



Key Regulatory Issues Confronting PA PUC

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Regulatory Developments

- A. Energy
- B. Telecommunications
- C. Water



Energy

- Renewables
- Infrastructure
- Competition – Rate Caps
- Tariff Increases
- Affordability
- Transmission Sitings
- Generation



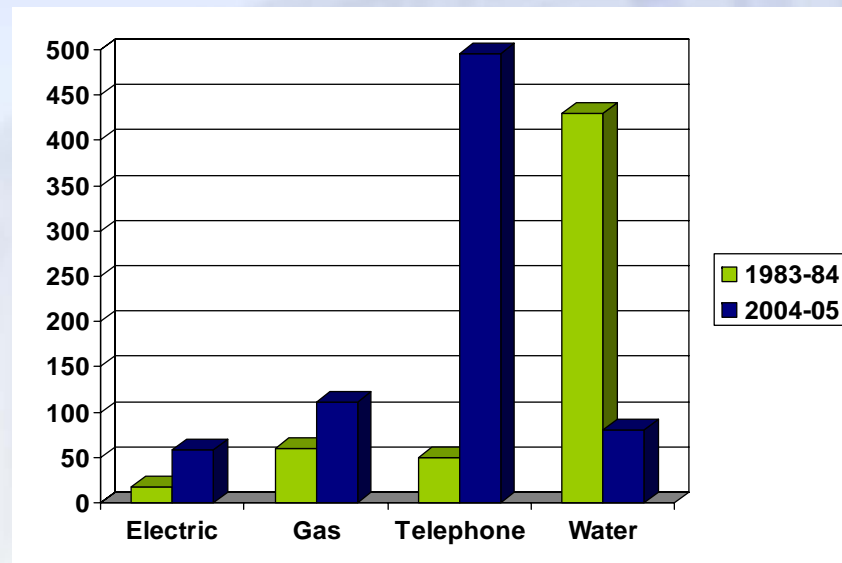
Changing Role of Regulation

1983-84

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

2004-05

- About 58 Electric companies
- 118 Gas companies
- About 490 Phone companies
- About 95 Water companies





Agency Funding

- Individual Assessments
- \$52 Million USD
- Budget Hearings
- Staffing Issues/Constraints



Investment in Distribution Network

- Tariff Cases
- Surcharges (Annual)
- Wall Street Perspective



Transmission Infrastructure

Siting

- PUC Regulations at 52 Pa. Code §§ 57.71-57.77 govern the PUC process
- Siting cases present two discrete issues: (1) whether there is a need for a line and (2) whether the proposed route is the best of all alternatives considered
- Need is established by showing public benefits such as improved reliability, reduced costs for consumers, increased demand, and similar types of evidence. Need can be established on an engineering basis, an economic basis or both.
- The Commission process consists of both a technical evidentiary hearings and public input hearings.
- An ALJ will issue a I.D. which will approve, approve with conditions or deny the application. Parties may file exceptions and replies to the exceptions which support or challenge the I.D.'s findings. The I.D., any exceptions or replies and the evidentiary record in the case then goes before the full Commission for a final decision.



Transmission Infrastructure

NIETC

- Under federal law, an entity may apply to DOE for a NIETC designation
- If such a designation is received, the Commission has one year from the date of the application is filed (or the date of the NIETC designation) to issue a decision.
- If the Commission fails to act within one year or denies the application or attaches conditions which the applicant wishes to contest, the applicant may move the proceeding to FERC for further action.
- The FERC has the authority to make its own decision which may reverse the PUC's decision, modify it or adopt it.



EPAct 2005 – Siting of Interstate Transmission

- Congestion study performed every three years.
 - The general area of TrAIL is classified as a “Critical Congestion Area” that merits further Federal attention.
- NIETC designation based on congestion study.
 - Waiting for DOE to rule on PJM’s request for early NIETC designation.
- FERC “Backstop” Authority if approval withheld for more than one year.
 - Prefer to work with the States and expectation is that FERC backstop authority will *not* be needed for TrAIL.
- Coordination of Federal authorizations for transmission facilities.
 - Will work with DOE as the lead agency for purposes of coordinating Federal authorizations and environmental reviews.



