

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

EXECUTIVE SUMMARY OF THE ANNUAL REPORT

FISCAL YEAR 2019-2020

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EXECUTIVE SUMMARY

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.

The OCA represents Pennsylvania utility consumers in matters before the Pennsylvania Public Utility Commission (PUC) and other state and federal regulatory agencies and courts. The OCA participates before the PUC in all major rate cases, most small rate cases, and many non-rate proceedings that have a significant impact on consumers. The 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 participates actively on policy-making committees of non-government organizations such as the PJM Regional Transmission Organization (RTO), whose decisions have a critical impact on electric prices and service in Pennsylvania. Through our consumer education outreach, website, social media presence, and toll-free call center, the OCA also seeks to ensure that consumers are informed regarding changes in their utility service.

In recent years, the OCA has continued to work on proceedings resulting from major state and federal legislative changes impacting utility consumers, such as electric and natural gas restructuring, regulatory requirements for basic and advanced telecommunications services, and Act 11 of 2012's provisions for recovery of distribution system infrastructure improvement costs outside of base rate cases, use of a fully projected future test year within base rate cases, the combination of water and wastewater revenue requirements, and the use of fair market valuation for municipal water and wastewater acquisitions authorized by Act 12 of 2016, codified as 66 Pa. C.S. § 1329. During Fiscal Year 2019-2020, stemming from Act 11, one utility asked the Commission to waive the Distribution System Improvement Charge (DSIC) statutory 5% cap for both water and wastewater service and that the DSICs be levelized, and one utility asked for a waiver of the cap for electric distribution service, five utilities filed amended plans, two utilities filed second plans, and one utility filed an initial plan. In addition, there were five DSIC cases that were on appeal during Fiscal Year 2019-2020 related to the impact on the DSIC from changes due to Act 40, codified at 66 Pa. C.S. § 1301.1, which addressed federal income tax benefits. During Fiscal Year 2019-2020, OCA participated in 19 base rate filings. During Fiscal Year 2019-2020, there were five cases that were filed or pending under Sections 1329 and 1102 of the Public Utility Code and the OCA was actively involved in each one. Also, during Fiscal Year 2019-2020, the OCA continued to work on cases that involved more recent legislative changes, such as alternative ratemaking, the impact of Act 40 in specific rate filings, changes to the federal income tax rate as a result of the Tax Cuts and Jobs Act of 2017,

and Act 120 of 2018 regarding the ratemaking treatment of the replacement of lead service lines and wastewater laterals. In addition, the OCA participated in numerous Public Utility Commission investigations, such as supplier consolidated billing, universal service, Chapter 56 requirements, Chapters 63 and 64 requirements, alternative ratemaking, default service and PJM Settlement Reforms, fully projected future test year filing requirements pursuant to Act 11 of 2012, and Act 120 of 2018 requirements, as well as applications for acquisitions as will be discussed below. At the end of the fiscal year, the OCA also participated in proceedings involving the Commission's Emergency Orders related to the pandemic.

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

In the electric industry, the OCA has sought to ensure that customers continue to be protected through the development of stable, reasonably priced “default” service. Pursuant to Act 129 of 2008, the OCA continues to participate in all default service filings of electric distribution companies to ensure that those companies provide reliable default generation service to their customers at the least cost over time. During Fiscal Year 2019-2020, there were five default service filings in which the OCA sought to ensure that default service customers have access to generation supply that meets all statutory requirements and that the retail choice programs are appropriately designed and contain necessary consumer protections. The OCA also continues to be active in Act 129 proceedings to ensure that the energy efficiency, demand response, and advanced metering programs developed by Pennsylvania electric utilities provide the greatest benefit to consumers at the lowest reasonable cost. The OCA continues to be involved in the universal service proceedings before the Public Utility Commission and during Fiscal Year 2019-2020, after filing comments, participated in a working group related to a Commission staff-issued Report on Home Energy Affordability for Low-Income Customers. The OCA is also involved in the DSIC filings made pursuant to Act 11 of 2012 by electric distribution companies. During Fiscal Year 2019-2020, the OCA has been involved in distribution base rate proceedings filed by two electric distribution companies. Each company used a fully projected future test year under Act 11. The OCA has also participated in appellate proceedings addressing changes to the calculation of taxes in the DSIC as a result of Act 40. During Fiscal Year 2019-2020, the OCA continued to be involved in a major transmission line siting case. At the same time, through our website, social media presence, and consumer outreach, OCA has been a leader in educating residential consumers on how to shop for competitive electric generation services if they choose to do so. Since much of the decision-making that

