA and Complainants, and to allow the Complaints to proceed to hearings on an expedited basis. On March 20, 2008, the Commission entered an Order relying in large part upon the OCA’s Exceptions. The Commissioners concluded that the PUC under Section 1501 of the Public Utility Code, and DEP under the federal and state SDWAs, share joint jurisdiction over the water quality provided by public utilities. The PUC agreed with the OCA that Section 318 does not divest the PUC over legal issues regarding water purity and only addresses questions of fact. The PUC determined that purity of water supply is but one aspect for the PUC to consider in determining whether safe, adequate and reasonable service has been provided under the Public Utility Code. The PUC also stated that the DEP would be welcome as an intervenor in the case and invited the agency to become a party. The ALJ granted the DEP’s Petition to Intervene.

The OCA served the Direct Testimony of Dr. Yuefeng Xie, a nationally known expert on chlorination and chloramination. Dr. Xie recommended the following:

1. That PAWC provide detailed plans for combating nitrification in its distribution system;
2. That PAWC conduct pipe analyses to evaluate the potential impact of water chloramination on lead and copper levels.
3. That the Company provide more information to its customers on chloramine disinfection and nitrogenous disinfection byproducts.

At the hearing held on October 29, 2008, Complainants presented one expert witness regarding an alternative disinfection method by filtration, and PAWC presented two expert witnesses regarding notice of the implementation. The OCA and PAWC then introduced a Joint Petition For Settlement (Settlement), in which PAWC agreed to terms that represented almost all of Dr. Xie’s recommendations. PAWC agreed to monitor for nitrification, implement an action plan for nitrification that adopts Dr. Xie’s recommended
remedies, monitor lead levels for lead leaching at homes of 10 customers selected by OCA, provide at least three months notice prior to implementation of chloramination by multiple forms of media, and publicly post developments related to the health effects and regulations concerning chloramine disinfection byproducts. DEP stated that it supported the Settlement. The individual Complainants did not join in the settlement.

The ALJ issued an Initial Decision dismissing the Complainants' formal complaint. The PUC entered an order dismissing the formal complaint. The complainant appealed the PUC's order to Commonwealth Court. At the end of the year, this case was pending before the Commonwealth Court.

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

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

Hearings on the formal complaints consolidated at Docket No. C-20078197 were held on February 6, 7, 19, 20 and 21, 2008, in Dingmans Ferry, Pennsylvania. Twenty-nine (29) of the formal complainants testified at the hearings. The Company and the OCA also attended the hearings and presented both lay and expert witnesses. Briefs and Reply Briefs were filed by the Parties. The ALJ issued an Initial Decision on January 2, 2009. In the decision, the ALJ found that CTSC is not providing adequate service but dismissed all customer complaints, deciding in favor of the OCA on one issue – the collection of past due accounts. On January 22, 2009, the OCA filed Exceptions, to which CTSC responded on February 2, 2009.

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

On June 12, 2009, CTSC filed a Petition for Review by the Commonwealth Court. The OCA filed a Notice of Intervention on June 24, 2009 and will file briefs in accordance with the procedural schedule that is established. At the end of the Fiscal Year, this case was pending before Commonwealth Court.
CONSUMER AND LEGISLATIVE OUTREACH

