

# **"Structure of the Pennsylvania PUC"**

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# About the PUC

- The PUC is comprised of 5 full-time members appointed by the Governor for staggered 5-year terms. Commissioners must be approved by a majority in the state Senate



- Each Commissioner has 1 vote in Public Meetings
- Can meet in Executive Session on personnel, litigation, other confidential matters
- Each Commissioner has several Assistants, usually for each of the primary industries we oversee. At least 1 Assistant serves as Counsel to that Commissioner



# About the PUC ,cont'd.



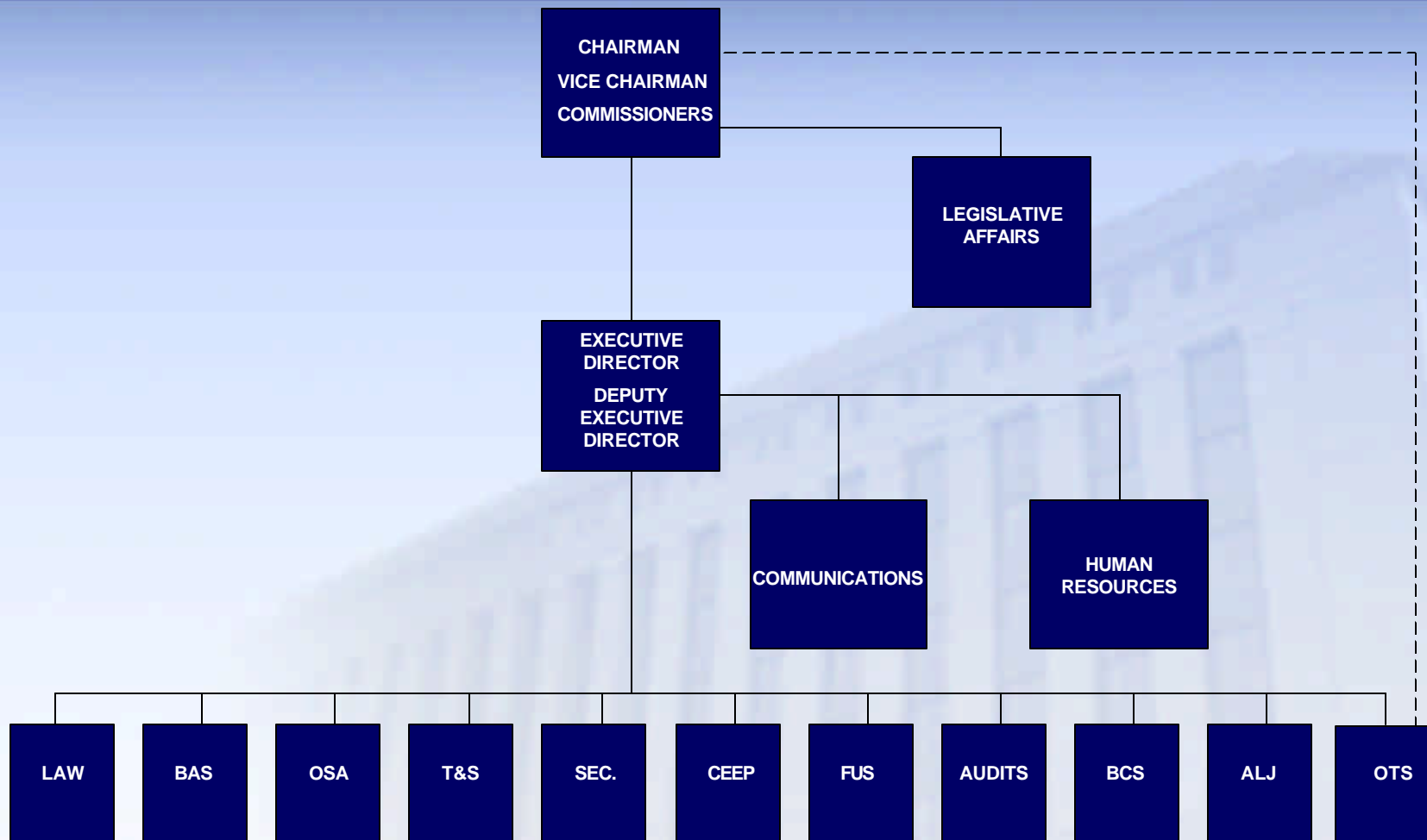
Mission Statement - The Pennsylvania Public Utility Commission ensures safe, reliable and reasonably priced electric, natural gas, water, telephone and transportation service for Pennsylvania consumers, by regulating public utilities and by serving as responsible stewards of competition.