affects Pennsylvania electric consumers occurs at the federal and regional level, the OCA has continued its expanded participation in key electric proceedings before the FERC, including a PECO Energy transmission formula rate filing, and in the activities of the PJM Interconnection.

In the natural gas industry, the OCA continues to represent consumers across Pennsylvania in the annual PUC review of every major natural gas distribution company's purchased gas costs. As in the electric industry, the OCA seeks to ensure that natural gas consumers continue to have access to the least cost "supplier of last resort" service from their regulated natural gas distribution company while also educating residential consumers about how to choose alternative natural gas suppliers. The OCA continues to be involved in the universal service proceedings before the Public Utility Commission and, as noted above, during Fiscal Year 2019-2020, after filing comments, participated in a working group related to a Commission staff-issued Report on Home Energy Affordability for Low-Income Customers. The OCA also is involved in the ongoing quarterly DSIC filings made pursuant to Act 11 of 2012 by natural gas companies. During the Fiscal Year 2019-2020, the OCA participated in four natural gas distribution base rate cases and continued our work on natural gas main extensions and proposed abandonments of natural gas service to consumers, as well as a collaborative related to gas on gas competition. The OCA also participates in proceedings at FERC that involve the major interstate pipelines that serve Pennsylvania's retail natural gas distribution companies, including rate increase filings by Texas Eastern Transmission and Transcontinental Gas Pipe Line Company. Also during Fiscal Year 2019-2020, the OCA participated in an Application filed by Aqua America, Aqua Pennsylvania, Aqua Pennsylvania Wastewater, Peoples Natural Gas Company, and Peoples Gas Company to transfer 100% of the outstanding interests in the parent company of Peoples to Aqua America.

In telecommunications, the OCA has participated in cases involving quality of service, network maintenance, and basic service pricing in Pennsylvania. During Fiscal Year 2019-2020, the OCA continued to address its complaints against the price change opportunity filings to ensure that the impact of the Tax Cuts and Jobs Act of 2017 was fully reflected in rates. The OCA continues to focus on the goal of ensuring that Pennsylvania maintains and enhances the provision of reliable and affordable universal telephone service throughout the Commonwealth as well as access to broadband services. This has included efforts to maintain reasonable limits on basic telephone rates, particularly in rural areas, and to expand the Lifeline telephone discount programs to low-income consumers who might otherwise not be able to afford service. The OCA also continues to monitor consumer complaints and inquiries regarding the availability of broadband in areas around the Commonwealth. At the federal level, the OCA works extensively with the National Association of State Utility Consumer Advocates to provide

the consumers' perspective in proceedings before the Federal Communications Commission and federal courts.

