Annual Report
of the
Pennsylvania Office of Consumer Advocate
Fiscal Year 2009-2010

Sonny Popowsky
Consumer Advocate

555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048 Office
(717) 783-7152 Fax
800-684-6560 (PA Consumers Only)
E-mail Address: consumer@paoca.org
Internet: www.oca.state.pa.us

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INTRODUCTION

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

The OCA represents Pennsylvania utility consumers in matters before the Pennsylvania Public Utility Commission (PUC) and other state and federal regulatory agencies and courts. The OCA participates before the PUC in all major rate cases, 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-government organizations such as the PJM Interconnection, whose decisions have a critical impact on electric prices and service in Pennsylvania. Through our consumer education outreach and toll-free call center, the OCA also seeks to ensure that consumers are protected and informed regarding changes in their utility service. In recent years, the OCA has continued to work on proceedings resulting from major state and federal legislative changes impacting utility consumers, such as rulemakings and implementation orders regarding electric and natural gas restructuring, and regulatory requirements for basic and advanced telecommunications services.

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

This is nowhere more clear than in the electric industry, where rate caps that were put in place to protect Pennsylvania consumers during the transition from regulated to competitive generation markets are now coming to an end. 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. At the same time, through our Website and consumer outreach, OCA has been a leader in educating residential consumers on how to shop for competitive electric generation services if they choose to do so. Since much of the decision-making that affects

The OCA also responds to individual utility consumer complaints and inquiries. The OCA maintains a toll-free calling number (800-684-6560) which is staffed from 8 a.m. to 5 p.m. Monday through Friday. The OCA also devotes substantial resources to educating consumers about changes in the utility industry. The Consumer Advocate, Consumer Liaison, and other members of OCA staff have helped plan and participate in consumer presentations, roundtables, and forums across the Commonwealth to help educate consumers about changes in the utility industry and to advise them about cases that affect them. During the last fiscal year, the OCA participated in nearly one hundred consumer outreach events across Pennsylvania, many of which were sponsored by members of the General Assembly. In addition, the OCA keeps consumers and members of the General Assembly informed through regular letters and bulletins about upcoming cases and public hearings. The OCA also provides consumer information and education through its website at www.oca.state.pa.us. Among the most popular items on the OCA Website are the OCA’s monthly shopping guides that provide “apples-to-apples” price comparisons for residential electric and natural gas customers who are looking for alternatives to their utility default service suppliers. In FY 2009-2010, the OCA received more than 460,000 visits to its website shopping guides. In addition, the OCA call center handled nearly 40,000 contacts in the last fiscal year.

The OCA looks forward to continuing to meet its growing challenges on behalf of Pennsylvania utility consumers. The OCA believes that it has served Pennsylvania consumers well both with respect to its traditional regulatory responsibilities, as well as in its role in assisting consumers to obtain the benefits and avoid the pitfalls of the changing utility service markets. The OCA recognizes the importance of its role in advocating for the interests of Pennsylvania consumers and keeping consumers informed with respect to their utility services. Through this Annual Report, the OCA will summarize its activities in fulfilling its role in Fiscal Year 2009-2010.
ELECTRIC

Pennsylvania

Duquesne Light

Duquesne Light Company Smart Meter Deployment Plan, Docket No. M-2009-2123948. On August 14, 2009, Duquesne Light Company filed its Smart Meter Deployment Plan in accordance with the requirements of Act 129 of 2008. Act 129 required each EDC with at least 100,000 customers to file a Plan for the deployment of smart meters throughout its service territory. The Act requires the deployment of smart meters—meters capable of bidirectional communication that also records electricity usage on at least an hourly basis and that provides customers with direct access to and use of price and consumption information. Duquesne’s Plan provided certain preliminary information but proposed to make use of the thirty-month grace period established by the Commission in its Implementation Order to develop the full details of the Plan. Duquesne’s Plan included a component related to consumer education on smart meters, and the Plan further proposed to establish a Smart Meter Charge (SMC) pursuant to which Duquesne would recover all costs related to the development and implementation of its Plan. The SMC would take effect April 1, 2010, but Duquesne sought authority to recover costs it had already incurred relative to its Plan. It proposed to recover these costs during the first year the SMC is in operation. Duquesne’s proposed budget for the Plan was between $152 million and $262 million which Duquesne indicated it would be able to narrow and specify as grace period milestones are met. The OCA filed testimony that, in general, supported the approach being pursued by Duquesne and made some recommendations regarding analysis and information that should be gathered before a final deployment approach is adopted. The OCA also made some recommendations regarding the cost recovery mechanism proposed by Duquesne and its method of allocating the costs among the customer classes. The ALJ adopted the Company’s position on the allocation of common costs associated with smart meters to the customer classes and cost recovery. The Commission entered its Order, in April 2010, largely adopting Duquesne’s Plan.

Petition of Duquesne Light Company for a Time of Use Plan, Docket No. P-2009-2149807. As part of Act 129, Duquesne was required to file a plan to implement time of use rates. Duquesne proposed a plan that would coordinate with its smart meter deployment since its current metering infrastructure is not capable of supporting wide scale time of use pricing. The OCA filed an Answer and intervention generally supporting Duquesne’s approach. The Commission entered an Order adopting Duquesne’s Plan in most respects.
smart meters throughout its service territory. The Act requires the deployment of smart meters—meters capable of bidirectional communication that also records electricity usage on at least an hourly basis and that provides customers with direct access to and use of price and consumption information. In their Joint Petition in this matter, the Companies sought approval of their Smart Meter Plan, which outlined the Companies' strategies and programs to implement and deploy smart meters to their customers, and authorization to implement a proposed tariff rider, a Smart Meter Technology Charge Rider, for cost recovery purposes. The Companies coordinated their efforts to develop an efficient and consistent Smart Meter Plan for implementation across the FirstEnergy Companies' service territories, and therefore, the Companies submitted one Smart Meter Plan to the Commission for consideration. The OCA filed testimony that, in general, supported the approach being pursued by the FirstEnergy Companies and made some recommendations regarding analysis and information that should be gathered before a final deployment approach was adopted. The OCA also made some recommendations regarding the cost recovery mechanism proposed by the FirstEnergy Companies and their method of allocating the costs among the customer classes. The ALJ issued a Recommended Decision adopting the OCA's position on some key points, but rejecting the OCA's position on the allocation of the common costs of the smart meter deployment to the customer classes. The Commission entered an Order, in April 2010, adopting the ALJ's recommendation in substantial part.

Pennsylvania Power Company Default Service Plan III, Docket No. P-2010-2157862. On February 8, 2010, Penn Power filed its Default Service Plan for the period of June 1, 2011 through May 31, 2013. For residential customers, Penn Power proposed to secure supply through a series of full requirements contracts that are 95% fixed price and 5% spot market priced. The Company proposed to use a declining clock auction to secure the power, and coordinate its procurements with its sister companies, Met-Ed and Penelec as Penn Power will be integrated into the PJM RTO for this next default service period. The OCA filed an Answer challenging Penn Power's plan and supporting a managed portfolio approach.

The OCA filed the Testimony of its expert witness supporting the use of a managed portfolio approach for at least 50% of the Penn Power residential load. The OCA's witness provided testimony regarding the additional cost associated with the full requirements approach proposed by Penn Power and showed that a managed portfolio approach could provide benefits in a number of areas. Following the filing of testimony, the parties reached a settlement. The Company agreed that it would utilize a managed portfolio approach for 25% of its residential customer load. In addition, the Company agreed to various enhancements to its competitive market procedures to better facilitate customer choice and to better inform its customers of available offers. At the end of the Fiscal Year, this case was pending before the ALJ.

FirstEnergy systems. The OCA filed a Protest in this matter and is investigating several aspects of the transaction to determine if it provides substantial affirmative benefits for Pennsylvania ratepayers and otherwise complies with all applicable Pennsylvania statutes. The OCA has hired expert witnesses to assist in its review and will provide testimony in accordance with the procedural schedule. 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 (TSC) 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 potential 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. The Commission issued an Order adopting the position of the OCA and the Industrial customers on the issue of the double recovery of marginal losses. The Companies have appealed the Commission’s Order to the Commonwealth Court. The OCA intervened and will consider a brief in support of the Commission’s decision. At the end of the Fiscal Year, this case was pending before the Commonwealth Court.

Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company Energy Efficiency and Conservation Plans, Docket Nos. M-2009-2092222, M-2009-2112952 and M-2009-2112956. On July 1, 2009, the Companies filed their Energy Efficiency and Conservation Plans in accordance with the requirements of Act 129 of 2008. Under Act 129, each electric distribution company with over 100,000 customers is required to reduce energy consumption by 1% of its forecasted usage as of May 31, 2011, and by 3% of its forecasted usage as of May 31, 2013. In addition, each EDC must reduce its peak demand in the 100 hours of highest demand by 4.5% no later than May 31, 2013. In their Petitions, the Companies asked that the three cases be consolidated as one, as the plans were nearly identical. The Companies requested that the Commission approve their proposed EE&C Plans and authorize them to implement their proposed tariff riders for cost recovery. The Plans propose to
year, an increase of 7% on an overall basis. For a typical residential customer, PECO proposed to increase the bill by about 10.1% per month. As part of its filing, PECO sought an overall rate of return of 8.95% which included a cost of common equity of 11.75%. PECO also proposed to unbundle its retail transmission service costs, its meter costs, and energy-related working capital costs from its distribution rates and include these costs in various surcharges. The OCA filed a complaint against the proposed rate increase.

The OCA filed the testimony of its expert witnesses addressing many aspects of the Company’s claim. The OCA recommended an increase to electric distribution rates of $138,796,000 based on an overall rate of return of 7.45% and a cost of common equity of 9.25%. The OCA also proposed the use of a revised capital structure and a lower return on equity for use in PECO’s Smart Meter Surcharge. The OCA also found that PECO’s proposed allocation of the revenue increase among the classes was based on a flawed cost of service study and thus allocated too much of the increase to the residential customer class. The OCA recommended that the residential customer class pay a slightly smaller portion of the rate increase than that proposed by the Company. Other issues addressed by the OCA’s witnesses included the reasonableness of the various surcharges proposed by PECO and the design of the Company’s customer assistance program. At the end of the Fiscal Year, this case was pending before the ALJ.

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 participated fully. Discussions among the parties led to a stipulation of facts and proposed resolution of the issues presented by the Investigation. The stipulation was submitted to the ALJ. The ALJ approved the Stipulation and accepted the proposed resolution of the proceeding, but ruled that one of its provisions was outside of the scope of the current proceeding. The OCA and other parties filed limited exceptions to the determination that one provision was outside of the scope of the proceeding. At the end of the Fiscal Year, this matter was pending before the Commission.

Petition of PECO Energy Company For Approval to Procure Solar Alternative Energy Credits, Docket No. P-2009-2094494. As discussed in last year’s Annual Report, on
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 not present 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. The bid process commenced and the OCA received and reviewed the benchmark analysis. The OCA provided its comments to Navigant in accordance with the settlement. The bid process was completed with PECO successfully procuring solar AECs through the RFP process.

Petition of PECO Energy Company for Approval of a Revised Purchase of Receivables (POR) Program, Docket No. P-2009-2143607. PECO filed its Petition on November 20, 2009 and requested expedited treatment. The OCA filed an Answer, intervention and public statement on December 4, 2009. In the Answer, the OCA objected to PECO’s revised POR which would allow PECO to terminate electric supply service for non-payment by customers of Electric Generation Suppliers (EGSs) of unregulated charges. The OCA also opposed PECO’s proposal to recover only a limited category of implementation costs from the EGSs and all other costs of operating the revised POR from customers in future distribution rates. The OCA submitted Direct and Rebuttal testimony on the issues presented by the case. The OCA joined the Company, OSBA, and several EGSs in a joint petition for settlement. The settlement provided for an improved definition of basic electricity supply and assured that the costs of implementing the revised POR program would not be borne by PECO’s retail customers. The OCA filed a brief opposing PECO’s proposal to deny customers during the transition to the revised POR program protections provided by the Company’s Restructuring Settlement. While the ALJ agreed with the OCA that PECO’s proposal was contrary to the 1998 Restructuring Settlement, the Commission reversed the ALJ’s decision on exceptions.
her Recommended Decision agreeing with the OCA's analysis. The ALJ found that customers must make an affirmative choice to remain with the Direct Energy aggregation program. The OCA filed Reply Exceptions in support of the ALJ's decision. The PUC entered an Order in which it reversed the ALJ's Recommended Decision. Due to the unique circumstances surrounding the case, however, the Commission placed restrictions on Direct Energy's continued service to the aggregation customers, despite the fact that Direct Energy's pricing is not regulated by the Commission. Under the Order, Direct Energy must obtain customer affirmation of any change to the nature of its service. The Order further requires Direct Energy to report to the Commission any aggregation contract changes, and to provide advance copies of any customer education materials that are to be provided to aggregation customers to the Commission, the OCA, and the Office of Small Business Advocate. The OSBA filed a Petition for Reconsideration of the Commission's Order. At the end of the Fiscal Year, this case was pending before the Commission.