# About the PUC, cont'd.

There are nearly 500 employees at the PUC

- Chairman and Commissioners – 31
- Executive Director – 38
- Transportation and Safety – 109
- Consumer Services - 69
- Fixed Utility Services – 48
- Audits - 45
- Administrative Law Judge – 39
- Administrative Services – 36
- Secretary's Bureau - 34
- Law Bureau – 33
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- Special Assistants - 17
- Conservation, Economics & Energy Planning – 10
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# Utilities We Regulate

- Electricity
- Natural Gas
- Local Telephone Service
- Water/ Wastewater
- Transportation Services





# Creation and Purpose of the PUC

- Created by General Assembly and has only those duties that are given by the statute
- Funded by assessments on public utilities which generally recover costs from ratepayers
- PUC's original purpose was to protect consumers from monopolies imposing unreasonably high rates or providing inadequate service



# Creation and Purpose of the PUC, cont'd.

- Under traditional regulation, public utilities had both rights and duties
- Rights included:
  - Exclusive right to its service territory, that is, no competition
  - Right to charge reasonable rates to cover cost of providing service
  - Right to reasonable rules governing provision of service to customers





# Creation and Purpose of the PUC, cont'd.

- Traditional duties included:
  - Obligation to provide safe, adequate and reasonable service to all customers
  - Obligation to charge only rates reviewed and approved by the PUC
  - Obligation to avoid unreasonable discrimination as to service and rates
  - Obligation to seek PUC approval before terminating service or to abandon service
  - Obligation to seek PUC approval before providing new service or service to new territory



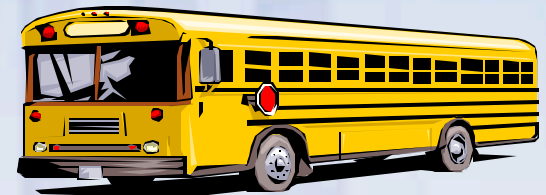
# Regulation of New Entrants

- Changes due to choice/competition/restructuring/deregulation
- New entrants include electric generation suppliers, natural gas suppliers and competitive local exchange carriers
- Overseeing new entrants into these markets includes
  - Review and approval of applications
  - Monitoring of the adequacy of services to consumers
  - Monitoring the business to business interactions between companies
  - Monitoring the market for general performance
  - Monitoring and participating with federal agencies (FCC & FERC) that affect market conditions
  - Informing new entrants of the role and interaction they will experience with the PUC in PA

# The PUC Does Not Regulate



- Cell phone providers
- Cable companies
- Internet service providers
- Long-distance telephone rates
- School buses
- Municipalities





# PUC's Budget

- PUC's approved Budget for 2004-05 is approximately \$45 million
  - 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 their industry



# Assessments Among Utility Groups

- For Fiscal Year 2004-05:
  - Electric: \$13.8 million
  - Gas: \$ 8.8 million
  - Telecomm: \$10.3 million
  - Water: \$ 3.5 million



# Assessments on Utilities

- Examples of assessments on three of the largest electric utilities in PA in 2004:
  - PECO Energy Company (eastern PA) - \$4.5 million
  - PPL Electric Utilities Corp (central PA) - \$3.2 million
  - West Penn Power Co (western PA) - \$1.2 million