In the water and wastewater industries, the OCA continues to represent consumers in base rate increase cases involving large, medium and small companies, fair market value acquisitions and other application proceedings, and mandatory takeover proceedings involving both large and small utilities. During Fiscal Year 2019-2020, the OCA addressed Pittsburgh Water and Sewer Authority's second base rate case under PUC jurisdiction, Stage 1 of its Compliance Plan, and participated in its Low-Income Assistance Advisory Committee and the Consumer Lead Replacement Advisory Committee. The OCA also continues to address requests from water and wastewater utilities of all sizes under Act 11 of 2012 that choose to use the fully projected future test year and the provisions of Act 11 that allow for combining the revenue requirements of water and wastewater subsidiaries within the same parent company. During Fiscal Year 2019-2020, the OCA participated in 13 water and wastewater base rate cases, including 4 that included claims for alternative ratemaking and multi-year plans pursuant to Act 58 of 2018. The OCA also participated in five application proceedings involving companies' acquisitions of municipal water and wastewater systems using fair market valuation under Act 12 of 2016, including the largest proposed acquisition to date under Section 1329. During Fiscal Year 2019-2020, the OCA was involved in the ongoing quarterly DSIC filings made pursuant to Act 11 of 2012 by water and wastewater companies, a filing by a water and wastewater utility to establish initial DSIC caps of 10% and levelized DSICs, and three amended plans. As water and wastewater infrastructure expand in order to meet the needs of Pennsylvania consumers for safe and adequate service, the OCA has expanded its own efforts to ensure that rates are maintained at reasonable and affordable levels. The OCA has also participated in proceedings addressing changes to the federal income tax rate as a result of the Tax Cuts and Jobs Act of 2017. In addition, the OCA has participated in service quality cases, mandatory takeover cases, and application cases to ensure that consumers are receiving safe and adequate water and wastewater service, and has worked to extend public water service at a reasonable cost to unserved areas. During Fiscal Year 2019-2020, the OCA participated in cases involving the replacement of lead service lines and worked to incorporate the provisions of Act 120 of 2018 (recovery of costs related to replacement of customer-owned lead service lines) into a settlement of one of the proceedings.

During the last fiscal year, in response to Act 58 of 2018, the Commission sought additional comments, in response to a Tentative Order regarding alternative ratemaking and the OCA filed comments addressing the legislative changes. The Commission's resulting Policy Statement was entered on July 11, 2019 and the OCA has seen four rate filings that contained requests for approval of alternative ratemaking and multi-year rate plans pursuant to Act 58 of 2018. The OCA also filed comments in rulemakings and

proceedings involving Chapters 63 and 64 (consumer protections in telecommunications), Act 120 of 2018 related to the plans for replacement of and ratemaking treatment of the replacement of lead service lines and wastewater laterals, Customer Assistance Program (CAP) rulemaking, default service and PJM Settlement Reforms, and supplier consolidated billing. During Fiscal Year 2019-2020 and in the current fiscal year, the OCA continues to participate in a collaboratives addressing the filing requirements related to the use of a Fully Projected Future Test Year pursuant to Act 11 of 2012, and Chapter 56 issues (Standards and Billing Practices) not addressed in the recent rulemaking.

During the last fiscal year, in addition to its litigation activities, OCA participated on behalf of utility consumers in state and federal legislative and policy debates. During Fiscal Year 2019-2020, the OCA has been called on to present formal testimony in the Pennsylvania General Assembly regarding proposed Regional Greenhouse Gas Initiative (RGGI) and Community Solar projects.

The OCA also responds to individual utility consumer complaints and inquiries. The OCA maintains a toll-free calling number (800-684-6560). In addition, the OCA devotes substantial resources to educating consumers about changes in the utility industry. The Acting Consumer Advocate, Consumer Liaison, and other members of OCA staff have helped plan and participate in consumer presentations, roundtables, and forums across the Commonwealth to help educate consumers about changes in the utility industry and to advise them about cases that affect them. During Fiscal Year 2019-2020, through March 2020, the OCA participated in 58 consumer outreach events across Pennsylvania, many of which were sponsored by members of the General Assembly. Since the Governor's Emergency Declaration, the OCA has continued to provide materials for "drive-thru" outreach events. 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 and its social media presence on Facebook and Twitter. The OCA posted on utility-related issues more than 250 times during Fiscal Year 2019-2020. Among the most popular items on the OCA website are the OCA's monthly shopping guides that provide "apples-to-apples" price comparisons for residential electric and natural gas customers who are looking for alternatives to their utility default service suppliers.