Testimony, Presentations and Speaking Engagements

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Name</th>
<th>Location</th>
<th>Description</th>
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<tbody>
<tr>
<td>8-4-08</td>
<td>Representative Mario Scavello’s</td>
<td>Swiftwater, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td></td>
<td>Senior Expo</td>
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<tr>
<td>8-7-08</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>8-14-08</td>
<td>Representative Bob Bastian’s Senior Expo</td>
<td>Somerset, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>8-21-08</td>
<td>Representative Frank Dermody’s Senior Fair</td>
<td>Cheswick, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>8-21-08</td>
<td>Representative Julie Harhart’s Senior Expo</td>
<td>Northampton, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>8-21-08</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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<tr>
<td>8-26-08</td>
<td>Representative Dave Argall’s Senior Expo</td>
<td>New Ringgold, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>8-27-08</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>9-3-08</td>
<td>Representative Todd Eachus’ Senior Expo</td>
<td>Hazleton, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-9-08</td>
<td>Representative Steven Cappelli and Representative Garth Everett’s Senior Expo</td>
<td>Pennsdale, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>9-11-08</td>
<td>Senator Christine Tartaglione’s Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>9-11-08</td>
<td>Testimony before the Public Utility Commission</td>
<td>Harrisburg, PA</td>
<td>Energy Prices and the Need to “Prepare Now” for Winter</td>
</tr>
<tr>
<td>9-15-08</td>
<td>Senior Expo, sponsored by: Senator Michael W. Brubaker &amp; Representatives John C. Bear and Thomas C. Creighton</td>
<td>Manheim, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-18-08</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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<tr>
<td>9-18-08</td>
<td>Representative Timothy Solobay and Jesse White’s Senior Expo</td>
<td>Washington, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>9-18-08</td>
<td>OPSI Annual Meeting</td>
<td>Chicago, IL</td>
<td>Panel discussion regarding future capacity markets</td>
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<tr>
<td>9-23-08</td>
<td>AARP Pennsylvania</td>
<td>Harrisburg, PA</td>
<td>Electricity Deregulation Symposium</td>
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<tr>
<td>9-25-08</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>9-25-08</td>
<td>Senator Robert Tomlinson’s Senior Citizen Expo</td>
<td>Bristol, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>9-30-08</td>
<td>PCN LIVE Call-In Program</td>
<td>Camp Hill, PA</td>
<td>The Future of Electric Rates</td>
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<tr>
<td>10-2-08</td>
<td>Senator Edwin Erickson’s Senior Expo</td>
<td>Springfield, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>10-2-08</td>
<td>Representative Sue Helm’s Senior Expo</td>
<td>Harrisburg, PA</td>
<td>Staff and exhibitor’s booth, answer questions and distribute materials</td>
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<td>10-3-08</td>
<td>TV Interview for WQLN in Erie</td>
<td>Harrisburg, PA</td>
<td>Interview for a program called, “Ready, Set, Connect” on Chapter 30 reauthorization, the importance of Act 183 of 2004 and consumer rights</td>
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<tr>
<td>10-10-08</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>10-15-08</td>
<td>Representative John Evans’ Senior Expo</td>
<td>Girard, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>10-16-08</td>
<td>Representative Mark Keller’s Senior Expo</td>
<td>Newport, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>10-17-08</td>
<td>Representative Bill Kortz’s Senior Expo</td>
<td>West Mifflin, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>10-17-08</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>10-22-08</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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<tr>
<td>10-23-08</td>
<td>Department of Energy Forum and Webcast</td>
<td>Arlington, VA</td>
<td>Electric Smart Grid</td>
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<td>10-23-08</td>
<td>Senator Christine Tartaglione’s Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>10-23-08</td>
<td>“Money Matters” Conference sponsored by the Pennsylvania Securities Commission</td>
<td>Harrisburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>10-24-08</td>
<td>Representative Randy Vulakovich’s Senior Expo</td>
<td>Glenshaw, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>10-30-08</td>
<td>Representative Katherine Watson and Senator Charles McIlhinney’s Senior Expo</td>
<td>Doylestown, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>10-30-08</td>
<td>Senator John Pippy and Representative Mark Mustio’s Senior Expo</td>
<td>Moon Township, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>10-31-08</td>
<td>Warren-Forest Eldercare Council Senior Expo</td>
<td>Warren, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>11-1-08</td>
<td>Consumer Energy Forum</td>
<td>Middletown, PA</td>
<td>Presentation on deregulation legislation and what to expect when rate caps expire</td>
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<tr>
<td>11-6-08</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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<tr>
<td>11-6-08</td>
<td>SNL Energy – Today’s Utility Rate Case: Issues and Innovations</td>
<td>Washington, D.C.</td>
<td>Rate Design and Cost Allocation</td>
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<tr>
<td>11-10-08</td>
<td>Energy Summit sponsored by the Public Utility Commission, Delco Chamber, Senator Pileggi and the United Way</td>
<td>Aston, PA</td>