PPL Electric

PPL Electric Distribution Base Rate Case, Docket No. R-2010-2161694. On March 31, 2010, PPL Electric filed for an increase in its distribution rates of $115 million. The proposed increase represented an overall increase in revenue of 2.4%. On a distribution only basis, PPL's request represented a 16.5% increase in distribution revenue. PPL proposed to assign the entire $115 million rate increase to the residential customer class. For a residential customer served under Rate RS, the average overall increase would be 5.77%, or about $7.39 per month for a customer using 1,000 kwh per month. For a residential thermal storage customer under Rate RTS, the overall increase would be 6.1%. PPL also proposed to significantly increase the customer charge for residential customers. PPL requested an overall return on its original cost rate base of 9.11% which includes a return on common equity of 11.75%. The OCA filed a complaint.

The OCA filed the testimony of its expert witnesses addressing many aspects of the Company's claim. Of particular note, the OCA recommended an increase to electric distribution rates of $22,582,000 based on an overall rate of return of 7.81% and a cost of common equity of 9.25%. The OCA also proposed the use of a revised capital structure. The OCA also found that PPL's proposed allocation of the revenue increase entirely to the residential class was based on a flawed cost of service study. After presenting a more reasonable and appropriate cost of service study, the OCA recommended that only a portion of the rate increase be paid for by the residential customer class. Other issues addressed by the OCA's witnesses included the reasonableness of the Company's proposed customer charge for residential customers and the design of the Company's customer assistance program. At the end of the Fiscal Year, this case was pending before the ALJ.
programs. The OCA also made some recommendations regarding the cost recovery mechanism proposed by PPL. The ALJ rejected the OCA's position that certain pilot programs should not proceed at this time but accepted the OCA's position as to other pilot programs and as to the cost recovery mechanism. The OCA filed Exceptions and Reply Exceptions. The Commission entered an Order, in April 2010, adopting the ALJ's recommendations in most respects. The Commission also, on its own motion, determined to change the allocation of certain costs associated with the pilot programs from the method used by the Company and accepted by all parties. The OCA filed a Petition for Reconsideration regarding the allocation of the pilot program costs. At the end of the Fiscal Year, this case was pending before the ALJ.

PPL Voluntary Purchase of Receivables Program, Docket No. P-2009-2129502. In compliance with a Commission Order directing PPL to implement various programs to assist in the development of a retail competitive market at the end of its transition period, PPL filed a proposed Purchase of Receivables (POR) Program for residential and small commercial customers. Under a POR, PPL would provide the billing and collection for the unregulated charges of competitive electricity generation suppliers. PPL would pay the suppliers the amount that the supplier charged the customer (less a modest discount) and would assume responsibility for any unpaid amounts. As part of its POR, PPL proposed to terminate the regulated distribution service for failure to pay these unregulated charges even if they exceeded the level of PPL’s default service charges that have been found to be just and reasonable. The OCA objected to this provision and recommended alternative approaches to ensure that consumers did not lose regulated service based on unregulated charges that were excessive. Briefs were filed and the matter was decided by the Commission. The Commission approved PPL's proposal to terminate customers for failure to pay unregulated charges.

PPL Electric Company Energy Efficiency and Conservation Plan, Docket No. M-2009-2093216. On July 1, 2009, PPL Electric Company filed its Energy Efficiency and Conservation Plan in accordance with the requirements of Act 129 of 2008. Under Act 129, each electric distribution company with over 100,000 customers is required to reduce energy consumption by 1% of its forecasted usage as of May 31, 2011, and by 3% of its forecasted usage as of May 31, 2013. In addition, each EDC must reduce its peak demand in the 100 hours of highest demand by 4.5% no later than May 31, 2013. The proposed EE&C Plan consisted of 14 voluntary programs for customers and describes an extensive portfolio of energy-efficiency, conservation, and peak load reduction measures, programs, and education. The Plan also incorporated elements of PPL's coordination activities with Pennsylvania's other electric distribution companies, including ideas, insights, and consistent program features, design elements, and implementation details. For residential customers, PPL proposed to offer the following programs: 1) Efficient Equipment Incentive Program, 2) Residential Energy Assessment & Weatherization, 3) Compact Fluorescent Lighting Campaign, 4) Appliance Recycling, 5) ENERGYSTAR New Homes, 6) Renewable Energy Program, 7) Direct Load Control, 8) Time of Use Rates, and 9) Energy Efficiency Behavior & Education. Additionally, for
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 submitted. In the Recommended Decision, ALJ Colwell concluded that PPL had demonstrated that the PPL SR500 line was needed for reliability in 2012, based upon the data provided in the PJM Regional Transmission Expansion Plan. In addition, the ALJ concluded that PPL should not be permitted to commence construction of the SR500 line unless and until it has received all required permits, including those required by the US Department of the Interior and the National Park Service. The ALJ also concluded that PPL should not be required to reroute the SR500 line outside of the Saw Creek Estates Community in Pike County.

The Final Order of the Public Utility Commission was issued on February 12, 2010. The Commission concluded that a need exists for the Susquehanna Roseland line to be in service by 2012. The Commission rejected the ALJ's conclusions that construction of the line should not commence unless and until the Pennsylvania and New Jersey approvals have issued and the National Park Service (NPS) has granted the permit requested to cross the Delaware Water Gap National Recreation Area and the Delaware River.

On March 1, 2010, the Office of Consumer Advocate submitted a Petition for Reconsideration or Clarification requesting that the Commission reconsider the OCA's proposed condition that construction should not commence until the NPS has granted the requisite permits. The OCA argued that, otherwise, ratepayers would be at risk for the expenses of a "line to nowhere" in the event that the NPS denies or substantially modifies the permit PPL has requested.

On April 22, the Commission voted 3-1 to deny the OCA's Petition for Reconsideration or Clarification. The Commission determined that the OCA's Petition met the Duick v. Pennsylvania Gas and Water standard in that the issue of NPS permitting appeared to have been overlooked in the Commission's Order of February 12, 2010 and concluded that the OCA's contention was not a "minor argument." The Commission limited its consideration to the issue of "cost recovery.

The Commission determined that to grant the OCA's request to reinstate, in effect, the recommendation of the ALJ to permit the commencement of construction only after the NPS permitting process is complete would substantially delay the construction of the SR500 line. The Commission further concluded that the issue of cost recovery of any
that the Commission approve the Company's proposed SMIP, including full and current cost recovery via the Smart Meter Technology surcharge of "reasonable and prudent" costs regarding the Plan. The Company proposed, in order to meet the requirements of Act 129, that it is necessary to install smart meters and associated smart meter technology beginning in 2009. Allegheny Power's Plan proposed a total cost for the SMIP Plan of $548 million, including $410 million for development and deployment of the meter technology. The Company anticipated that the SMT surcharge will cost residential customers an additional $5.86 per month in the first year, escalating to an additional $15.77 per month by 2013. Upon review, the OCA's expert witnesses found Allegheny Power's Plan to be unreasonable. In particular, the OCA's expert witnesses found Allegheny Power's Plan to be excessively costly, to include elements that are not reasonably part of the smart meter deployment, and to include undue risk to ratepayers from its rapid roll out of smart meters. The OCA objected to approval of this Plan. The litigation phase was completed and the OCA filed its Briefs in support of its position. Allegheny Power then filed a Motion to Reopen the Record with the Commission and proposed to file a revised smart meter deployment plan and supporting evidence. The OCA filed an Answer supporting Allegheny's efforts to develop a more reasonable Plan and to reopen the record for the consideration of the Plan. The Commission approved Allegheny Power's request and remanded the matter to the ALJ for further consideration. After a review of the Company's alternative proposal, the OCA filed Supplemental testimony of its witnesses. The OCA's witnesses found the Company's alternative smart meter deployment plans to be unreasonable and recommended a different deployment strategy. The ALJ issued his Recommended Decision adopting one of the Company's alternative plans. Subsequent to the ALJ's decision being issued, Allegheny Energy, the parent of West Penn, and FirstEnergy announced a proposed merger. In light of the proposed merger, and the different plans for smart meter deployment between the two companies, West Penn asked for a stay of the Exceptions period so that it could engage in settlement discussions with the parties about a different approach. The parties are now discussing other alternatives. At the end of the end of the Fiscal Year, this case was pending before the ALJ.

Petition of West Penn Power Company to Change Transmission Rates to a Single Kilowatthour Rate Structure and to Commence Reconcilable Transmission Charge, Docket No. P-2010-2158084. On February 9, 2010, West Penn filed a Petition seeking authority to remove its transmission charges from its base rates and recover those expenses through an automatic, reconcilable surcharge. In addition, West Penn sought authority to change the rate structure of its transmission charges and it sought deferral treatment for transmission expenses it incurred during the approval process. The OCA filed an Answer to West Penn's Petition asking that be denied in its entirety or that hearings be set in the matter. The OCA argued that such a change in rates should not occur outside of a full base rate review since isolating one expense as proposed, without a full review of all other expenses and any reduction in return requirements, was improper. The OCA also argued that no deferral should be approved as transmission
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 was directly related to reliability improvements needed in its Pennsylvania service territory. The OCA 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
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 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. 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 9, 2009, Keystone and Whitfield 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 very 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 was $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. Administrative Law Judge Hoyer issued a Recommended Decision concluding that the Applicant should be required to refile its Application setting forth the S5 solution. The Applicant filed an amended petition in November 2009 and the matter is still pending before ALJ Hoyer. Since the amended petition has been filed, West Penn Power and Duquesne Light have been engaged in talks as to the creation of an interconnection agreement between the
R.D. and the Commission issued an Order approving the Company's plan in most respects.

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 issued. The OCA supported the settlement which was approved by the Administrative Law Judge. The Commission approved the settlement.

Policy Cases

Act 129 of 2008. As discussed in last year's Annual Report, 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.
objecting to referral programs that are based on short term discounts or assignment of customers without consent to EGS service. The OCA recommended that the Commission and the working group look more closely at how to better inform customers of shopping opportunity rather than pursuing customer referral programs that could end up harming customers.

The RMWG also addressed the issue of the development of uniform statewide procedures for the provision of “rate ready” consolidated billing. The OCA has participated actively in this group, particularly raising the issue of the cost of such an initiative and the benefits. The OCA supplied comments to the group suggesting that the issues of a cost/benefit analysis, cost recovery and cost allocation be discussed prior to any direction to the EDCs to expend significant resources on changing their billing systems.

**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. 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 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. The Commission issued a final order and adopted some of the OCA’s recommendations.

**CHARGE Working Group.** As PPL’s rate cap ended on January 1, 2010, the Commission initiated a working group that meets on a biweekly basis to address competitive market issues that arise as EGSs become more active in the retail market. The OCA is participating in the CHARGE Working Group. The CHARGE Group addresses numerous issues that have an impact on consumers and the protections that consumers can expect. In the last several months, the CHARGE Group has worked on the development of guidelines for EGSs engaged in door-to-door marketing. The OCA, along with AARP and Dominion Retail provided an initial proposal for these guidelines. Through a series of meetings and comments, the OCA worked with AARP and Dominion Retail to respond to the strawman proposals provided by Commission Staff. It is expected that a proposed set of guidelines, based largely on the proposals of the OCA/AARP/ Dominion Retail will be voted on by the Commission.

**Proposed Revisions to Policy Statement On Customer Assistance Programs, Docket No. M-00072036.** As discussed in last year’s Annual Report, following the
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 remediating 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. The Commission issued a Final Order requiring each EDC to file data so that the Commission could continue to assess the need for this specific maintenance standard.

Federal

FERC Electric Cases

Allegheny Energy/FirstEnergy Merger, EC10-68. West Penn Power Company doing business as Allegheny Power (West Penn), Trans-Allegheny Interstate Line Company (TrAILCo) (collectively, Allegheny) and FirstEnergy Corporation (FirstEnergy) (Joint Applicants) filed an Application with the FERC seeking to obtain approval for its
contracting and market monitoring policies to the extent necessary to comply with the mandates and recommendations of the order. Also included in Order 719 was a directive to RTOs to modify their market rules, as necessary, to allow the market-clearing price, during periods of operating reserve shortage, to reach a level that rebalances supply and demand so as to maintain reliability while providing sufficient previsions for mitigating market power. Pricing under such conditions is generally referred to as “scarcity pricing.” The OCA has been involved in three aspects of PJM's Order 719 compliance. First, with respect to market monitoring policies, in June of 2009 the OCA filed a protest to PJM’s compliance filing asserting that the tariff revisions filed by PJM would weaken and circumscribe the role of the Market Monitor in the performance of many of its core functions. Specifically, the OCA disagreed with PJM’s interpretation of the Market Monitor’s role in what was termed “tariff administration.” In December of 2009, FERC issued an order rejecting the arguments of the OCA and others and accepting PJM’s market monitoring changes and PJM's position of the role of the Market Monitor in tariff administration. The OCA, in conjunction with other Consumer Advocate offices within PJM, also participated in FERC’s technical conference addressing the issue of RTO responsiveness to its stakeholders. At that conference, the PJM Consumer Advocate offices advocated for additional funding to enable them to more fully participate in the PJM stakeholder process. The PJM Consumer Advocate Offices continue to pursue this matter through PJM. Finally, in June of 2010, PJM made its compliance filing on the issue of scarcity pricing. The OCA joined with 16 other parties to file a Protest against PJM’s scarcity pricing proposal. The thrust of the protest is that PJM's proposal goes far beyond what is necessary to achieve compliance with Order 719. Of particular concern is that portion of the proposal that would allow electricity prices during periods of operating reserve shortages to rise to $2700 per MWh. The OCA and its fellow protesters supported a proposal of the Market Monitor that would allow prices under shortage conditions to go no higher than the current market price cap of $1000 per MWh. At the end of the Fiscal Year, this case was pending before FERC.