The following pages highlight the key issues the OCA addressed in Fiscal Year 2019-2020. A complete listing of the OCA's case activities on behalf of consumers is provided in the Fiscal Year 2019-2020 Annual Report.

KEY ISSUES FOR ELECTRIC CONSUMERS

Least cost default service. The OCA has sought to ensure that customers continue to be protected through the development of stable, reasonably priced “default” service. Pursuant to Act 129, the OCA participated in all of the default service filings of electric distribution companies in Fiscal Year 2019-2020 to ensure that those companies provide reliable default generation service to their customers at the least cost over time.

Balancing the need for infrastructure investment with reasonable rates. The OCA continued to be involved in the Distribution System Improvement Charge filings made pursuant to Act 11 by electric distribution companies and continues to work to ensure that the DSIC rate is calculated in accordance with Pennsylvania law. That work has included argument before the Pennsylvania Supreme Court. During Fiscal Year 2019-2020, the OCA was involved in distribution base rate proceedings filed by two electric distribution companies.

Ensuring adequate Universal Service programs. The OCA continued its participation in proceedings addressing the Universal Service and Energy Conservation Plans filed by two electric utilities, focused on Customer Assistance Program outreach, consumer education and cost-effectiveness of the plans. During Fiscal Year 2019-2020, the OCA participated in a working group related to a Commission staff-issued Report on Home Energy Affordability for Low-Income Customers and continues to participate in Universal Service advisory groups that work on the details of program implementation.

Protecting consumers from marketer misconduct. During the 2019-2020 Fiscal Year, the OCA intervened in a Complaint alleging that an electric marketer enrolled customers without authorization, in addition to accessing accounts without permission, and using deceptive and misleading tactics while conducting door-to-door and telemarketing sales. The consumers impacted by this alleged conduct included some of Pennsylvania’s most vulnerable populations: senior citizens and infirmed, disabled or unwell persons. Through its continuing participation, the OCA seeks to ensure appropriate remedies for any violations of the Commission’s regulations so as to protect consumers and ensure the proper functioning of the retail market.

Utility billing. During the 2019-2020 Fiscal Year, the OCA participated in a proceeding stemming from a request by energy generation suppliers to place charges for additional EGS services such as home security, HVAC maintenance, surge protection, on the utility bill. The OCA opposed this request given the numerous consumer protection issues related to using the utility bill to collect charges for non-utility service. The case is pending before the Commission.

Transmission line siting. The OCA continued its participation in an Application filed by Transource Pennsylvania, LLC seeking approval of the siting and construction of the

Pennsylvania portion of two 230 kV transmission lines and two substations, in portions of York and Franklin counties. During the Fiscal Year, the OCA continued building its case against the transmission project, because the costs would greatly exceed the benefits for Pennsylvania consumers and the regional transmission organization did not consider what may be viable alternatives with less overall cost.

Federal issues of importance to Pennsylvania utility customers. The OCA has continued its expanded participation at PJM Interconnection because much of the decision-making that affects Pennsylvania electric consumers occurs at the regional level. The OCA has also continued its expanded work at FERC where transmission rates for Pennsylvania customers are set and wholesale market rules that impact prices paid by Pennsylvania consumers are ruled upon.

Smart shopping. Through our website and consumer outreach, the OCA has been a leader in educating residential consumers on how to shop for competitive electric generation services if they choose to do so. During the Fiscal Year, the OCA participated in the Commission's proposed rulemaking to strengthen customer protections and to ensure that customers receive the necessary information to make informed decisions when shopping in the retail electricity market.

A full listing of the OCA's electric-related case activities on behalf of consumers is provided in the Fiscal Year 2019-2020 Annual Report.