<td>Panel discussion describing our office and how we help consumers. Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>11-14-08</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>11-25-08</td>
<td>Public Utility Commission Consumer Advisory Council Meeting</td>
<td>Harrisburg, PA</td>
<td>Presentation regarding Gas Distribution System Improvement Charge (DSIC)</td>
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<tr>
<td>12-4-08</td>
<td>Representative Mario Scavello’s Senior Expo</td>
<td>Tobyhanna, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>12-18-08</td>
<td>Public Utility Commission En Banc Hearing</td>
<td>Harrisburg, PA</td>
<td>Testimony regarding Wholesale Electricity Markets</td>
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<td>12-19-08</td>
<td>Public Utility Commission “Prepare Now to Stay Warm” Event</td>
<td>Malvern, PA</td>
<td>Panel discussion describing our office and how we help consumers. Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>1-8-09</td>
<td>NARUC Task Force</td>
<td>Washington, D.C.</td>
<td>Climate policy stakeholder presentation</td>
</tr>
<tr>
<td>Date</td>
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<td>1-14-09</td>
<td>Community Action Association of Pennsylvania Press Conference</td>
<td>Harrisburg, PA</td>
<td>Support of LIHEAP funding</td>
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<td>1-20-09</td>
<td>Public Utility Commission “Prepare Now to Stay Warm” Event</td>
<td>Kennett Square, PA</td>
<td>Panel discussion describing our office and how we help consumers. Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>1-23-09</td>
<td>Public Utility Commission “Prepare Now to Stay Warm” Event</td>
<td>Newtown, PA</td>
<td>Panel discussion describing our office and how we help consumers. Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<td>1-27-09</td>
<td>Dillsburg Senior Center</td>
<td>Dillsburg, PA</td>
<td>Presentation on deregulation legislation and what to expect when rate caps expire</td>
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<td>2-4-09</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony regarding the Water and Wastewater Industry</td>
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<tr>
<td>2-5-09</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony regarding the Electric Utility Industry</td>
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<td>2-10-09</td>
<td>Sustainable Energy Symposium: Implementing Act 129</td>
<td>Harrisburg, PA</td>
<td>Sustainable Energy: The Intersection of Innovation, Law and Policy</td>
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<td>2-11-09</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony regarding the Telecommunications, Cable and Wireless Industry</td>
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<td>2-12-09</td>
<td>AARP Tele-Town Hall Meeting</td>
<td>Harrisburg, PA</td>
<td>Q&amp;A with AARP members regarding deregulation legislation and what to expect when rate caps expire</td>
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<tr>
<td>Date</td>
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<tr>
<td>2-17-09</td>
<td>House Majority Policy Committee</td>
<td>Harrisburg, PA</td>
<td>The Office of Consumer Advocate and Electric Restructuring in Pennsylvania</td>
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<tr>
<td>2-20-09</td>
<td>Second Annual Black History Program and Energy Forum</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>2-25-09</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony regarding the Natural Gas Industry</td>
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<tr>
<td>2-26-09</td>
<td>AARP Tele-Town Hall Meeting</td>
<td>Harrisburg, PA</td>
<td>Q&amp;A with AARP members regarding deregulation legislation and what to expect when rate caps expire</td>
</tr>
<tr>
<td>3-4-09</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>3-5-09</td>
<td>OAG Consumer Information Fair</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>3-6-09</td>
<td>AARP Town Hall Meeting</td>
<td>Easton, PA</td>
<td>Q&amp;A with AARP members regarding deregulation legislation and what to expect when rate caps expire</td>
</tr>
<tr>
<td>3-13-09</td>
<td>AARP Town Hall Meeting</td>
<td>Springfield, PA</td>
<td>Q&amp;A with AARP members regarding deregulation legislation and what to expect when rate caps expire</td>
</tr>
<tr>
<td>3-20-09</td>
<td>AARP Town Hall Meeting</td>
<td>York, PA</td>
<td>Q&amp;A with AARP members regarding deregulation legislation and what to expect when rate caps expire</td>
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<tr>
<td>Date</td>
<td>Event Description</td>
<td>Location</td>
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<tr>
<td>3-20-09</td>
<td>Legal Services Seminar sponsored by PULP (Pennsylvania Utility Law Project)</td>
<td>Harrisburg, PA</td>
<td>Presentation on Default Service and Retail Market Issues and the End of the Rate Caps Approaches; Presentation on Energy Efficiency and Demand Response Programs Under Act 129 of 2008</td>
</tr>
<tr>
<td>3-25-09</td>
<td>OAG Consumer Awareness Fair</td>
<td>Washington, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>3-26-09</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony regarding Electricity Rate Mitigation: House Bill 20</td>
</tr>
<tr>
<td>3-27-09</td>
<td>AARP Town Hall Meeting</td>
<td>Clearfield, PA</td>
<td>Q&amp;A with AARP members regarding deregulation legislation and what to expect when rate caps expire</td>
</tr>
<tr>
<td>4-2-09</td>
<td>PCN- Call in Program</td>
<td>Harrisburg, PA</td>
<td>Natural Gas Issues</td>
</tr>
<tr>
<td>4-3-09</td>
<td>AARP Town Hall Meeting</td>
<td>Erie, PA</td>
<td>Q&amp;A with AARP members regarding deregulation legislation and what to expect when rate caps expire</td>
</tr>
<tr>
<td>4-3-09</td>
<td>Representative Rob Kauffman’s Senior Expo</td>
<td>Chambersburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>4-13-09</td>
<td>West Poplar Community Association</td>
<td>Philadelphia, PA</td>
<td>Presentation regarding deregulation and what to expect when rate caps expire</td>