Remand of Transmission Cost Allocation in PJM, EL05-121. In this docket, FERC had considered the allocation of the cost of transmission facilities in PJM. As part of its determination, FERC directed that the costs of transmission facilities at or above 500 KV be allocated to customers on a postage stamp basis, i.e., that all customer share equally in the costs of these facilities. The matter was appealed, and the Seventh Circuit reversed FERC’s ruling and remanded that matter for further consideration by FERC. On January 21, 2010, FERC issued an Order establishing a paper hearing procedure for further consideration of the issue. FERC directed PJM to provide certain data, and then directed PJM and the parties to provide comments on the data and specific questions within 45 days of the filing. The OCA prepared and filed comments on the matters set by FERC. In its comments, the OCA presented a hybrid approach to cost allocation for transmission facilities at or above 500 Kv. The OCA recommended that a beneficiary pays approach be utilized for the first few years of asset life with a
TEAC is responsible for providing comments to the Board regarding the impacts and advisability of transmission projects.

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

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

- **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 Distribution Base Rate Proceeding, Docket No. R-2009-2149262. On January 28, 2010, Columbia Gas Company filed for an increase in distribution rates of $32.3 million, or a 6.97% overall increase in revenue. Columbia’s proposed request would result in an overall increase in the monthly bill of an average residential customer of 6.9%, raising the monthly bill from $84.95 to $90.82. Columbia sought a return on equity of 11.7% as part of its filing. The Company also proposed to: (1) apply a $37.5 million tax refund toward capital investments; (2) commence a $4 million energy efficiency program for residential customers; (3) recover nearly all of the base rate increase through the customer charge, i.e. no increase to volumetric distribution rates, which would result in a 46.78% increase to residential customer charges; and (4) create a rider that will be added to the customer charge, which will fund a performance-based reward to the Company for meeting projected gas-use reduction goals. The OCA filed a formal complaint.

Through testimony, the OCA recommended an increase of $1.2 million based on an overall return of 7.17% with a cost of common equity of 9.0%. The OCA also challenged the Company’s proposed allocation of the rate increase to the various customer classes and the increase to the residential customer charge. Additionally, the OCA proposed changes to the design of the Company’s customer assistance program to address a proposed policy change of the Department of Public Welfare regarding the application of the LIHEAP benefit to the customer’s bill. After filing of testimony, the parties engaged in settlement negotiations and a settlement was reached.

Under the settlement, Columbia would be allowed to increase its distribution rates by $12 million, or about 2.6%. As part of this increase, the settlement provided for the use of a new tax benefit relating to repair and replacement expenses to help mitigate rates for customers. Columbia agreed to a more modest customer charge than it had proposed. The Company also agreed to withdraw its distribution system improvement charge proposal and its incentive reward surcharge for its energy efficiency program. As to its Customer Assistance Program, the Company agreed to implement the program design changes recommended by the OCA witness and agreed to certain offsets to avoid the double collection of universal service costs. At the end of the Fiscal Year, the proposed settlement was pending before the Commission.
natural gas service through the POR, were included in the settlement. The settlement was approved by the ALJ and at the end of the Fiscal Year was pending before the Commission.

Petition of Columbia Gas to Refund an Overcollection, Docket No. P-2009-2130769. During the course of the year, wholesale natural gas prices fell dramatically. As a result, Columbia was able to purchase natural gas to serve its customers at much lower rates than it had projected when its purchased gas cost rate was set. Due to these lower costs, Columbia experienced an overcollection of its natural gas costs of $77.8 million. Columbia proposed to return this overcollection to customers through a one-time bill credit. After discussions with the Company, the OCA was supportive of the Company’s request. The Commission approved the Petition and the one-time bill credit averaging $170 per customer appeared on customer bills in December 2009.

Dominion Peoples

Application for Approval of the Acquisition of Dominion Peoples, Docket No. A-2008-2063737. As discussed in last year’s Annual Report, 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. 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. Following the conclusion of hearings, the parties engaged in settlement discussions to attempt to resolve the matter. A settlement was reached among some of the parties and presented to the ALJ. The ALJ issued an Interim Order rejecting the Settlement and directing that further litigation of the issues
PECO Gas

PECO Distribution Base Rate Proceeding, Docket No. R-2010-2161592. On March 31, 2010, PECO Energy Company filed for an increase in natural gas distribution rates of $43.8 million, or a 5.28% overall increase in revenue. PECO’s proposed request would result in an overall increase in the monthly bill of an average residential customer of 7.6%, raising the monthly bill from $105.53 to $113.49. PECO has sought a return on equity of 11.75% as part of its filing. The OCA filed a formal complaint.

The OCA filed testimony and found that rather than a distribution base rate increase, the Company’s distribution rates should be reduced by $3,688,000. The OCA’s recommendation was based on an overall return of 7.45%, with a cost of common equity of 9.25%. The OCA also challenged the Company’s increase to the residential customer charge and its proposal to establish a smart meter surcharge for its natural gas division. The OCA also proposed changes to the design of PECO’s customer assistance program to address the application of the LIHEAP benefit to the CAP customer’s bill. At the end of the Fiscal Year, this case was pending before the Commission.

Petition of PECO Energy Company for Approval of a Purchase of Receivables (POR) Program, Docket No. P-2009-2143588. PECO filed its Petition on November 20, 2009 and requested expedited treatment so that it may coordinate information system changes to implement both the Gas POR and revised Electric POR (P-2009-2143607). The OCA filed an Answer, intervention and public statement on December 7, 2009 and objected to PECO’s proposed POR which would allow PECO to terminate gas supply service for non-payment by customers of Natural Gas Suppliers (NGSs) of unregulated charges. The OCA also opposed PECO’s proposal that no costs related to implementation or operation of the POR be imposed on the NGSs which will benefit from the POR. The OCA filed direct and rebuttal testimony which described additional consumer protections which PECO must include, if PECO is allowed to implement a POR program. The OCA expert testimony also opposed PECO’s proposal to recover the costs of the program from retail customers, when the POR program is intended to benefit NGSs.

The parties engaged in settlement negotiations to try to resolve these matters. A settlement was reached that largely adopts PECO’s proposed program but improves the consumer protection provisions of the program. One issue was reserved for briefing regarding the treatment of NGS charges incurred before the implementation of the program. The OCA filed a brief on this issue arguing that charges incurred before the implementation of the POR should not form the basis of termination. At the end of the Fiscal Year the settlement and the litigated issue were before the ALJ.
Petition of PGW for a Statement of Policy Regarding the Cash Flow Method of Ratemaking, Docket No. P-2009-2136508. In anticipation of its distribution base rate case filing at the end of November, PGW filed a Petition asking the Commission to provide a statement of policy as to how the Commission will apply the cash flow method of ratemaking in PGW’s base rate case. The OCA filed an Answer to PGW’s Petition opposing the Petition on both procedural and substantive grounds. The Commission issued the Policy Statement as a Tentative Order. The Commission provided the parties an additional 30 days to comment on the Policy Statement. The OCA filed comments opposing the Policy Statement on both procedural and substantive grounds. The Commission issued the Policy Statement.

Petition of PGW for Modification to its Universal Service Program, Docket No. M-00072021. On July 8, 2009, PGW filed a Petition with the Commission seeking to modify its Customer Responsibility Program (CRP), PGW’s program to assist low income, payment-troubled customers with their bill payment. PGW filed its Petition in response to a directive from the Department of Public Welfare to change the way it applies the LIHEAP grant to CRP customer bills. Under its existing program, CRP customers are asked to pay a portion of their total bill that they can afford—the “asked to pay” amount. The remaining bill is paid by a combination of resources including the LIHEAP grant and other ratepayers. DPW informed PGW that to retain its LIHEAP vendor status and be able to receive LIHEAP grants on behalf of its customers, it must apply the LIHEAP grant to reduce or eliminate the “asked to pay” amount. This would have the impact of increasing the costs that must be borne by other non-participating customers. The OCA objected to PGW’s request to make this change without making other modifications to the CRP program to address this fundamental change in DPW’s policy. After extensive negotiations, a settlement was reached by some of the parties that allowed PGW to make the requested change to the program and flow the increased costs to other ratepayers. The settlement also provided for a new proceeding to address program modifications that are necessitated by DPW’s new policy. The OCA did not join the settlement and specifically opposed the provision that allowed PGW to make the change in the application of the LIHEAP grant in the absence of other necessary program changes, and then flow the increased costs of $11.5 million to its non-participating customers. The Commission approved the settlement.

Petition of PGW to Modify its Universal Service Plan, Docket No. P-2010-2178610. In 2009, PGW was required by the Department of Public Welfare (DPW) to change the way it applies the LIHEAP benefits within its Customer Assistance Program. As a result of this change, if no corresponding changes are made to the program, the cost of the program for other customers would increase and the CAP customer, who already receives an affordable bill, would be provided an additional benefit. In 2010, PGW proposed to modify its program to address this change in DPW policy. The OCA filed an Answer in support of the proposed modifications. At the end of the Fiscal Year, the case was pending before the Commission.
$12,659,423, or 12.7% on an overall basis. The Company requested a return on common equity of 11.75%. The Company also proposed funding for an energy conservation program and increases in its pension funding. The Company proposed a new reconcilable universal service program rider, a merchant function charge and a reconciliation of its pension expense. The Company also proposed to move its electric expense associated with its compressors used for gas storage to its reconcilable purchased gas cost adjustment mechanism. The OCA filed a formal complaint and has hired a team of expert witnesses to review the filing. At the end of the Fiscal Year, this case was pending before the Commission.

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 but T.W. Phillips is seeking to have this matter consolidated with the base rate case.

UGI Gas
UGI Penn Natural Gas
UGI Central Penn Gas (formerly PPL Gas)

Joint Petition of UGI Utilities-Gas Division, UGI Penn Natural Gas, Inc. and UGI Central Penn Gas for Expedited Approval to contribute a Portion Of Tennessee Gas Pipeline Settlement Proceeds to Operation Share, Docket No. P-2009-2149107. These companies will be issued refunds by Tennessee Gas Pipeline due to an overcollection by Tennessee of certain costs intended to remediate PCB contamination along the pipeline. The Companies sought permission from the Commission to contribute the residential portion of this refund to Operation Share rather than return it to customers directly since the impact of returning it directly would be extremely small. As a contribution to Operation Share, the funds would be used to help customers restore their natural gas service following termination, or pay off arrearages to avoid
Other Gas Cases

Application of Laser Marcellus Gathering Company, LLC, Docket No. A-2010-2153371. On January 19, 2010, Laser Marcellus filed an Application for Certificate of Public Convenience with the Public Utility Commission. Laser Marcellus is a natural-gas midstream company and its primary purpose is to build and operate natural-gas gathering and transportation facilities for gas producers of Marcellus Shale gas in Pennsylvania and New York. In its Application, Laser Marcellus requested Commission approval to begin to offer its services in the Townships of Apolacon, Choconut, Forest Lake, Great Bend, Jessup, Liberty, Middletown, and New Milford in Susquehanna County, Pennsylvania. The OCA filed a Notice of Intervention and Public Statement in the proceeding on April 1, 2010. On April 28, 2010, a prehearing conference was held at which time a litigation schedule was adopted. The OCA attended two public input hearings in Great Bend and Montrose, PA and was currently developing its position in this proceeding. At the end of the Fiscal Year, this case was pending before the PUC.

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

North East Heat & Light Company Request for Relief from Interest Charges, Docket No. M-2009-2134358. NEH&L filed its Gas Cost Rate (GCR) calculation on October 29, 2009 and also requested a waiver of the requirement that NEH&L pay interest on net overcollections of gas costs. A year ago, NEH&L had calculated a very high gas cost rate based on current market conditions. During the 2008-2009 winter, natural gas costs actually declined. NEH&L reduced its GCR in May 2009 but still overcollected its costs. NEH&L requested relief from the obligation to pay $15,380 in interest. The OCA filed comments on November 13, 2009 which supported grant of some relief to NEH&L. The OCA recommended that the interest payment be recalculated using a lower 2%
these levels to ensure that NGDCs are doing what they can to avoid inefficiencies in their gas delivery systems.

