



An Overview of the Pennsylvania Public Utility Commission

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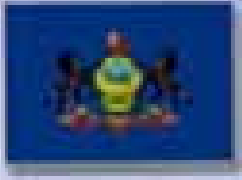
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Pennsylvania



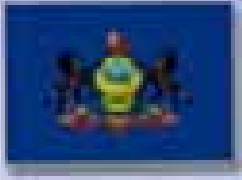
- The 6th most populous state (12.4 million)
- The 32nd State by land size (44,817 sq. miles or 116,075 sq. km)
- Nickname - “The Keystone State”
- Capital – Harrisburg
- Major cities – Philadelphia and Pittsburgh



Public Utility Commission



- Commission - created in 1916
- About 530 employees
- Our decisions affect:
 - 5.7m electricity customers
 - 2.8m natural gas customers
 - 8.3m telephone customers
 - Also water, transportation customers
- Five members with staggered terms; nominated by the Governor and confirmed by the Senate
- Main office in Harrisburg; with regional offices in Altoona, Philadelphia, Pittsburgh, and Scranton



Companies Under PUC Jurisdiction



Electricity
Natural Gas
Local Telephone Service
Water/Wastewater
Transportation Services

DO NOT REGULATE
Cell phone providers
Cable companies
Internet service providers
Long-distance telephone rates
School buses
Municipalities

1983-84

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

2003-04

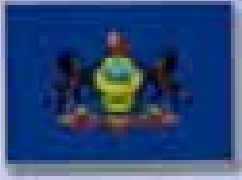
- **80** electric companies
- **120** gas companies
- **550** phone companies
- **179** water companies



PUC's Annual Budget



- About \$45 million for 2004-05
 - Salaries/Benefits: \$35 million
 - Operating Expenses: \$10 million
- Utilities are assessed portions of that budget on the basis of their operating revenues and the time spent by PUC employees on work affecting each industry
 - Electric \$13.8 million; Gas \$ 8.8 million; Telecommunications \$10.3 million; Water \$3.5 million



Effect of Utility Assessments



- Utilities are permitted to recover assessments from ratepayers through base rates
- Population: Over 12 million
- Households: About 5 million
- Approximate effect of assessments on consumers: Less than \$1/month per household



PUC Organization



Chairman and 4 Commissioners (26 assistants)

TECHNICAL FUNCTIONS

- Audits (45)
- Fixed Utility Services (48)
- Conservation, Economics & Energy Planning (10)
- Transportation and Safety (109)

ADMINISTRATIVE FUNCTIONS

- Director of Operations (38)
- Admin.Services (36)
- Legislative Affairs (3)
- Secretary (34)
- Consumer Services (69)

LEGAL FUNCTIONS

- Administrative Law Judges (39)
- Law (33)
- Special Assistants (17)
- Trial Staff (21)



Commission Impartiality



- Funding: From assessments collected through customers bills
- Separate assessments assure Commission independence
- Deliberations are usually public for transparency
- Votes in meetings every 2 weeks open to public attendance (not participation)
- Important to base decisions on record of evidence
- Appeals to PUC decisions can be made to higher court



Commissioners



- Commission can meet in Executive Session on personnel, litigation, other confidential matters
- Each Commissioner has several aides, usually for each of the primary industries and one as Counsel to that Commissioner



Balancing Act



- Regulator: The regulatory authority that regulates monopoly companies which provide a public good
- 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 (law)
- *Ex parte* communications prohibited
- Customers should not be subject to rate shocks



Broad Legal Powers

- Every public utility shall furnish and maintain adequate, efficient, safe, and reasonable service and facilities . . . [and] shall be reasonably continuous and without unreasonable interruptions and delay. (Pa.C.S.A. §1501)



Broad Legal Powers

- Service rules and regulations adopted by public utilities relating to rates are . . . ***tariffs*** [which] filed with state regulatory agencies
. . . are not mere contracts but have force of law [and] ***are binding on consumer and utility.***

(Emphases added; from several court decisions in Pennsylvania)



Broad Legal Powers

- Public utility commission has been vested by legislature with ***exclusive . . . jurisdiction*** over reasonableness, adequacy and sufficiency of public utility services.
(Emphases added; from several court decisions in Pennsylvania)



Level of Service Expected



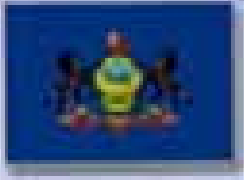
- Cannot discriminate in providing service
- Standards for service and facilities
- Policy and rules for discontinuance of service
- Testing of meters and other equipment of measurement
- Procedures for handling and reporting accidents
- Procedures for billing and collection
- Rules for penalties when violating terms of tariffs



Important Considerations



- No unnecessary rules and regulations that may hinder the development of an energy market
- Regulatory role does not necessarily mean enforcement all the time
- Regulators need to be informed and be willing to adapt to society's needs
- Enforcement of regulations to prevent abuse is still important
- Regulators can provide reasonable information to legislators and other government officials as well as the public
- Rules and regulations may need periodic revisions to reflect current industry practices



Summary



- Major issue – customer protection
- Major issue – market monitoring
- Regional context and coordination among other agencies inside and outside the state
- Recognize that each state is affected by actions outside its borders