</tr>
<tr>
<td>4-14-09</td>
<td>Smart Talk Radio Program</td>
<td>Harrisburg, PA</td>
<td>Electric deregulation</td>
</tr>
<tr>
<td>4-17-09</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>
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<td>Date</td>
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<tr>
<td>4-17-09</td>
<td>Representative John Sabatina’s Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>4-21-09</td>
<td>Pennsylvania House of Representatives Northeast Delegation</td>
<td>Harrisburg, PA</td>
<td>Electric Deregulation and the Expiration of Rate Caps in Pennsylvania</td>
</tr>
<tr>
<td>4-23-09</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony on House Bill 744: Natural Gas Distribution System Improvement Charge</td>
</tr>
<tr>
<td>4-23-09</td>
<td>NAWC Customer Service Forum</td>
<td>Harrisburg, PA</td>
<td>Presentation on Utility Customer Complaints: The OCA Experience</td>
</tr>
<tr>
<td>4-24-09</td>
<td>Representative John Perzel’s Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-1-09</td>
<td>Senator Kim Ward and Senator Don White’s Senior Expo</td>
<td>Greensburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-6-09</td>
<td>Penn State Solar Conference</td>
<td>State College, PA</td>
<td>Pennsylvania Solar Portfolio Requirements: Costs and Benefits</td>
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<tr>
<td>5-7-09</td>
<td>Pennsylvania Public Utility Law Conference</td>
<td>Harrisburg, PA</td>
<td>Industry Panel Discussion on Federal Legislation and Policy</td>
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<tr>
<td>5-8-09</td>
<td>Pennsylvania Public Utility Law Conference</td>
<td>Harrisburg, PA</td>
<td>Energy Workshop: Default Service Plans and Power Procurement</td>
</tr>
<tr>
<td>5-8-09</td>
<td>Pennsylvania Public Utility Law Conference</td>
<td>Harrisburg, PA</td>
<td>Energy Workshop: State Legislative Update</td>
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<tr>
<td>5-8-09</td>
<td>Pennsylvania Public Utility Law Conference</td>
<td>Harrisburg, PA</td>
<td>Energy Workshop: Act 129 Overview and Submissions</td>
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<td>5-8-09</td>
<td>Pennsylvania Public Utility Law Conference</td>
<td>Harrisburg, PA</td>
<td>Energy Workshop: Current Issues in the Natural Gas Industry</td>
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<tr>
<td>5-8-09</td>
<td>Pennsylvania Public Utility Law Conference</td>
<td>Harrisburg, PA</td>
<td>Energy Workshop: SEARCH</td>
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<tr>
<td>5-8-09</td>
<td>Pennsylvania Public Utility Law Conference</td>
<td>Harrisburg, PA</td>
<td>Telco Workshop: Regulatory Role and Changing Networks (moderator)</td>
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<tr>
<td>Date</td>
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<tr>
<td>5-8-09</td>
<td>Pennsylvania Public Utility Law Conference</td>
<td>Harrisburg, PA</td>
<td>Water Workshop: Current State of the Industry including the Stimulus Bill (moderator)</td>
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<tr>
<td>5-13-09</td>
<td>PBI Conference</td>
<td>Mechanicsburg PA</td>
<td>Climate Change</td>
</tr>
<tr>
<td>5-15-09</td>
<td>Senator Jane Clare Orie’s Senior Expo</td>
<td>Pittsburgh, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-15-09</td>
<td>Representative Joseph Brennan and Representative Steve Samuelson’s Senior Expo</td>
<td>Allentown, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>5-21-09</td>
<td>PBI Conference</td>
<td>Pittsburgh, PA</td>
<td>Climate Change</td>
</tr>
<tr>
<td>5-27-09</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>5-27-09</td>
<td>Pennsylvania House Environmental Resources and Energy Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony regarding Pennsylvania Power Authority</td>
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<tr>
<td>5-28-09</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>
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<tr>
<td>5-28-09</td>
<td>PBI Conference</td>
<td>Philadelphia, PA</td>
<td>Climate Change</td>
</tr>
<tr>
<td>5-29-09</td>
<td>Senator Dominic Pileggi’s Senior Expo</td>
<td>Aston, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-29-09</td>
<td>Representative Rick Taylor’s Financial Resources Expo</td>
<td>Horsham, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>6-4-09</td>
<td>Pennsylvania House Consumer Affairs Committee</td>
<td>Harrisburg, PA</td>
<td>Testimony regarding Act 129 of 2008-Implementation</td>
</tr>
<tr>
<td>6-4-09</td>
<td>PennFuture Clean Energy Conference</td>
<td>Camp Hill, PA</td>
<td>Revenue Decoupling</td>
</tr>
<tr>
<td>6-17-09</td>
<td>Pennsylvania Housing Finance Agency Housing Services Conference</td>
<td>State College, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>6-22-09</td>
<td>West Poplar Community Association Presentation regarding deregulation and what to expect when rate caps expire</td>
<td>Philadelphia, PA</td>
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</tr>
<tr>
<td>6-22-09</td>
<td>Mid-Atlantic Conference of Regulatory Utilities Commissioners (MACRUC) 14th Annual Education Conference Panel: Bundled Telecommunications, Broadband and Video Service – What is the role for states?</td>
<td>Hershey, PA</td>
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<tr>
<td>6-23-09</td>
<td>Mid-Atlantic Conference of Regulatory Utilities Commissioners (MACRUC) 14th Annual Education Conference Panel: The Cost of Pricing Carbon</td>
<td>Hershey, PA</td>
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<tr>
<td>6-24-09</td>
<td>PCN Live Call-In Program</td>
<td>Harrisburg, PA</td>
<td>Natural Gas Issues</td>
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</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 5 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 2008-09, we had a total of 22,961 consumer contacts1 in the Call Center, including requests for shopping guides, phone calls, letters and e-mail.