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

Other issues addressed by the OCA included gas companies’ proposals for performance-based gas purchasing programs. These include programs such as capacity release incentive programs, under which a gas company’s performance in the capacity release market is compared to historic levels of performance; incentives for making sales off-system; and gas company proposals to purchase a portion of their gas supply based upon long-term contracts and hedging programs.

As discussed above, the OCA also reviewed gas companies’ contracts and evaluated numerous standard purchasing issues such as the level of interstate pipeline capacity held by gas companies, the allocation of gas costs between customer groups, the recovery of capacity costs from customers utilizing transportation service, and gas commodity price projections, among other issues.

The OCA participated in the following purchased gas cost cases during Fiscal Year 2009-10:

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<tr>
<th>Gas Utility</th>
<th>2009 PGC Dockets</th>
<th>2010 PGC Dockets</th>
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<tr>
<td>Columbia Gas of PA</td>
<td>R-2009-2093219</td>
<td>R-2010-2161920</td>
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<tr>
<td>Dominion Peoples (now Peoples)</td>
<td>R-2009-2088069</td>
<td>R-2010-2155608</td>
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<td>Equitable Gas</td>
<td>R-2009-2088072</td>
<td>R-2010-2155613</td>
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<td>National Fuel Gas</td>
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<td>R-2010-2174034</td>
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<td>PPL Gas /UGI Central Penn Gas</td>
<td>R-2009-2105909</td>
<td>R-2010-2172922</td>
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<td>UGI Gas</td>
<td>R-2009-2105911</td>
<td>R-2010-2172933</td>
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Thereafter, the parties engaged in discovery and settlement negotiations. As a result of the settlement negotiations, the OCA was able to reach an agreement with the Company and all other active parties to the proceeding that resolved all of the OCA’s contested issues. The settlement was submitted to the presiding Administrative Law Judge on May 28, 2010. At the end of the Fiscal Year, the case was pending before the Commission.

Equitable Gas Co., Docket No. R-2010-2155613. On February 25, 2010, 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, 2010. The OCA filed its Direct Testimony. Thereafter, the parties engaged in discovery and settlement negotiations. As a result of the settlement negotiations, the OCA was able to reach an agreement with the Company and all other active parties to the proceeding that resolved all of the OCA’s contested issues. The settlement was submitted to the presiding Administrative Law Judge. At the end of the Fiscal Year, the case was pending before the Commission.

Peoples Natural Gas Company, Docket No. R-2010-2155608. On March 2, 2010, the Peoples Natural 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 Peoples’ PGC pre-filing on March 12, 2010. The OCA filed its testimony. Thereafter, the parties engaged in discovery and settlement negotiations. As a result of the settlement negotiations, the OCA was able to reach an agreement with the Company and all other active parties to the proceeding that resolved all of the OCA’s contested issues. The settlement was submitted to the presiding Administrative Law Judge on June 23, 2010. At the end of the Fiscal Year, the case was pending before the Commission.

Columbia Gas, Docket No. R-2010-2161920. On March 1, 2010, Columbia 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 Peoples’ PGC pre-filing on March 24, 2010. The OCA filed its testimony. Thereafter, the parties engaged in discovery and settlement negotiations. As a result of the settlement negotiations, the OCA was able to reach a partial settlement with the Company and all other active parties to the proceeding that resolved all of the OCA’s contested issues. The partial settlement was submitted to the presiding Administrative Law Judge on June 24, 2010. At the end of the Fiscal Year, the case was pending before the Commission.

PECO Energy Company, Docket No. R-2010-2174034. On May 28, 2010, PECO Energy Company submitted its annual purchased gas cost filing pursuant to Section 1307(f) of the Public Utility Code. The OCA filed a formal complaint against PECO’s PGC filing on June 8, 2010. The OCA filed its Direct Testimony. At the end of the Fiscal Year, the case was pending before the Commission.
Commission entered an Order adopting the Recommended Decision and the underlying Settlement. However, the PUC rejected one provision of the Settlement. On December 21, 2009, the Commission entered an Order granting reconsideration of its rejection of this provision, while also remanding the proceeding to the presiding Administrative Law Judges for litigation of the rejected settlement provision. The OCA continues to participate in the Remand portion of this proceeding. At the end of the Fiscal Year, the case was pending before the Commission.

Dominion Peoples, Docket No. R-2009-2088069. As discussed in last year’s Annual Report, on January 30, 2009, The Peoples Natural Gas Company d/b/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 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 would 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 would also monitor the ongoing construction of the REX pipeline project and continue to analyze the feasibility of REX interconnections. Additionally, Dominion Peoples agreed to 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. On September 24, 2009, the Commission entered an Order adopting the Recommended Decision and the underlying Settlement.

Columbia Gas, Docket No. R-2009-2093219. As discussed in last year’s Annual Report, 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. On September 30, 2009, the Commission entered an Order in this proceeding. Regarding Columbia’s Universal Sharing Mechanism (USM), the Commission directed that Columbia provide for a USM without tiers which provides for a sharing for net proceeds from off-system sales and capacity
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. The ALJ issued Recommended Decisions recommending approval of the settlements on September 1, 8, and 23, 2009. On October 8 and 15, 2009, the Commission entered Orders adopting the Recommended Decisions and the underlying Settlements in UGI-PNG and UGI-CPG. On December 23, 2009, the Commission entered an Order adopting the Recommended Decision and the underlying Settlement in UGI.

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 was reached with the Company and the other active parties to the proceeding that resolved all of the OCA’s contested issues. The settlement was submitted to the ALJ.

The Settlement provided that the existing hedging program would 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 were 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. On October 23, 2009, the Commission entered an Order adopting the Recommended Decision and the underlying Settlement.

Federal

FERC Gas Cases

Request of UGI Central Penn Gas Company for Transfer of Storage Facilities to An Affiliate, Docket Nos. CP10-23-000, CP10-24-000. UGI CPG’s storage facilities are currently reflected in CPG’s retail distribution rates and under the ratemaking authority of the Pennsylvania PUC under a doctrine known as the Hinshaw Exemption. This exemption allows FERC to delegate its authority to set rates to the state commission under certain circumstances. CPG has now requested that this exemption be revoked
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.
TELECOMMUNICATIONS

Pennsylvania

Merger Proceedings

Joint Application For Approval Under Chapter 11 of the Pennsylvania Public Utility Code of The Change of Control of Qwest Communications Company, LLC and For All Other Approvals Required under the Public Utility Code, Docket No. A-2010-2176733. On May 14, 2010, Qwest Communications Company, LLC (Qwest) and CenturyTel, Inc. (CenturyLink) (collectively Joint Applicants) filed a Joint Application seeking approvals by the Commission as are necessary in connection with the proposed transfer of control of Qwest to CenturyLink.

CenturyLink is a Louisiana corporation that provides service as an incumbent local exchange carrier serving approximately 7 million local access lines in 33 states, including Pennsylvania. In addition to its service as an incumbent local exchange carrier (ILEC), CenturyLink provides internet and entertainment services across its network and maintains approximately 2.2 million broadband subscribers nationwide. CenturyLink was recently granted a certificate of public convenience as a result of the Commission’s approval of the merger of CenturyTel, Inc. and The United Telephone Company of Pennsylvania LLC d/b/a Embarq Pennsylvania and Embarq Communications, Inc. (Embarq) in Docket No. A-2008-2076038 that is currently on appeal to the Commonwealth Court. At the time of the merger, Embarq served approximately 326,000 total access lines in Pennsylvania as an ILEC in 92 exchanges in all or part of 25 counties in Pennsylvania. In addition, Embarq’s interexchange affiliate provides toll service to approximately 160,000 customers in Pennsylvania.

Qwest is authorized by the Commission to provide long distance and competitive local exchange services in Pennsylvania. Qwest also provides facilities-based and resold interexchange and competitive local exchange operations nationwide. Qwest Communications International, Inc. (QCII) is a holding company of QCC. QCII is a Delaware Corporation and through its subsidiaries is an ILEC in 14 western and midwestern states, serving 10.3 million access lines nationwide. Through its subsidiaries, QCII offers local, long distance, high speed data and wireless and video service. Through its national fiber-optic network, QCII offers a suite of network, data and voice services for small businesses, large businesses, government agencies and wholesale customers.

On June 14, 2010, the OCA filed a Protest to ensure that the proposed transaction provides substantial affirmative benefits to Pennsylvania consumers as required by law.
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.

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.

The OSBA appeal was remanded to the PUC after the FCC issued its order on the merger. On November 25, 2009, the Commission entered a Tentative Opinion and Order officially instituting the remand proceeding. The Commission discussed the various conditions imposed by the FCC as part of their approval of the merger.

On December 15, 2009, CenturyLink, the newly formed company, the Broadband Cable Association of Pennsylvania (BCAP) and an independent internet service provider (ISP) called CTI Networks, each filed Comments in response to the Commission's Order entered November 25, 2009. BCAP advocated that the Commission should adopt many of the wholesale and carrier to carrier conditions that the FCC adopted. CTI Networks advocated that the Commission should adopt the provisions pertaining to standalone DSL, as well as many of the carrier to carrier conditions. CenturyLink argued that the Commission had no authority to impose conditions after already having granted a certificate of public convenience approving the transaction. CenturyLink also argued that the transaction already satisfies all applicable legal standards governing the approval, including the City of York test discussed above.

On March 1, 2010, the Commission entered its Opinion and Order wherein it specifically incorporated several of the conditions adopted by the FCC as part of its own Order approving the merger. As a result, the OSBA filed another Petition for Review on March 29, 2010 appealing the Commission's Order to the Commonwealth Court of Pennsylvania. In its appeal, the OSBA generally averred that the Commission's finding that strengthening a competitor was a substantial affirmative public benefit was erroneous. The OSBA also averred that Commission's Order allows noncompetitive services to subsidize the provision of competitive service in contradiction to Chapter 30
arguments when determining not to assume jurisdiction over the matter. The Commission appeared to distinguish between Verizon itself owning more than 20% of the voting shares of Frontier from Verizon’s shareholders owning more than 20% of the voting shares of Frontier. The Commission rejected all other arguments in favor of granting CWA’s Petition for Declaratory Order.

Joint Application of Denver & Ephrata Telephone & Telegraph, D&E Systems, Buffalo Valley Telephone Co., and Conestoga Telephone, Docket No. A-2009-2109530. As discussed in last year’s Annual Report, on May 21, 2009, the Joint Applicant D&E Entities, comprised of 3 affiliated rural local exchange companies and one 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, as lacking in evidence that the transfer of control will affirmatively benefit consumers and the public, which is required by Pennsylvania law, or impose conditions to provide such benefits and protections.

OCA filed testimony by its expert, Trevor Roycroft, on September 1, 2009. The OCA testimony identified ways in which the application does not meet legal standards. Dr. Roycroft recommended certain conditions be imposed regarding rate caps, service quality reporting, Lifeline enhancements, and other concerns. On September 8, 2009, OCA, OSBA, the Office of Trial Staff, and the applicants Windstream and D&E Companies submitted a Petition for Settlement to the PUC. On October 14, 2009, presiding officer ALJ Weisman issued an Initial Decision adopting the Settlement in its entirety. On November 6, 2009, the PUC adopted the Initial Decision.

**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
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.

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

In July 2009 the PUC lifted the stay of the remaining portion of this investigation and assigned the case to ALJ Melillo. The PUC consolidated the investigation with the 96 complaints filed by AT&T pertaining to the same issues. Given the extensive history of the proceeding and bifurcation of issues in 2008, the parties could not agree on the scope of issues to be developed before ALJ Melillo. At the request of the ALJ, the OCA and other parties filed Memorandum of Law on September 2, 2009. The OCA memorandum traced the issues identified by the PUC in July and related and subsidiary issues which also required resolution, and had not been assigned to ALJ Colwell for disposition.

At the end of the Fiscal Year, this case was pending before the PUC, along with the complaint of AT&T which is discussed in the next section of this report.
On January 20, 2010, the OCA filed the Direct Testimony of Dr. Robert Loube. In that testimony, the OCA proposed a comprehensive solution for access charge reform and revisions to the Pa USF. The OCA proposed that the Commission set the RLEC intrastate access rates equal to their respective interstate access rates, including eliminating the carrier common line charge and raise RLEC residential basic local service rates that are below 120% of the Verizon weighted average residential basic local service rate to that average rate to ensure that the reduction in intrastate access charges is revenue neutral to each RLEC. In addition, any remaining revenue required to reach neutrality should be recovered from the Pa USF. To the extent that the Pa USF must be enlarged to achieve revenue neutrality, the OCA proposal required that the base of contributors to the fund should be expanded to include any service provider that uses the public switched telephone network at any point in providing their service. Dr. Loube's testimony also suggested that both the AT&T proposal and the Verizon proposal presented in this proceeding should be rejected. Dr. Loube's testimony concluded with extensive discussion responding to the Directed Questions raised by the Commission in their December 10, 2009 Order in this matter. This included an extensive discussion, among other things, regarding whether or not local rates are subsidized by access rates.

