

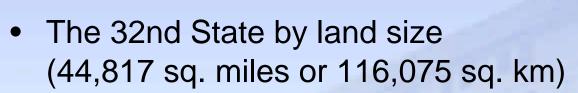
Introduction: The Pennsylvania Public Utility Commission and the Value of an Independent and Impartial Regulator

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The Commonwealth of Pennsylvania





The 6th most populous state (12.4 million)



- Nickname "The Keystone State"
- Capital Harrisburg
- Major city Philadelphia (1.5 million)

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About the PUC, cont'd



 We're based in Harrisburg, but have regional offices in Altoona, Philadelphia, Pittsburgh and Scranton.

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Pennsylvania Public Utility Commission

- Pennsylvania the 6th largest state
- Commission created in 1916
- About 530 employees
- Our decisions affect:
 - 5.7m electricity customers
 - 2.8m natural gas customers
 - 8.3m telephone customers



Companies Under Jurisdiction

1983-84

- 17 electric utilities
- 60 gas companies
- **50** telephone companies
- 430 water companies

2003-04

- 80 electric companies
- 120 gas companies
- 550 phone companies
- 179 water companies



Balancing Act

- Regulator: The government agency (regulatory authority) that regulates monopoly companies that provide a public good.
- Balancing: Balance the need for the viable operation of the monopoly company versus the ability for its consumers to pay reasonable rates.



- Functions: legislative, judicial, and executive.
- Ethics: By statute.
- Ex Parte Communications prohibited



- Staggered terms
- Post employment: Regulated by statute



- Funding: Via assessments
- Assessments collected through customers bills.
- Separate assessments assure Commission independence.



- Deliberations: Usually public
 - Transparency
- Record of evidence
- Appeals



Concluding Important Issues

- Regulated company needs to earn enough to be viable and provide service.
- Penalizing a company too much may result in a death spiral, which may lead to no provider of service.
- Customers should not pay more than necessary.
- Customers should not be subject to rate shocks.