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

- We assisted a consumer who was referred to us by her State Senator. She was having difficulty paying her monthly electric bill and as a result, her service was terminated. We contacted the electric company on her behalf and they assisted her in applying for the Customer Assistance Program and LIHEAP. This in conjunction with a minimal payment was enough to get her service restored.

- We assisted a consumer who was referred to us by his State Representative. He was being billed for directory assistance calls he did not make. After numerous attempts, the consumer was unable to resolve the problem with the company. We contacted the company on his behalf. Upon looking into the matter, the company discovered a cross on the line. A technician was dispatched to correct the cross connection. The company issued an adjustment of $110 for all directory assistance calls and they will continue to monitor the account to adjust any subsequent directory assistance charges that are incurred before the cross connection was corrected.

- We assisted a consumer who was disputing a bill he received from his natural gas company. His meter was registering usage, despite his heating unit being turned off at the breaker. After ensuring there was no gas leak, he contacted the gas company but they only verified the meter reading. The customer still disputed the charges so he contacted our office. After contacting the company on his behalf, they found his meter was registering use from another apartment in his complex. The company fixed the meter and credited the customer approximately $270.

1 This number does not include consumer contacts made in September when we experienced a telephone system failure, which resulted in the loss of the September data.
• We assisted a consumer who was having problems with her high speed internet service. The company determined that they had a bad modem and promised to send a new modem to them, free of charge. After several days, they called back to report that they had not received the new modem and once again were told it had not been ordered and would be sent out. Several more days went by and because they needed the service right away, they went out and purchased their own modem. They requested reimbursement from the telephone company, for the new modem and the down time. We contacted the company and they agreed to reimburse the customer for the full cost of the modem and the time they were without service.

• We assisted an electric consumer who discovered he had been receiving inaccurate bills for several years. The bill for previously unbilled service was approximately $21,000. We assisted him in negotiating with the electric company and got his bill reduced to $10,500 which he will pay over a 36 month period.

• A customer, who did not speak fluent English, contacted us for assistance with a billing dispute with her telephone company. She was offered a calling plan for calls to another country, but did not understand the plan and how much she was going to be billed. We contacted the company on her behalf, and worked with the company until we found a plan that would work best for her. She received a credit on her bill and now has the services that will give her the most economical rates to make her calls.