Testimony was also filed on January 20, 2010 from the PTA companies, CenturyLink, and the Commission's Office of Trial Staff. All of these parties also generally advocated positions that were consistent with the OCA's position as set forth in Dr. Loube's testimony.

On April 1, 2010, the OCA filed Surrebuttal Testimony from Dr. Loube. Dr. Loube responded to various arguments made by Verizon, Qwest, Sprint and AT&T in their Rebuttal Testimony. Dr. Loube responded that Verizon's intrastate traffic sensitive rates were not an appropriate benchmark for the RLEC's rates and that the revenue reduction should be recovered from more than just increases to residential basic local exchange rates. Dr. Loube also addressed claims regarding any consumer benefits that may arise as a result of reducing the RLECs' intrastate access rates. Dr. Loube continued to assert that all users of the public switched telephone network should contribute to the support of the joint and common costs and that a just and reasonable benchmark for residential basic local exchange service should be established with any reductions in intrastate access rates that cause the basic rate to go above the benchmark be recovered from the Pennsylvania Universal Service Fund. On April 14-16, 2010, ALJ Melillo presided over evidentiary hearings in this matter.

Pursuant to the schedule established for this case, the OCA filed its Main Brief on May 13, 2010. In the Main Brief, the OCA advocated a four-part compromise position that would allow the RLEC intrastate access rates to be reduced to their interstate levels, as AT&T sought, but that also ensured that revenue required to offset such reductions would first come from increases to basic local service rates capped at 120% of the Verizon weighted average, subject to an affordability constraint related to the
Companies' ability to increase residential and small business rates are restricted through November 6, 2011 by terms of the settlement which allowed Windstream Pennsylvania to acquire Denver & Ephrata and affiliated companies. The Commission approved the PSI filings on June 23, 2010.

Price Stability Filing by Consolidated Communications. On May 4, 2010, Consolidated Communications (formerly North Pittsburgh Telephone) filed its Price Stability Index report. Based on the formula and inflation, Consolidated Communications calculated that a modest allowed increase in revenues. The Company proposed no increase to rates, choosing instead to bank the allowed increases. The Company reduced the bank of allowed increases by $1.3 million, due to the expiration of the 2006 allowed increase. Additionally, the banked amount reflects zero additions for 2008 and 2009, consistent with the settlement which resulted in Consolidated Communications acquisition of North Pittsburgh Telephone. The Company's new banked amount of allowed increases is $1.4 million. The OCA's expert consultant reviewed the PSI filings. The Commission approved the PSI filing on June 23, 2010.

Price Stability Filings by Various RLECs, In January and February 2010, the Frontier Companies and Frontier Commonwealth, Ironton Telephone, Citizens of Kecksburg Telephone, Sugar Valley Telephone, and Mahanoy & Mahantango Telephone made their PSI filings pursuant to each company's Chapter 30 Plan. Each of the telephone carriers calculated that some increase in revenues through a change in rates would be allowed. Each telephone carrier opted to not file for a change in rates at this time, but rather to bank the allowed increase. Each company also retired allowed increases which had not been implemented within 5 years, if required by the language of the companies' Chapter 30 plan. The OCA and its consultant reviewed the PSI filings for consistency with each carrier's Chapter 30 plan and PSI formula. The PUC approved the earlier filings by the Frontier Companies, Frontier Commonwealth, Ironton, and Citizens of Kecksburg at public meeting on February 25, 2010.

In late April, early May 2010, Marianna & Scenery Hill Telephone, Bentleyville Telephone, North-Eastern Pennsylvania Telephone, and Lackawaxen Telephone filed their 2010 PSI filings. Each RLEC calculated an allowed increase in revenues. Each RLEC chose to bank the allowed increase rather than raise rates. Some of the RLECs retired prior banked amounts, pursuant to the terms of their Chapter 30 Plans. The Commission approved the PSI filings on June 23, 2010.

Verizon PA, Inc. 2009 Price Change Opportunity Filing, Docket Nos. R-2008-2074972 and P-00930715F1000. As discussed in last year's Annual Report, 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
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 asserted 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 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.

On December 15, 2009, the Commonwealth Court issued its Order in this matter affirming the Commission’s decision. The Court determined that the Commission has authority to direct the D&E Companies not to increase their intrastate access rates to recover their allowed annual Chapter 30 revenues. The Court also found the Commission’s refusal to allow the rate increases to be consistent with the Companies’ Commission-approved Chapter 30 plans. The Court determined that the Commission properly reviewed the Companies’ switched access rate increases and that it would not interfere with the Commission’s ratemaking expertise.

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. 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
entered December 3, 2009. The Commission granted Embarq (now CenturyTel) a second extension by Order entered June 22, 2010, based on the complex nature of the project and Embarq’s progress.

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 conducted conference calls to discuss various options for the additional a new area code in each of these areas. The OCA participated in these informal proceedings to monitor the current action.

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

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

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

The OCA participated in several public input hearings conducted by the Commission throughout the 570 and 814 area codes for purposes of obtaining comments from members of the public regarding which form of area code relief should be implemented.
to customers. The OCA also continued to advocate for additional Commission authority to implement number conservation measures as discussed in the OCA's ex parte filing to the FCC filed on February 23, 2010.

On May 18, 2010, the Federal Communications Commission granted the Petition of the Commission seeking additional delegated authority to implement number conservation measures in Pennsylvania. Previously, the Commission was only authorized to mandate thousands-block pooling in rate centers located in top 100 metropolitan statistical areas in Pennsylvania. The additional authority allows the Commission to mandate thousands-block pooling in all rate centers in Pennsylvania. As noted above, the OCA had supported the Commission's Petition to the FCC. The distribution of numbering resources in blocks of one thousand, instead of the traditional blocks of ten thousand, delays the unnecessary implementation of area codes.

In light of the additional numbering authority, the Commission issued a further Order on June 3, 2010 seeking to implement mandatory thousands-block pooling in all rate centers in the 570, 717 and 814 area codes. Significantly, the Commission also directed all service providers to consider thousands-block pooling in these three area codes when making their August, 2010 forecasts for numbering resources. The North American Numbering Plan Administrator held a conference call amongst all industry participants on June 29, 2010 regarding the Commission's June 3, 2010 Order. The OCA participated in that conference call to ensure that all necessary steps are being taken to avoid the cost and inconvenience caused by the unnecessary implementation of new area codes. The OCA will continue to monitor the implementation of mandatory thousands-block pooling in Pennsylvania. At the end of the Fiscal Year, this matter was pending before the Commission.

Application of the United Way of Pennsylvania for Information and Referral for the Assignment of 2-1-1 Abbreviated Dialing Code and the Designation of Pa 2-1-1 as the Lead Implementing Agency for Pennsylvania 2-1-1 Service, Docket No. A-2009-2136921. On October 16, 2009, the United Way of Pennsylvania filed an Application seeking authority to implement the 2-1-1 abbreviated dialing code to provide Pennsylvanians with easy access to information about the full range of public and private community programs and services provided throughout Pennsylvania. Abbreviated dialing codes, such a 9-1-1, enable callers to connect to a location in the telephone network that would otherwise be accessible only via a seven or ten digit telephone number. The filing noted that Pennsylvania is one of the last states to implement this service which will makes social service programs more accessible and better utilized. The filing is required so that the technical aspects of the service can be implemented.

The OCA filed an Answer in support of the United Way Petition on November 9, 2009. Numerous consumer and social service groups and legislators have filed letters in
business models: wireline or wireless, prepaid or post-paid, or facilities-based or pure resellers. Notice of the petitions filed by wireline carriers, Cordia Communications (Docket No. P-2008-2014444) and BLC Management (Docket No. P-2009-2104693) was published in the Pennsylvania Bulletin and opened for public comment. In 2009, the OCA filed comments in response to Cordia and BLC, generally supporting the addition of other qualified carriers to offer Lifeline phone service but identifying conditions or concerns specific to the carrier. In January and February 2010, three more carriers filed petitions with the PUC – Virgin Mobile and Cricket Communications, both wireless carriers, and Nexus Communications, a wireline carrier. The Virgin Mobile and Cricket petitions are the first wireless carrier petitions filed with the PUC. The OCA is reviewing the petitions and will file comments, if necessary. Since all Pennsylvania telephone customers contribute to support the federal Universal Service Fund, the OCA wishes to make certain that the Lifeline discount covers as much telephone service or wireless minutes as possible.

On June 7, 2010, the Commission entered an order denying, without prejudice Cordia Communications’ petition. The Commission determined that Cordia had not provided sufficient information. The Commission directed its staff to develop a policy statement which will identify applicable standards for ETC designation and annual verification. The Commission also agreed with the OCA that Cordia should not charge Lifeline customers a fee for issuing a paper bill, even if the charge is tariffed. The Commission determined that the broader question of whether it is legal for any local exchange carrier to charge residential customers a fee for providing a paper bill should be investigated, through a joint investigation by the Commission’s Fixed Utility Services and Law Bureau. The OCA will monitor both the Commission’s development of the policy statement and the paper bill fee investigation.

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 to the PUC’s regulations. Based on past practices and as authorized by Act 183 of 2004, 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 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.
Letter provided all affected parties with an opportunity to Comment on IRRC's recommendation.

By letter dated April 1, 2010, the OCA indicated to the Commission that it did not object to IRRC's recommendation. In addition, however, the OCA averred that, although the plain language guidelines are not binding, the OCA expects public utilities will, as matter of good business practices, communicate clearly with their residential customers, along the lines suggested in the Policy Statement (use of short sentences, active voice, define technical terms, clear section headings, etc.). The OCA further urged the companies to work with the Commission staff and the OCA to ensure that these important communications are understandable to consumers.

The Commission entered its Amended Final Rulemaking Order on April 15, 2010. In the Amended Order, the Commission agreed with the OCA that clear communications with customers are good business practices, but the Commission agreed with IRRC that the reference to the policy statement should be removed. The Commission's Amended Final Rulemaking passed legislative review and received approval by IRRC. The regulations became final upon publication in the Pa. Bulletin on June 28, 2010.

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 PUC 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 was 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 also 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
into the complaint brought by Ms. Putman against Verizon dated December 10, 2009. In her complaint, Ms. Putman averred that she has experienced numerous telephone outages over the past year and other service quality issues such as static and hum on her line. Ms. Putman averred that other families on her street are experiencing similar problems and that efforts by Verizon technicians to repair problems have not been effective. Ms. Putman indicated that such problems have also affected her DSL service and that there are several families on her street who need constant telephone service for severe medical needs.

The OCA intervened into this proceeding to assist Ms. Putman and her neighbors in receiving adequate and reliable telephone service from Verizon, as required by law. Since the OCA's intervention, the Company has taken several steps towards resolving the problem by completely replacing the telephone line that serves the street. As a result, the complaint was referred to mediation by agreement of the parties so that Verizon could continue to address the problem through replacing the facilities.

Verizon has agreed to replace the facilities that service this street. Such replacement has occurred and the problem appears to be resolved. As a result, Verizon filed a Certificate of Satisfaction on April 21, 2010.

Conway v. Verizon Pennsylvania, Inc., Docket No. F-2010-2155066. On February 17, 2010, the OCA filed a Notice of Intervention and Public Statement formally intervening into the complaint brought by Ms. Conway against Verizon, dated January 24, 2010. Ms. Conway averred in her complaint that Verizon had charged her $91 for a service visit to her home that they did not make. Ms. Conway requested that Verizon delete the $91 charge from her bill since the technician indicated he did not repair her telephone.

The OCA continues to assist Ms. Conway in the resolution of her complaint through mediation. The OCA has engaged in informal discovery with the company and has raised issues in a manner that will assist all similarly situated Pennsylvanians. The OCA will continue the mediation process in an attempt to resolve all outstanding issues. At the end of the Fiscal Year this case was pending before the Commission.

Federal

Federal Communications Commission (FCC) Proceedings

On March 17, 2010, the FCC issued its long-awaited National Broadband Plan. This plan includes many suggestions regarding issues important to Pennsylvania telephone consumers, including broadband deployment, universal service and access. It is anticipated that from the National Broadband Plan, the FCC will issue numerous Notice of Proposed Rulemakings to begin to implement some of the actions recommended in the Plan. The OCA will monitor those Rulemakings and participate where necessary, including assisting NASUCA with any actions it may determine to make.

The National Broadband Plan proposed that the FCC implement a pilot to provide eligible low income consumers with assistance to afford broadband, similar to the Lifeline assistance available for telephone service. On June 23, 2010, the FCC held a roundtable discussion with industry members, scholars, and consumer representatives to discuss how such a pilot could be structured. Assistant Consumer Advocate Barrett Sheridan participated as a member of the roundtable panel.