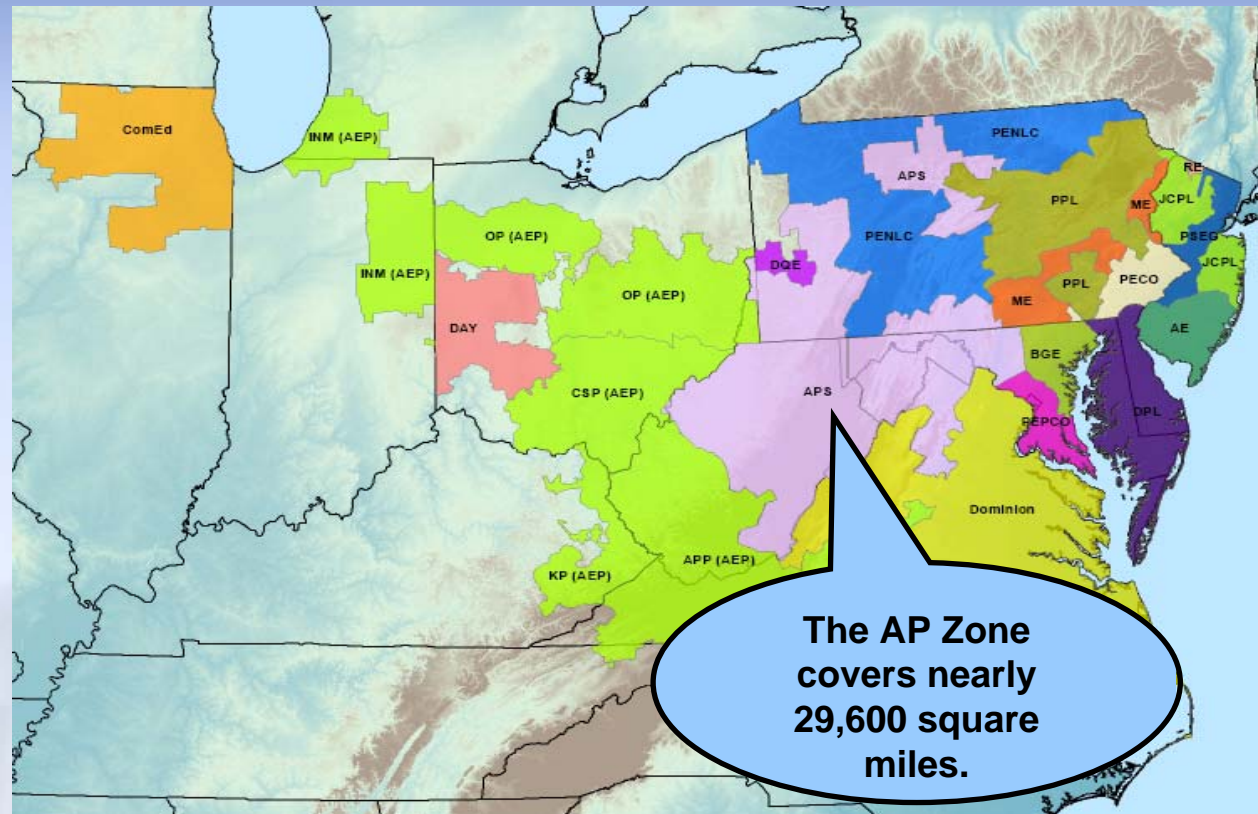
Cross Border Trade

RTOs

PJM

PJM

PJM SCOPE	
Generating Capacity	164,634 MW
Peak Demand	144,796 MW
Transmission Lines	56,070 miles
Substations	6,038
Tie Lines Monitored	247
Annual Energy	728,000 GWh
Square Miles	164,260
Population	51 Million





Organization of PJM States



- Pennsylvania and the regulatory commissions of 13 states and the District of Columbia have formed a non-profit organization called the Organization of PJM States Inc. (OPSI)
- The organization gives the member commissions a means to work together on issues of mutual interest related to PJM, the electricity generation and transmission system, FERC proceedings and systems within the states' boundaries
- OPSI provides a strong, coordinated voice for the region's utility commissions at PJM and at the Federal Energy Regulatory Commission



Security of Supply

- Natural Gas
 - Review acquisition plans & storage annually
 - Adequacy of supply hearings annually
- Electric
 - Reserve Capacity
 - Outage Reports & Investigations