• We assisted a woman who was trying to cancel her long distance telephone service, with no success. When she called her long distance provider she was told that she had to have a long distance carrier and they could not cancel her service. She kept receiving bills from the company and she became very frustrated and turned to OCA for assistance. We contacted her provider and they cancelled her service immediately. They also gave her credit to close out her account.

• We assisted a consumer who had ordered DSL service from her telephone company. She was very unhappy with the service and soon after installation she cancelled service. She had just received a bill for August and was not at all pleased with the company. We contacted the company on her behalf and they realized their error on the account. A credit was given to her and the service was cancelled. The company apologized to her for her inconvenience.

• A telephone customer contacted us with problems of outages. Her service went out and the company fixed the problem three days later. Two weeks after that outage, she had another one. It took the company six days to correct the problem that time. Then her service went out a third time and several of her
neighbors also lost service. At no time did the company come in to her home to check out her inside wiring, however she received a charge of $61.50 on her telephone bill. She called the company and was advised that the charge was correct and she would have another charge the following month. She felt that she had been treated very poorly by the company. We contacted the company and they issued credit for all of the charges on her bill. They also indicated that the problem is finally resolved.

- We assisted a gentleman who was charged $97 by his telephone company to repair a wire. He acknowledged a repairman did come to his home, but never did any repair work. In fact, the customer fixed the wire himself. Prior to contacting our office, he talked to several company representatives but was unable to resolve the issue. We contacted the company on his behalf and they issued a credit for $97.

- We assisted a consumer who switched her telephone service, but continued to be billed by her prior company after the switch. After we contacted her previous company, they agreed to credit her for the time she was billed in error.

- We assisted a consumer who stopped DSL service due to extended time away from home. She was put on vacation dial-up service which she did not want. When she returned home, she had trouble accessing her DSL service after it was restored. We contacted the company on her behalf. They assisted her with her service issues and credited her $47 for the vacation dial-up service.

- We assisted a consumer with a telephone billing dispute. She was offered a long distance calling plan by a company and she accepted the offer over the phone. When she received her long distance bill she was charged approximately 18 times the per minute rate she agreed to. We contacted the long distance company on her behalf. They agreed to rerate the calls and put her on a more suitable calling plan.

- We assisted a consumer who was having trouble with his DSL service. He had contacted the company but after several weeks was unable to resolve the problem. We contacted the company on his behalf. They sent a technician to his home and replaced some internal equipment and wiring which seemed to resolve the problem. As a courtesy, the company adjusted his account for the technician visit and the repair of the inside wiring.

- We assisted a consumer who was having trouble with her DSL service. Her account had been suspended due to a company billing error. The company had corrected the bill but her service was still suspended. We contacted the
• We assisted a consumer who was trying to establish DSL service. She contacted her company and asked for DSL service but they refused to provide it to the customer. We contacted the company on her behalf. The company discovered that their customer service guide had not been updated to reflect service in this customer’s area. They contacted the customer and informed her she could apply for DSL service. They also updated their customer service guide to reflect accurate information.

• We assisted a household that was having trouble with its long distance company. They had missed a bill and they were having difficulty getting any information from the company. We contacted the company on their behalf and discovered that a wireless payment had been posted to the long distance account. The company posted the wireless payment to the correct account and as a courtesy, adjusted the long distance bill because of their mistake.

• We assisted a consumer who was billed by a third party on his telephone bill for approximately one year. We contacted the telephone company on his behalf and they agreed to credit all of the charges which totaled approximately $150.

• We assisted a consumer who had numerous issues with his local phone company ranging from double billing for voicemail to erroneous third party billing. We contacted the company on his behalf. They addressed all of the consumer’s issues to his satisfaction and credited charges totaling approximately $170.

• We assisted a consumer who was being billed on her monthly telephone bill for an internet security package she cancelled in 2008. We contacted the company on her behalf. They confirmed the package was removed from her account and issued a credit of $85.

• We assisted a consumer who experienced an increase in dial tone line charge for one telephone line but not the second line. Research suggested that the company had removed a $0.93 per month rotary telephone discount which the customer had been receiving. We contacted the company on the customer’s behalf. The company confirmed that the discount had been erroneously dropped. The company agreed to reinstate the discount and credit the customer for the missed month.