The National Broadband Plan also proposed to transform the portion of the federal Universal Service Fund which currently provides support to rural local exchange carriers to provide affordable telephone service – the High Cost Fund – into a fund to support broadband deployment. One step involves development of a cost model to analyze broadband deployment costs. OCA joined NASUCA in filing comments with the FCC which challenged the merits of the proposed cost model. OCA also engaged, jointly with several other state consumer advocate offices, Dr. Trevor Roycroft to provide his expert analysis of the cost model as an affidavit filed with the NASUCA comments.

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

Pursuant to the schedule established by the FCC for Comments, the OCA filed Comments to the FCC on April 2, 2010 in support of the PUC’s decision. The OCA supported the PUC’s ultimate conclusion that GNAPs’ non-payment of intra-state access charges to Palmerton cannot be condoned as a matter of law and a matter of sound regulatory policy. The OCA further advocated that GNAPs has not demonstrated in its Petition that preemption is appropriate in this instance or that GNAPs has
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 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 the FCC Commissioners. 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
draft resolution for consideration at the June 2009 NASUCA meeting. NASUCA adopted the resolution in support of the Lifeline Awareness Week. OCA counsel has continued to work coordinating outreach plans through the Task Force and at the Pennsylvania level. The Consumer Advocate joined with the Public Utility Commission, Verizon, and the PTA at the Community Action Commission in Harrisburg on Sept. 16, 2009 to publicize the availability of this support to make telephone service affordable for low income consumers. OCA also updated its website to provide consumers with information about Lifeline and Link-Up.
WATER AND WASTEWATER

Base Rate Proceedings


PAWC-Coatesville requested an annual increase in base rate revenues of $8,156,652 (158%). PAWC-Coatesville provides wastewater service to approximately 6,030 customers in Coatesville, Parkesburg, West Sadsbury, East Fallowfield, Caln, West Caln, West Brandywine, Valley, Sadsbury and Highland Townships in Chester County. PAWC-Clarion requested an estimated annual increase in base rate revenues of $968,817 (84%). PAWC-Clarion provides wastewater service to approximately 2,200 customers in Clarion Borough and portions of the Townships of Clarion and Monroe in Clarion County. PAWC-Claysville requested an annual increase in base rate revenues of $487,486 (158%). PAWC-Claysville provides wastewater service to 496 customers in Claysville and portions of Donegal Township, Washington County. PAWC-Northeast requested an annual increase in base rate revenues of $2,099,490 (240%). PAWC-Northeast provides wastewater service to 4,000 customers in portions of Lehman Township, Pike County and portions of Smithfield and Stroud Townships in Monroe County. At the end of the Fiscal Year, these cases were pending before the PUC.

York Water Company, Docket No. R-2010-2157140. York Water Company submitted a request to increase its annual revenues on May 14, 2010. The Company requested an increase in annual revenues of $6,200,000, or 15.9%. York serves 165,000 customers in York County. The Office of Consumer Advocate filed a Formal Complaint against the increase. Discovery is underway in the matter. At the end of the Fiscal Year, this case was pending before the PUC.

Aqua Pennsylvania, Inc., Docket No. R-2009-2132019. On November 18, 2009, Aqua PA submitted a request for a general rate increase to become effective January 18, 2010. The Company asked the Commission to approve an annual 11.8% increase in base rates – an approximately $43,200,000 revenue increase. Aqua had 27 rate zones within its service territory; the rate effect of the proposed increase varied by zone. In general, the Company proposed to increase rates for its typical residential customer from $48.28 to $53.79 or by $5.51 per month (11.4%). In addition to various expense increase claims, Aqua also requested that the Commission approve automatic
Aqua’s $50,000 matching commitment doubled the size of Aqua’s Helping Hand program and will encourage assistance agencies to avail their clients of the program.

On May 25, 2010, the Administrative Law Judge approved the proposed settlement, without modification. The Commission accepted the ALJ’s recommendation in a June 16, 2010 Opinion and Order.

Aqua Pennsylvania, Docket No. R-2008-2079310. As discussed in the last Annual Report, 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 to the surcharge was necessary. Further, the OCA asserted that in light of the current economic downturn 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. On July 23, 2009, the Commission Order approved the Recommended Decision and granted the DSIC increase.

United Water Pennsylvania (UWPA), Docket No. R-2009-2122887. On September 16, 2009, UWPA filed a request to become effective November 15, 2009, to increase its annual revenues by $4.9 million. A residential customer with a 5/8" meter would experience an increase to $38.36 per month, from the current $33.01 per month, an increase of 6.2%. The OCA filed a Formal Complaint on September 30, 2009. In addition to the usual base rate issues, the OCA challenged United’s request for an automatic adjustment clause for its electric bills. Settlement negotiations among the parties proved productive. The Settlement provided for an annual revenue increase of $2.6 million, where the Company’s State Tax Assessment Surcharge (STAS) and current Distribution System Improvement Charge (DSIC) would be reset to zero. The Settlement tied the revenue increase to a number of important conditions that, in the OCA’s view, contributed to a just and reasonable result.

The Settlement addressed the OCA’s largest proposed adjustment in this proceeding – the consolidated tax adjustment. The Company did not provide consolidated tax adjustment information in its filing in this proceeding but agreed to provide consolidated income tax data as part of its supporting data in future base rate cases. The OCA opposed UWPA’s proposal to increase the 5/8" customer charge from $8.50 to $12.90,
Prior to the scheduled evidentiary hearings, the parties initiated settlement discussions. As a result of these discussions, all active parties were able to reach an agreement set forth in a Joint Petition for Settlement of Rate Investigation, filed on October 2, 2009. All of the active parties stipulated to the submission of their prepared written testimonies following a joint motion, which was granted within the Recommended Decision issued on October 26, 2009. That Recommended Decision also determined the Joint Petition to be in the public interest and recommended to the Commission that it be granted without modification. The salient terms of the Joint Petition were as follows:

- The parties agreed to a revenue increase of $30.75 million (6.6%) in lieu of the $58 million (12.5%) initially proposed.
- PAWC committed to refrain from filing another general base rate increase until April 21, 2011.
- The parties agreed to a customer charge increase of $13.00, rather than $13.75 for customers with 5/8” meters, the vast majority of which are residential customers.
- PAWC agreed to a substantial increase in its shareholder contribution to the Dollar Energy fund, from $150,000 to $250,000 to assist payment-troubled customers. This provision was specifically in response to the testimonies of several witnesses at public inputs regarding the hardship of ever-increasing utility bills on low- and fixed-income customers.
- PAWC agreed to extend water mains to six new neighborhoods in need of service in western Washington County partially in response to the testimony of prospective customers at public input hearings in Washington PA. This provision also resolved one pending Formal Complaint and an informal complaint brought to the OCA’s attention and would result in much-needed service to approximately sixty households.
- PAWC also agreed to an accounting change for Contributions in Aid of Construction and Customer Advances for Construction associated with the purchase of Citizens Utilities Water Company of Pennsylvania; this change reduces annual revenue requirement in the near term by approximately $3.2 million (and by gradually declining amounts annually for the next seventy years).

The Recommended Decision was approved by the Commission without modification on November 6, 2009.
gallons per quarter) would increase from $68.57 to $120.36 per quarter or by 75.5%. At the same time, the Company filed a request to increase its wastewater rates which would result in additional annual revenues of $369,827, or 232.8%. The bill for a typical residential customer (9,000 gallons per quarter) would increase from $68.57 to $241.36 per quarter, or 252%. The OCA filed formal complaints, as did 7 customers. Public input hearings were held on March 10, 2010 at which time more than 20 customers testified in opposition to the rate increase and about quality of service issues. The Company filed its direct testimony on March 9, 2010. The active parties submitted a Joint Petition for Settlement on May 18, 2010. The Settlement provided for additional annual water revenues of $70,000 or 43.26%. A typical residential customer using 9,000 gallons per quarter would see an increase from $68.57 to $100.72 (46%) per quarter, rather than to $120.36 (75.5%) as originally proposed by the Company.

The Settlement also provided for additional annual wastewater revenues of $275,000, phased in over two steps. In the first step, the Company’s annual wastewater revenues would be increased by $178,750, or 112.50%. In the second step, to be effective one year later, the wastewater revenues would increase by $96,250, or 28.51%. A typical residential customer using 9,000 gallons of water per quarter, would see an increase from $68.57 to $152.41 (122.3%) in Phase I compared to $241.36 as originally proposed by the Company. In Phase II, the typical customer’s bill would increase from $152.41 to $197.01 per quarter (29.3%). The Company agreed not to file another water or sewer rate case any sooner than one year after the effective date of the Phase II rates. The stayout will provide some level of rate stability for the customers.

During the course of this proceeding, including testimony provided at the public input hearings, numerous issues in addition to revenue requirement were identified and addressed in the Settlement Petition: 1) The parties agreed, for purposes of this case only, that the number of availability customers will be reduced by 220 to reflect the lots owned by a developer who abandoned those lots in the Company’s service territory. If any of the lots are sold while the settlement rates are in effect, the Company agrees that it will charge availability fees for those lots; 2) The Company agreed to resolve the odor issues at the lift station and nearby manhole covers. The Company agreed to consult with independent experts and take the necessary steps to resolve the odor issues no later than six months after the effective date of the rate increases. The Company will provide quarterly reports to the parties until the corrective actions have been completed. The report will describe the corrective actions taken by the Company during the quarter; 3) The Company agreed to paint the outside of the water storage tank. The parties have agreed to a five year amortization of the $23,500 tank painting costs which is reflected in the revenue increase agreed to in this case. The tank painting is to be completed within three months following the Commissioner order approving this settlement, and the Company will provide the estimate to the parties and will notify the parties when the painting is completed. The Company also agreed to have the inside of the water storage tank inspected by an independent contractor or consultant. The inspection must be done within 90 days after the Commission order in this case. The
the service territory on November 9, 2009. OCA, OTS, and CTSC stipulated to overall cost of capital but argued the issue of fair rate of return in recognition of ongoing service quality issues, in addition to several accounting issues. Other than return, the primary issue was whether CTSC should recover from usage customers the revenues it is unable to recover from availability customers. This followed from a May 15, 2009 order in a related complaint case where the Commission found inadequate service and ordered CTSC to cease billing availability customers for service it cannot provide during the moratorium. Hearings were held in Scranton and briefs were filed in January 2010. The OCA’s position was that no increase should be granted because the Company continued to provide inadequate service.

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

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

On May 6, 2010, OTS filed a Petition for Clarification of the Order, asking that the Commission amend its Order to reflect that the OTS presented positions on both of the legal issues in question - whether CTSC was in compliance with Section 1501 and whether a revenue increase should be denied under Section 526. On May 17, 2010, the OCA filed an Answer supporting the OTS Petition and supporting the Commission’s finding that CTSC continues to provide inadequate service and its denial of CTSC’s proposed rate increase. On June 16, 2010, the Commission voted to grant the OTS Petition. The Company subsequently filed an appeal with Commonwealth Court, which is pending at the end of the Fiscal Year.

Reynolds Water Co., Docket No. R-2009-2102464. As discussed in last year’s Annual Report, 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. The OCA filed a formal complaint in August 2009. The parties participated in mediation and subsequently were able to reach an agreement to resolve
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. The OCA filed formal complaints in July 2009. The OCA participated in the Commission’s Public Input Hearing on October 20, 2009 in the service area. On October 22, 2009 the OCA filed direct testimony. Prior to hearings in the four Utilities Inc. rate cases the parties engaged in settlement discussions. The discussions were fruitful and produced the following results.

Regarding the Penn Estates Water Division, the settlement rates would produce an additional $162,543 in annual service revenue. The average bill for a water customer that uses 4,300 gallons per month would increase from $19.34 to $27.85 or 40% in lieu of the 70.06% increase proposed by the Company. Regarding Penn Estates Sewer Division, the settlement rates would produce an additional $139,992 in annual service revenue. The bill for a water customer would increase from $34.29 to $41.26 or 20.3% in lieu of the 46.2% increase proposed by the Company. In addition, Utilities Inc. addressed various billing issues raised by consumers at the public input hearing held in the Penn Estates community. The ALJ approved the settlement as being in the public interest in his December 3, 2009 Recommended Decision. The Commission approved the Settlement on January 14, 2010.

Regarding the Utilities Inc. Westgate water service rate case, the settlement rates would produce an additional $44,452 in annual service revenue. This amounts to a monthly increase for the average customer from $36.80 to $41.46 or 12.68% in lieu of the approximately 47% increase proposed by the Company. The ALJ approved the settlement. The Commission approved the Recommended Decision on January 28, 2010.

Regarding the Utilities Inc. of Pennsylvania sewer service rate case, the settlement rates would produce an additional $242,304 in annual service revenue. This amounts to a quarterly increase for the average customer from $110.63 to $157.77 or 42.61% in lieu of the approximately 66% increase proposed by the Company. The ALJ approved the settlement as being in the public interest in her December 29, 2009 Recommended Decision noting that this division of Utilities Inc. had not filed for a rate increase in approximately 10 years. The Commission approved the Settlement on February 11, 2010.