KEY ISSUES FOR NATURAL GAS CONSUMERS

Reasonable rates for infrastructure investments to provide safe and adequate service. In Fiscal Year 2019-2020, the OCA participated in four base rate cases involving distribution rates for natural gas utilities. Three of the rate increase requests were filed in 2020, which meant that customers were facing extraordinary financial and social challenges due to the COVID-19 pandemic. In all cases, the OCA worked to ensure that rates are as low as possible and adequate to support prudent investment by natural gas utilities. The OCA also worked to ensure that the impacts of the COVID-19 pandemic were properly reflected in the ratemaking process and that appropriate programs were developed to assist consumers during these difficult times. The OCA was also involved in the ongoing quarterly infrastructure surcharge rate filings made pursuant to Act 11 by natural gas companies.

Helping to make the retail markets work for consumers. As in the electric industry, the OCA seeks to ensure that natural gas consumers continue to have access to the least cost "supplier of last resort" service from their regulated natural gas distribution company while also educating residential consumers about how to choose alternative

natural gas suppliers. In Fiscal Year 2019-2020, the OCA continued to represent consumers across Pennsylvania in the annual PUC review of every major natural gas distribution company's purchased gas costs.

Ensuring adequate Energy Efficiency and Universal Service programs. During Fiscal Year 2019-2020, the OCA focused on Customer Assistance Program outreach, consumer education and cost-effectiveness of the plans. The OCA also addressed universal service issues in the four natural gas distribution utilities' base rate proceedings. The OCA participated in Universal Service advisory groups that work on the details of program implementation.

Acquisition of a major natural gas distribution utility by a large water and wastewater utility. The OCA sought to ensure that the acquisition of Peoples Gas Company and Peoples Natural Gas Company by Aqua Pennsylvania, Inc. provided substantial affirmative benefits to the customers of all three utilities. The OCA raised concerns about the transaction as proposed and negotiated a Settlement that will help to ensure all entities remain financially healthy and able to provide safe, adequate and reliable service going-forward, as well as providing other benefits to consumers and the public.

Federal issues of importance to Pennsylvania utility customers. The OCA continued its participation in proceedings at the Federal Energy Regulatory Commission that involve the major interstate pipelines that serve Pennsylvania's retail natural gas distribution companies, including two rate filings by transmission companies serving a number of Pennsylvania natural gas distribution companies.

A full listing of the OCA's natural gas-related case activities on behalf of consumers is provided in the Fiscal Year 2019-2020 Annual Report.

KEY ISSUES FOR TELECOM CONSUMERS

Reliable and affordable service for all Pennsylvanians. In Fiscal Year 2019-2020, the OCA participated in cases involving basic service pricing and quality of telephone service in Pennsylvania. At the federal level, the OCA continues to support preservation of the Lifeline program to provide eligible consumers with access to voice and broadband services, improved notice for consumers subject to network changes from copper to fiber, and allocation of federal universal service funding for broadband infrastructure. The OCA continued to focus on the goal of ensuring that Pennsylvania maintains and enhances the provision of reliable and affordable universal telephone service throughout the Commonwealth while preserving the universal broadband requirements of Chapter 30. This has included efforts to maintain reasonable limits on

basic telephone rates, particularly in rural areas, and to expand the Lifeline telephone discount programs to low-income consumers who might otherwise not be able to afford service. During the COVID-19 pandemic, the need for connectivity assumed even greater importance.

Meeting the Chapter 30 broadband obligation. The OCA continued to monitor consumer complaints and inquiries regarding the availability of broadband pursuant to Chapter 30 of the Public Utility Code in areas throughout the Commonwealth.

Federal issues of importance to Pennsylvania utility customers. At the federal level, the OCA continued to work extensively with the National Association of State Utility Consumer Advocates to provide the consumers' perspective in proceedings before the Federal Communications Commission.

A full listing of the OCA's telecommunication-related case activities on behalf of consumers is provided in the Fiscal Year 2019-2020 Annual Report.