• We received an e-mail from a woman who had paid a security deposit to begin electric service the prior year. She tried to get the deposit returned following a year of on-time payments, but the company was dragging their feet about
returning the deposit. We contacted the company and they sent her check out
the following week.

- We assisted a man who was having problems with his high speed internet
  service. He called the company and they came to his home and performed
  routine maintenance, leaving a bill for $191. The problem was not corrected, so
  he contacted the company a second time. Someone came out and fixed the
  problem, however he did not feel he should have to pay a bill for routine
  maintenance. We contacted the company and they issued a credit for one half of
  the bill. He was satisfied with that resolution.

- We helped a consumer make an affordable payment arrangement on an electric
  bill. She signed a lease for her daughter’s apartment and the electric service
  was put in her name. Her daughter left unexpectedly and she had the service
  disconnected, only to discover her daughter had not been paying the monthly bill.
  As a result, the consumer received a $675 final bill. The electric company put
  her on a payment plan of $56 until the bill was paid off. She paid one month, but
  discovered she could not afford this arrangement. We contacted the company
  on her behalf and they agreed to reduce the monthly payment to $35 per month
  until the bill was paid off. The customer agreed to this arrangement.

- We assisted a consumer who had property damaged by a subcontractor doing
  work for the electric company. After calling the electric company to report the
  damage and getting no response, the customer was forced to call a plumber to
  repair the damage. The plumber charged him approximately $450 for the repair.
  We contacted the electric company on the customer’s behalf and after a three
  way call between our office, the electric company and the subcontractor, it was
  determined the subcontractor would pay the repair bill in full.

- We assisted a consumer who was having trouble with her DSL service. She
  cancelled her telephone service but still wanted DSL. Since the company was no
  longer providing telephone service, they needed to do some additional work in
  order to still provide DSL service. We contacted the company on her behalf. They
  informed us the work was completed and the DSL was back in service.

- We assisted a customer who received a very high estimated electric bill. We
  contacted the company on their behalf and by supplying a customer read
  discovered the bill was over estimated. The company rebilled the customer
  using their meter reading which reduced the bill by about $150.
SERVICE TO PENNSYLVANIA AND THE NATION

Participation in NASUCA and in Other Consumer Interest Organizations

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

- Sonny Popowsky is a Past President and Chairman of the Electric Committee of NASUCA. He also has served on the NASUCA Executive Committee.
- Senior Assistant Consumer Advocate Christine Maloni Hoover has served as the Chair of the Water Committee and remains a member of the Water Committee.
- Assistant Consumer Advocates Joel Cheskis and Barrett Sheridan participate in the NASUCA Telecommunications Committee.
- Senior Regulatory Analyst Marilyn Kraus serves on the Tax and Accounting Committee.
- Senior Assistant Consumer Advocate Dianne Dusman serves on the Consumer Protection Committee. 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 electricity 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 was 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 serves on the NRRI Water Research Advisory Committee.
- Ms. Hoover was 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, Capacity Market Evolution Committee, Market Monitoring Advisory Committee, Demand Side Response Working Group, Scarcity Pricing Working Group,
Regional Planning Working Group, Public Interest/Environmental Organizations Users Group.

- Assistant Consumer Advocate Barrett Sheridan is the NASUCA representative on the Lifeline Across America Task Force, a joint effort with the Federal Communications Commission and National Association of Regulatory Utility Commissions.

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

- Mr. Popowsky served on the Sustainable Water Infrastructure Task Force, which assessed the Commonwealth’s water infrastructure needs and identified opportunities to reduce those needs and recommended financing strategies. Ms. Hoover served as his alternate.
- Senior Assistant Consumer Advocate Tanya McCloskey serves on the Board of the Pennsylvania Sustainable Energy Fund, serves as the OCA’s representative on the Pennsylvania Energy Development Authority Board of Directors and represents the OCA on the Department of Public Welfare LIHEAP Advisory Committee.
- Ms. Hoover represents consumer interests in issues related to water systems. She serves as a member of the PUC’s Small Water Company Task Force, which meets regularly to address existing and emerging problems of small water and sewer systems. Ms. Hoover also serves on the Technical Assistance Center (TAC) for small water systems. TAC’s role is to provide advice to the Department of Environmental Protection (DEP) on small water system issues and to help coordinate activities among various agencies and organizations affecting small water systems.
- 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.

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

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Consumer Advocate

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Christine Maloni Hoover
Tanya J. McCloskey
Senior Assistant Consumer Advocates

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