Birch Acres Water Works, Inc., Docket No. R-2009-2110093. As discussed in last year’s Annual Report, 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
case, Lake Spanglerberg agreed that $14,995.52 would be deducted from rate base on Lake Spanglerberg's books and for ratemaking purposes. An additional $900, for meter pit costs charged to customers since the last rate case, would also be deducted from rate base on Lake Spanglerberg's books and for ratemaking purposes. Going forward, the Company agreed to account for meter pit costs paid for by customers and to remove those costs from rate base in the next case. The Company also agreed to inform customers who need meter pits that they have the option of having a contractor install the meter pit. The Company also agreed to make good faith efforts to reduce unaccounted for water from 80% to 40%. Every six months, Lake Spanglerberg will send reports to the settling parties and to FUS, detailing its efforts and calculating the current unaccounted for water percentage. Lake Spanglerberg agreed to follow the requirements and policies of the Department of Environmental Resources regarding Tier 1 notice to customers, including boil water advisories, when there is a loss of positive pressure on the system. Lake Spanglerberg also agreed to conduct pressure surveys, maintain proper records and follow regulations regarding planned and unplanned service interruption, and maintain a customer complaint log, as required by PUC regulations. The Company agreed to provide copies to the settling parties and to FUS of any written correspondence with the PUC or customers related to outages, low pressure, line breaks or other service interruptions. The Company also agreed that it will provide copies of the pressure surveys and all records of complaints for two years following the approval of this settlement. This provision will allow all parties to review the operations of the Company. On March 3, 2010, the ALJ recommended approval of the Settlement, with one modification. She recommended reducing the Company's proposed meter testing charge to make it consistent with the PUC's regulations. On March 25, 2010, the Commission adopted the recommendations of the ALJ.

Cooperstown Water Co., Docket No. R-2009-2105668; Fryburg Water Co., Docket No. R-2009-2105601. As discussed in last year's Annual Report, 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.

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 $43.63 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. In both
entered an order adopting the Recommended Decision. On January 14, 2010, the PUC adopted the Recommended Decision for Fryburg.


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>
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</thead>
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<tr>
<td>Bridlewood R-2008-2081642 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 Townhouse) ($1.63/M Usage)</td>
<td>48.36%</td>
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<tr>
<td>Deerfield Knoll R-2008-2081547 Willowston 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-2008-2081553 East Bradford Twp., Chester Co.</td>
<td>80</td>
<td>$91.47</td>
<td>$110.18 ($65.00 customer) ($5.95/M Usage)</td>
<td>20.5%</td>
<td>$108.79 ($60 customer) (7.66/M Usage)</td>
<td>20.02%</td>
</tr>
<tr>
<td>Links of Gettysburg R-2008-2081555 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>Woodchoc 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 Residential</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 Contract</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) ($5.53/M Usage)</td>
<td>25.9%</td>
<td>$41.95</td>
<td>25.9%</td>
</tr>
</tbody>
</table>
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. The parties participated in numerous settlement conferences and calls and were able to reach a settlement. The Settlement provides for additional annual revenues of $19,600 or 98.98%. The increase will be phased in, with the first step being additional annual revenues of $12,000, or 60.6%, going into effect upon entry of a PUC order approving this settlement. The second phase, $7,600, will go into effect nine months following the first phase.

<table>
<thead>
<tr>
<th>Water rates-Quarterly</th>
<th>Current</th>
<th>Company proposed</th>
<th>Settlement Phase 1</th>
<th>Settlement Phase 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical Residential Customer(10,000 gallons per quarter)</td>
<td>$47.38/quarter</td>
<td>$177.86/quarter</td>
<td>$76.10/quarter</td>
<td>$64.28/quarter</td>
</tr>
<tr>
<td>Percentage Increase</td>
<td>266.19%</td>
<td>60.6%</td>
<td>98.98% (over current)</td>
<td></td>
</tr>
</tbody>
</table>

Since the conclusion of its last rate case, Needmore had been charging non-tariffed rates to its customers. Specifically, Needmore charged a customer charge that was higher than its tariffed rate and a volumetric rate that was lower than its tariffed rate. The result was overcharges for residential and commercial customer classes and undercharges for the institutional customer class. The Settlement provided for a total class refund of $1,633 for the residential class and $647 for the commercial class and additional charges of $275 for the institutional class to be returned or collected over four billing periods to address the situation. An individual residential customer would receive a credit of $4.39 per quarter, a commercial customer would receive a credit of $20.21 per quarter and an institutional customer would be charged an additional $17.17 per quarter. Other provisions of the Settlement required the Company to make a good faith effort to sell the company within one year after the entry date of an order approving this settlement. The Company has had discussions regarding the sale of the Company and the settlement required the Company to continue those efforts and to expand its efforts by including contact with other entities. The Company will provide status reports to the parties. These efforts could result in a proposed sale of the Company which will need to be reviewed by the PUC and other parties, so the settlement provided that the parties have reserved all rights regarding any potential application which may be filed by Needmore. In addition, Needmore agreed to develop a plan to address dead ends, including additional blow off valves, looping and regular flushing of the system. The plan must be provided to the other parties within 6 months of the entry date of a PUC order approving this settlement. This provision should result in a more comprehensive review of the distribution system and possible improvements. Needmore also agreed to conduct pressure surveys and maintain a customer complaint log, both as required by PUC regulations. This provision would allow all parties to review the operations of the Company. Needmore agreed to withdraw its affiliated interest agreements that were consolidated with the rate case docket. OCA and the Company have agreed to work on determining the affiliated interest issues outside of the context of this case which should allow a more thorough determination of whether
concerns including the absence of a final purchase agreement and inadequate information regarding customer notice and the rate impact of the proposed sale. On November 6, 2009, NHWC filed a Revised Application containing a final, executed purchase agreement. Pursuant to the Agreement, NHWC would sell the water system for $800,000.

Between November 16, 2009 and November 25, 2009, four customers filed Protests against the Revised Application: On January 14, 2010, a public input hearing was held in Bernville, Pennsylvania. Ten customers provided testimony. On February 3, 2010, NHWC filed a Supplemental Agreement on behalf of the Company and RAWA. Pursuant to the ALJ’s instructions, the Supplemental Agreement directed parties to submit any objections to the documents to the Secretary, ALJ and parties by February 16, 2010. The Supplemental Agreement contained information about rates; connection fees; RAWA’s budget, operations, public meetings and plans for the NHWC system; and the effect of the proposed sale with regard to North Heidelberg Sewer Company. Two customer protesters filed timely objections to the Supplemental Agreement.

On February 16, 2010, NHWC submitted a July 31, 2007 Agreement between NHWC and John H. Guenther, Jr. for the purchase and reserve of equivalent dwelling unit (EDU) availability from the NHWC system. NHWC Late-Filed Exh. 3. The purpose of the submission was to ensure that Mr. Guenther’s interests would be protected if NHWC transfers the system to RAWA.

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

On April 20, 2010, the parties participated in an Initial Hearing held in Harrisburg where cross-examination of witnesses was conducted and testimony. Counsel for the Department of Environmental requested and was granted permission to Intervene. In May 2010, NHWC, DEP and OCA filed briefs. The OCA recommended that the Application be approved in light of the Revised Application, Supplemental Agreement and additional information provided by the witnesses at hearings. At the end of the Fiscal Year, the case was pending before the PUC.

Application of KH Wastewater Treatment Co., Docket No. A-2010-2174191. On April 28, 2010, KH Wastewater Treatment Co. (KHW) filed an application to acquire the wastewater system assets of Model Enterprises, Inc. (MEI). KHW and MEI are affiliates and MEI is not currently regulated because the customers do not pay for service (it is included in their rent). The OCA filed a Protest against the application on June 1, 2010, raising several concerns. Notably, KHW proposed to establish a rate base using the
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 Pizzigrilli 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 will occur if the relief is not granted and that the requested relief is in the public interest.

The Emergency Order enjoined PAWC from any further pressure increase pending hearings before an Administrative Law Judge to determine whether the Order should be continued or modified to be held within 10 days. That Order was ratified by the full Commission on December 18, 2008.

On December 19, 2008, the hearing was convened and four days later, the Office of the ALJ issued the Recommended Decision of Susan D. Colwell, recommending continuation and modification of the December 12, 2008 Emergency Order.

After seventy-one Findings of Fact, the ALJ concluded that the Petitioners’ right to relief was clear. The ALJ determined that the evidence supported the correlation between the pressure increases and the dates of breaks in affected municipalities, and that the severity of the consequences of the breaks justified immediate action.

The ALJ built into the recommendations the requirement that PAWC 1) develop a recommended schedule for slowly and responsibly implementing the remaining pressure increase for the system and submit it to the Commission for final approval; 2) give the approved schedule to the municipalities at least 48 hours prior to the implementation, which should enable the affected municipalities to have adequate personnel and equipment on hand to deal with a break.

In conclusion, the ALJ recommended full implementation of the project in a controlled manner, with the full knowledge of the municipal officials whose areas are affected and sufficient utility personal on hand to address whatever issues arise.

PAWC submitted Exceptions to the Recommended Decision and the OCA filed Reply Exceptions on January 8, 2009. In the intervening period, the Company submitted a Petition to Modify a critical piece of evidence on which the ALJ’s Recommended Decision was based. In light of this filing, the OCA requested that the Commission schedule another hearing for the purpose of examining the change in the Company’s
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.

On April 27, 2009, the ALJ issued a Recommended Decision approving the Joint Petition for Settlement without modification, having determined that the settlement was in the public interest. The Recommended Decision was adopted by the Commission as its Final Order. Commissioner Cawley issued a Statement commending the parties for having arrived at the comprehensive settlement that addresses all issues associated with the increases in pressure in the Borough of Camp Hill, and Lower Allen and Hampden Township.

Water and Wastewater - Service Quality and Main Extension Cases

Pa. P.U.C. and the Office of Consumer Advocate v. Emlenton Water Company, Jeffrey Foley and Kathleen Foley, Case No. 359 M.D. 2009. As discussed in last year’s Annual Report, the OCA has been involved in a number of cases involving Emlenton Water, which serves 500 customers in Venango County. The PUC and the OCA jointly filed an action in mandamus against the Company and its owners for non-payment of the refunds to the former Emlenton customers. On December 15, 2009, the PUC and the OCA obtained a default judgment against the owners of the Emlenton Water Company through an order from Commonwealth Court. The PUC and the OCA have been working to collect the approximately $38,000 owed to the former customers of Emlenton and distribute refunds to those customers. The PUC and OCA filed and served a Petition for Contempt for non-payment of the default judgment. On February 5, 2010, the Commonwealth Court issued an Order that represented a settlement among the parties on all issues associated with the refunds. The settlement refund amount is $18,000 was to be paid in a lump sum via certified check within 45 days. On April 8, 2010, the owners’ counsel delivered the check for $18,000 to the PUC in compliance with the Commonwealth Court Order.
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.
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.

Wallish v. Aqua Pennsylvania, Inc., Docket No. F-2010-2153810. On January 25, 2010, the OCA filed a Notice of Intervention and Public Statement intervening into the January 19, 2010 Formal Complaint brought by Ms. Wallish against Aqua Pennsylvania, Inc. In her Complaint, Ms. Wallish alleged that the household water bills ranged from $11.33 to $27.83 through most of calendar year 2008. In February 2009, Ms. Wallish received a water bill for $418. The Formal Complaint alleged that when Ms. Wallish protested the high bill, she was told by a representative that she would have to pay the bill or her service would be terminated. Ms. Wallish checked for leaks and none were found. After her meter was changed out, her bills returned to within the 2008 monthly average range. Ms. Wallish paid the $418 to avoid termination and filed an Informal Complaint with the Bureau of Consumer Services and an appeal of that decision with her January 19, 2010 Formal Complaint.

The OCA intervened into this proceeding to assist Ms. Wallish with her high bill complaint. Since the OCA’s intervention, a settlement meeting was held, and the Company has settled the matter by reimbursing Ms. Wallish with a check in the amount of $482.78 plus interest from February 2009. The Company also agreed to provide a letter to Ms. Wallish’s wastewater company, Bucks County Water and Sewer Authority, regarding the change in her bill, so that her wastewater bill could also be adjusted.

Mitchell v. Aqua Pennsylvania, Inc., Docket No. C-2010-2155067. On February 4, 2010, the OCA filed a Notice of Intervention and Public Statement formally intervening into the Formal Complaint brought by the Mitchells against Aqua Pennsylvania, Inc. dated December, 2010. In their Formal Complaint, the Mitchells alleged that the household water bills ranged from $85 to $135 on average for approximately 8,000 to 14,000 gallons of usage. In September 2009, the Mitchells received a water bill for $2,113.91 for 260,600 gallons of usage. The disputed amount encompassed a 62 day billing period. The problem was reported to Aqua, and the meter was tested. According to the Mitchells’ Complaint, there was a problem with the first meter test, and the second test showed that the meter was “within range.” The meter was subsequently replaced because the meter had registered over a million gallons of water. The Complainants checked for leaks, and none were found. Their bills returned to normal after the meter was replaced. They protested the high bill and were offered a payment arrangement.