# Effect of Utility Assessments on Consumers

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



# Effect of Electric Utility Assessments on Consumers

- Assessment on electric utilities this fiscal year - \$13.8 million
- The annual impact on each household is less than \$3 per year...not even a penny per day



# Office of the Executive Director



# Who Makes Up the OED

- Executive Director
- Deputy Executive Director
- Administrator
- Executive Secretary
- Office of Communications
- Office of Human Resources

# Role of the OED

- Responsible for the daily administration and operation of the bureaus and offices of the Commission



# Role of the OED, cont'd.

- Manages operations of the Commission
  - *Planning* - Strategic goals, Operational Objectives
  - *Organization* - Organizational Structure
  - *Staffing* - Selection, Orientation, Training
  - *Control* - Case Management System, Performance Standards
  - *Direction* - Assignments to Bureaus
- Coordinates the efforts of several Bureaus assigned to specific projects

# Office of Communications



# Office of Communications

- Manager of Communications
- 10-member Communications staff
  - 9 in Harrisburg
  - 1 in Philadelphia



# Office of Communications

- ✓ Media Relations
- ✓ Public Outreach
- ✓ Employee Communications

# Human Resources Office





# Human Resource Office

- The Human Resource Office handles all personnel issues, and provides administrative and advisory services to the Executive Director and PUC management.
- The Human Resource Office is part of the Office of Executive Director.



# Areas of Responsibility

- **Advise and Counsel Management**
- **Administer and implement labor agreements**
- **Administer Equal Employment Opportunity programs**
- **Administer position classification system**
- **Administer employee benefits programs**
- **Administer recruitment and placement system**

# **Bureau of Administrative Services**

# Overview

## The Bureau of Administrative Services:

- Provides support to the Executive Director for administrative matters in the daily operation of the Commission
- Is responsible for preparation of the budget, collection of assessments, various fiscal operations, processing of contracts, information technology functions and office services.



# Assessments

## Assessment Overview

- Assessments on the jurisdictional utilities provide the funds for the Commission
- PUC is not funded by tax dollars
- Required by statute to allocate costs among the utility types
- Accomplished by daily time sheets



# Financial Operations

Budget - Gathers information from the Bureaus for initial budget. Prepares budget data for Commission's Executive Budget Request.

Rebudget – Modifies the initial budget request based on what legislature grants the PUC.

Preparation and maintenance of service contract.

Assist other bureaus in the development of RFPs, RFQs and contracts.

# Helpdesk

- Management Information Services (MIS) Helpdesk
  - Questions/problems related to:
  - Network passwords
  - Dialing in
  - Mainframe access





# Office Services

- Mail and Messenger Services
- Procurement
- Storeroom
- Telecommunications
- Automotive
- Duplicating
- Surplus and Recycling
- Building Maintenance
- Safety Committee

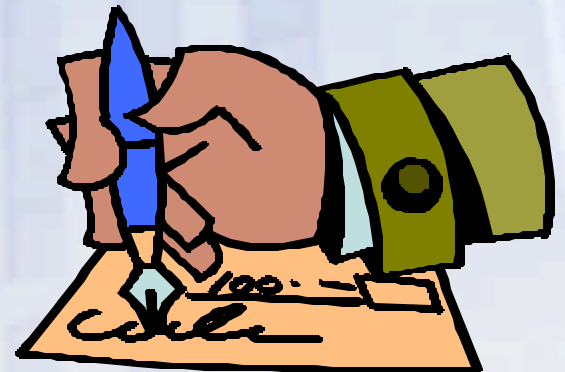




# Secretary's Bureau

# General Description of Role of Secretary's Bureau

- Secretary is the Commission's official point-of-contact between the agency and the public
- All official Commission actions and decisions are issued over the Secretary's signature
- All correspondence and filings are properly addressed to the Secretary



# Duties of Secretary's Bureau

- Receives all official documents and filings, serving as the Prothonotary of the Commission
- Dockets all filings
- Assigns formal proceedings to appropriate bureaus for handling
- Maintains Commission's case management system