KEY ISSUES FOR WATER AND WASTEWATER CONSUMERS

Working for safe and reliable service at reasonable rates. In the water and wastewater industries, the OCA represented consumers in 13 base rate increase cases involving large, medium and small companies. Four of these cases included claims for multi-year rate plans and alternative ratemaking. The OCA continues to work to ensure that the DSIC rate is calculated in accordance with Pennsylvania law and challenged three requests by water and wastewater utilities to increase the cap on the DSIC rate. In addition, the OCA participated in four service quality cases to ensure that consumers are receiving safe and adequate water and wastewater service.

Ensuring benefits and consumer protection in water and wastewater consolidation. During the 2019-2020 Fiscal Year, the OCA participated in 12 acquisition, abandonment and mandatory takeover proceedings involving both large and small utilities. In all of these cases, the OCA worked to ensure that existing and acquired customers were protected and benefitted from the transaction.

Fairly sharing costs. As water and wastewater infrastructure expand in order to meet the needs of Pennsylvania consumers for safe and adequate service, the OCA has expanded its own efforts to ensure that rates are maintained at reasonable and affordable levels. Recently enacted Section 1329 of the Public Utility Code provides for fair market valuation of municipal utilities. During the 2019-2020 Fiscal Year, the OCA participated in four application proceedings filed under Section 1329 by large wastewater utilities. In each proceeding, the OCA made recommendations to ensure the

valuation is consistent with standard financial and utility ratemaking practice and worked to ensure that adequate and appropriate notice was provided to existing and acquired customers whose rates will increase in a subsequent base rate case as a result of the acquisition. The OCA also participated in one of those subsequent base rate cases and made recommendations to impose fair and reasonable limits on the subsidization of those costs by other customers. The OCA continues to address requests from water and wastewater utilities of all sizes under Act 11 that choose to use the fully projected future test year and the provisions of Act 11 that allow for combining the revenue requirements of water and wastewater subsidiaries within the same parent company.

PUC regulation of Pittsburgh Water and Sewer Authority. During Fiscal Year 2019-2020, the OCA continued to actively participate in all proceedings arising from the amendment of the Public Utility Code that brought Pittsburgh Water and Sewer Authority under the jurisdiction of the PUC on April 1, 2018. For 2020, that included the utility's request to raise water and wastewater base rates and its DSIC rate cap. The OCA has worked to ensure that PWSA customers receive high quality water and wastewater service at reasonable cost.

Supporting lead control programs. During Fiscal Year 2019-2020, the OCA has supported utilities' efforts to replace customer-owned lead service lines to protect the public health of customers and worked to ensure that the costs are fairly shared between the utility and consumers. In addition, the OCA has focused on the need for customer outreach and education to ensure that consumers are informed about the risks of lead contamination, how to identify whether they have a lead service line, and information about their utility's lead control projects.

A full listing of the OCA's water and wastewater-related case activities on behalf of consumers is provided in the Fiscal Year 2019-2020 Annual Report.

CONSUMER EDUCATION SUMMARY

Shopping guides. The OCA continued to compile 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.

Electric shopping statistics. The OCA continued to compile the number and percentage of customers and customer load that are being served by alternative suppliers throughout Pennsylvania. Each quarter, the OCA posts those statistics on its website.

Outreach events. During Fiscal Year 2019-2020, the OCA helped plan and participate in consumer presentations, roundtables, and forums across the Commonwealth to help educate consumers about their utility service. The OCA participated in 58 consumer outreach events across Pennsylvania, many of which were sponsored by members of the General Assembly. The OCA notes that, due to the COVID-19 pandemic, substantially fewer public forums were held after mid-March 2020. The OCA provided informational materials for distribution at curbside and drive-through outreach events held in May and June 2020.

OCA website, call center and mailings. The OCA continued to provide consumer information and education through its website at www.oca.state.pa.us and its toll-free phone number (800-684-6560). The OCA continues to maintain its website and, in the first quarter of 2017, the OCA launched on social media platforms, Twitter and Facebook. During the 2019-2020 Fiscal Year, the OCA received 6,282 customer contacts through its call center. The OCA also kept consumers and members of the General Assembly informed through regular letters and bulletins about upcoming cases and public hearings.

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