The OCA intervened into this proceeding to assist the Mitchells with their high bill complaint. Since the OCA’s intervention, a settlement meeting was held, and the Company has settled the matter and reduced the Complainants’ account by $1,936.27.
CONSUMER AND LEGISLATIVE OUTREACH

Testimony, Presentations and Speaking Engagements

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
<th>Location</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-1-09</td>
<td>KDKA Newsmaker Radio Program</td>
<td>Harrisburg, PA</td>
<td>Natural Gas Rates</td>
</tr>
<tr>
<td>7-18-09</td>
<td>Representative Dwight Evans’ Eighth Annual Community Resource Day and Festival</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>7-27-09</td>
<td>Representative Mario Scavello’s Senior Expo</td>
<td>Swiftwater, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>7-30-09</td>
<td>Informational Forum on the Removal of Electric Rate Caps sponsored by Representative Sheryl Delozier</td>
<td>Mechanicsburg, PA</td>
<td>Panel discussion and Q&amp;A regarding deregulation and what to expect when rate caps expire</td>
</tr>
<tr>
<td>8-5-09</td>
<td>Representative David Millard’s Senior Expo</td>
<td>Bloomsburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>8-6-09</td>
<td>Representative Carl Walker Metzgar’s Senior Expo</td>
<td>Somerset, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>8-6-09</td>
<td>Senator Jake Corman’s Senior Expo</td>
<td>Lewistown, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>8-20-09</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>9-9-09</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>9-11-09</td>
<td>Senator Dominic Pileggi’s Senior Expo</td>
<td>Kennett Square, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>9-14-09</td>
<td>Senior Expo sponsored by Senator Michael Brubaker, Representative John Bear and Representative Thomas Creighton</td>
<td>Manheim, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
<td>Location</td>
<td>Details</td>
</tr>
<tr>
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</tr>
<tr>
<td>10-2-09</td>
<td>Senator Jane Clare Orie's Senior Expo</td>
<td>Butler, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-3-09</td>
<td>Representative Dennis O'Brien's Senior Expo</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-6-09</td>
<td>Launch of the PECO Residential Energy Star Lighting Program</td>
<td>Philadelphia, PA</td>
<td>Media Event</td>
</tr>
<tr>
<td>10-8-09</td>
<td>Representative Bill Kortz's Senior Expo</td>
<td>West Mifflin, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-8-09</td>
<td>Representative Katharine Watson and Senator Chuck McIlhinney's Senior Expo</td>
<td>Doylestown, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-9-09</td>
<td>Representative Martin Causer's Senior Expo</td>
<td>Roulette, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-12-09</td>
<td>National Drinking Water Symposium</td>
<td>Orlando, FL</td>
<td>Presentation on Changes in the Water Industry- the Consumer Advocates’ Perspective and Water Policy Forum Summary</td>
</tr>
<tr>
<td>10-14-09</td>
<td>Representative John Evans' Senior Expo</td>
<td>Girard, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-15-09</td>
<td>Senator Don White and Representative Dave Reed's Senior Expo</td>
<td>Indiana, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-15-09</td>
<td>Representative Nick Kotik and Representative Dan Deasy's Senior Expo</td>
<td>McKees Rocks, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>10-15-09</td>
<td>Senator Charles McIlhinney's Senior Expo</td>
<td>Fairless Hills, PA</td>
<td>Staff an exhibitor's booth, answer questions and distribute materials</td>
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<tr>
<td>10-15-09</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>
</tr>
<tr>
<td>10-21-09</td>
<td>Training for DEP Attorneys</td>
<td>Harrisburg, PA</td>
<td>Presentation on the role of the OCA and timely intervention in PUC Proceedings</td>
</tr>
<tr>
<td>Date</td>
<td>Event</td>
<td>Location</td>
<td>Description</td>
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<tr>
<td>12-14-09</td>
<td>Central PA Aging Consortium Energy and Aging Forum</td>
<td>Camp Hill, PA</td>
<td>Panel: How to Shop for an Electric Generation Supplier</td>
</tr>
<tr>
<td>1-11-10</td>
<td>Representative Sturla’s Energy Fair</td>
<td>Lancaster, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>1-14-10</td>
<td>Northeastern Pennsylvania Claims Association monthly meeting</td>
<td>Scranton, PA</td>
<td>Electric choice</td>
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<tr>
<td>1-14-10</td>
<td>PBS39’s “Tempo Public Square” program</td>
<td>Bethlehem, PA</td>
<td>Interview regarding the PPL rate hike</td>
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<tr>
<td>1-19-10</td>
<td>Cross Keys Village</td>
<td>New Oxford, PA</td>
<td></td>
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<tr>
<td>1-20-10</td>
<td>Deaf and Hard of Hearing Services of Lancaster County</td>
<td>Lancaster, PA</td>
<td>Presentation on How to Shop for an Electric Generation Supplier</td>
</tr>
<tr>
<td>1-20-10</td>
<td>Pennsylvania House Environmental Resources and Energy Committee Hearing</td>
<td>Harrisburg, PA</td>
<td>Testimony on House Bill 1909: Pennsylvania Power Authority</td>
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<tr>
<td>1-27-10</td>
<td>PJM Long Term Capacity Issues Symposium</td>
<td>Baltimore, MD</td>
<td>Panelist: Challenges and Opportunities in an Uncertain Regulatory Environment</td>
</tr>
<tr>
<td>1-30-10</td>
<td>Senator Mellow’s Electricity and Energy Conservation Event</td>
<td>Wilkes-Barre, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
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<tr>
<td>2-4-10</td>
<td>Representative John Bear’s Energy Information Forum</td>
<td>Lancaster, PA</td>
<td>Panel: How to Shop for an Electric Generation Supplier</td>
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<tr>
<td>2-9-10</td>
<td>TechQuest Technology Take Rate Committee</td>
<td>Harrisburg, PA</td>
<td>Presentation on the Bona Fide Retail Request Program (BFRR)</td>
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<tr>
<td>2-25-10</td>
<td>Representative John Pallone’s Senior Health and Wellness Fair</td>
<td>New Kensington, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>2-25-10</td>
<td>Harvard Electricity Policy Group</td>
<td>Los Angeles, CA</td>
<td>Presentation on Distribution Infrastructure and Electricity Transformation</td>
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<tr>
<td>3-1-10</td>
<td>Representative Ron Marsico’s Energy Forum</td>
<td>Harrisburg, PA</td>
<td>Panel: How to Shop for an Electric Generation Supplier</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
<td>Location</td>
<td>Description</td>
</tr>
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<tr>
<td>4-22-10</td>
<td>Senator Kim Ward’s Senior Expo</td>
<td>Greensburg, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>4-23-10</td>
<td>Representative John Sabatina’s Senior Fair</td>
<td>Philadelphia, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>4-30-10</td>
<td>Representative Joseph Brennan and Steve Samuelson’s Senior Fair</td>
<td>Allentown, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-4-10</td>
<td>Pennsylvania Public Utility Commission, (PApowerswitch.com) Launch Event</td>
<td>Lancaster, PA</td>
<td>Made remarks on behalf of the OCA supporting the Commission in this endeavor</td>
</tr>
<tr>
<td>Week of 5-10-10</td>
<td>NARUC Rate School</td>
<td>San Diego, CA</td>
<td>Presentations on legal framework, rate of return and gas and electric issues</td>
</tr>
<tr>
<td>5-11-10</td>
<td>Pennsylvania Bar Institute: Public Utility Bench Bar Conference</td>
<td>Harrisburg, PA</td>
<td>OCA guides and indexes to PUC procedural rules</td>
</tr>
<tr>
<td>5-11-10</td>
<td>Pennsylvania Public Utility Commission, (PApowerswitch.com) Launch Event</td>
<td>Hershey, PA</td>
<td>Lessons Learned from the Expiration of the PPL Rate Cap</td>
</tr>
<tr>
<td>5-13-10</td>
<td>Senator Bob Mensch’s Healthy Community Expo</td>
<td>Red Hill, PA</td>
<td>Staff an exhibitor’s booth, answer questions and distribute materials</td>
</tr>
<tr>
<td>5-13-10</td>
<td>Industrial Energy Consumers of Pennsylvania (IECPA) Information Session</td>
<td>Summerdale, PA</td>
<td>Electric Restructuring and Price of Power in Pennsylvania</td>
</tr>
<tr>
<td>5-14-10</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>
</tbody>
</table>
OCA CALL CENTER

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

During Fiscal Year 2009-2010, we had a total of 39,759 consumer contacts in the Call Center, including requests for shopping guides, phone calls, letters and e-mail.

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

We assisted a consumer who was facing termination of her electric service. She was enrolled in the company's customer assistance program (CAP) but failed to make monthly payments due to a change in her husband's employment. We contacted the company on her behalf and they put a 30 day hold on the account. Upon reviewing her account, the company lowered her monthly CAP payment amount based on her household's current income. They also helped her apply for an energy assistance grant. Between the lower monthly CAP payment, the energy assistance grant and payment from the customer, she avoided termination and now has a more manageable monthly bill.

We assisted a consumer who was double charged for his monthly telephone, internet and cable package. The telephone company agreed to remove the charges from his bill, but did not investigate why the billing error occurred. After we contacted the company and asked them to investigate, they discovered an IT issue that caused this billing error. The error was corrected.

We assisted a consumer who was having difficulty enrolling in her phone company's low income assistance program. We contacted the company on her behalf and discovered there was some confusion surrounding the qualification process. The company worked with the consumer and outlined exactly what she needed to do to enroll in the program.

We assisted an 89 year old woman who was referred to our office by her State Representative. She was disputing an early cancellation fee being imposed for cancelling her DSL service. She had various problems with the service and it never worked properly in conjunction with her telephone service. She switched to another telephone and DSL provider. We contacted her original company on her behalf and, in the interest of resolving her complaint, they agreed to credit the outstanding balance.
We assisted a consumer who had a new hot water heater installed but the next day it did not work. The consumer contacted a plumber who discovered the line filled with water during installation. The plumber charged the customer $148 for the service call. The customer called the gas company to drain the line and was seeking a credit for the plumber's fee. We contacted the gas company and it agreed to credit the customer.

We assisted a consumer who had been receiving electric bills for zero usage. She had contacted the company but they did not correct the problem. We contacted the company on her behalf. They contacted the customer and made an appointment to replace the meter.

We assisted a water utility customer who received a bill for over $500 more than his usual usage and had been engaged in discussion with the utility about the dispute for nearly two years. We contacted the company, and after discussion with Company counsel, the utility offered a full credit in the amount of the excessive bill.

We assisted a consumer whose electric company did not apply an energy assistance grant to his account. He was unable to resolve the matter with the electric company and they began collections activity on his account. We contacted the company on his behalf. They postponed the collections activity and worked with the energy assistance provider to get the grant posted to the account. The grant covered the customer's current bill and gave him a substantial credit that would be applied to the next bill.

We assisted another consumer who received a notice from her electric distribution company that she chose an alternative generation supplier. She said she never chose another supplier and did not want to switch. We contacted the supplier on her behalf. The supplier provided a copy of the sign up card and the customer determined that her roommate signed up for the service. The supplier agreed to cancel the service and the customer was able to return to her electric distribution company for generation service.

We assisted a consumer who was being billed by a third party on his telephone bill for services he did not request. We contacted the telephone company on his behalf and they agreed to remove the charges and send them back to the billing agent. They also offered to block third party billing on this account free of charge, at the customer's request.
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 Chesiks 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 Advocate Subcommittee.

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

- Mr. Popowsky was selected to represent electricity consumers on the steering committee of the Eastern Interconnection Planning Collaborative. 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 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, Scarcity Pricing Working Group, Regional Planning Process 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.
OCA STAFF

Sonny Popowsky
Consumer Advocate

Dianne E. Dusman
Christine Maloni Hoover
Tanya J. McCloskey,
Senior Assistant Consumer Advocates

Christy M. Appleby
Aron J. Beatty
Joel H. Cheskis
David T. Evrard
Erin L. Gannon
Jennedy S. Johnson
Darryl A. Lawrence
James A. Mullins
Barrett C. Sheridan
Shaun A. Sparks
Candis A. Tunilo
Assistant Consumer Advocates

Jennifer Brown-Sweeney
Justine Pate
Legal Interns

Marilyn J. Kraus
Senior Regulatory Analyst

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

Cheryl A. Cootes
Jessica J. Horner
Sandra L. Kinsey
Denise F. Smith
Victoria N. Stone
Clerical Staff

Cammie A. Shoen
Legal Assistant

Heather R. Yoder
Consumer Liaison

Sheri L. Steigleman
Kevin R. Yiengst
Consumer Service Representatives