- A computerized system which provides daily, weekly and monthly status reports of cases
- Can be accessed by Commission employees, via Bridge, to obtain information about pending proceedings



# Duties of Secretary's Bureau, cont'd.

- Issues Commission orders and Secretarial letters
- Responsible for dissemination of necessary information and service of all official Commission actions
- Accomplishes this by issuing Commission order or Secretarial letter to all appropriate parties or individuals, including internal staff, participants to a proceeding or members of the general public

# Office of Trial Staff

# Overview

- The Office of Trial Staff was created to undertake the prosecutory role formally fulfilled by two bureaus (The Rates Division of the Law Bureau and the Bureau of Rates).
- The Director of the Office of Trial Staff is designated as the “Chief Prosecutor” of the Commission, and is responsible for representing the public interest in all matters having an impact on rates in proceedings before the Commission.



# Duties and Responsibilities

- The Office of Trial Staff's responsibilities center around representing the public interest in Commission proceedings concerning fixed utility rates. Fixed utilities are those companies that provide electricity, natural gas, steam heat, water, sewer, pipeline and telecommunications services to Pennsylvania consumers.
- As such, the Office of Trial Staff is responsible for reviewing Commission filings made by utilities involving rate-related matters.



## Duties and Responsibilities, cont'd.

- The public interest referenced above generally means that the Office of Trial Staff is obligated to ensure that utilities charge rates that are reasonable, non-discriminatory, and are at a level that provides the utility with the ability to provide safe and reliable service at an affordable cost to all ratepayers.





# Rate Case Procedures - OTS Rate Case Schedule



- Notice of Tariff Filing
- Public Meeting Report
- Administrative Law Judge Assignment
- Hearing Notice
- Internal Rate Case Schedule Prepared
- Prehearing Conference
- Interrogatories Prepared
- OTS Direct Testimony
- Public Input Hearings
- Rebuttal Testimony
- Surrebuttal Testimony
- Case Closed
- Main Brief
- Reply Brief
- Administrative Law Judge Recommended Decision
- Exceptions
- Reply Exceptions
- Commission Order

# Law Bureau

# Law Bureau Responsibilities

Law Bureau acts as the Commission's in-house legal counsel, much like a legal department for a corporation

There are 3 main categories of legal services provided by the bureau:

- Advisory Services
- Representational Services
- Prosecutory/ Enforcement



# Advisory Services



The Law Bureau provides legal advice to the Commission and to individual bureaus within the Commission

Typical issues relate to:

- Interpretation of Public Utility Code and PA law
- Analysis of court decisions
- Procedures to ensure fairness to parties
- Advice regarding ethics questions
- Recommendations on contested cases

Advice is provided via written memos or e-mail

Law Bureau advice is confidential and not for public disclosure

# Representation Services

The Law Bureau represents the Commission before state and federal courts when the Commission's decisions are challenged



Typical examples include:

- Utility or consumer advocate appeals of PUC decisions about rate increases and service problems
- Challenges to decisions regarding wholesale telephone rates

Law Bureau also represents the Commission before federal agencies on issues that impact Pennsylvania

- FCC rules for telephone competition
- FERC rules for electric competition

# Enforcement and Prosecutions

The Law Bureau initiates both in-house prosecutions and enforcement proceedings against public utilities

In-house Prosecutions - Bureau will investigate and file complaints before the Commission for utilities that

- Fail to file annual reports
- Fail to pay annual assessments
- Fail to maintain adequate service reliability

Enforcement Proceedings - Bureau will file lawsuits in Commonwealth Court for utilities that

- Fail to obey final PUC orders
- Fail to obey court orders



# Organizational Structure

The Law Bureau is headed by the Chief Counsel.

In addition to the Chief Counsel, the bureau staffed by

- 3 Deputy Chief Counsel
- 20 Assistant Counsel
- An Administrator, an Executive Secretary, a Regulatory Review Coordinator, an Appeals Clerk, and 3 secretarial support staff



# **Office of the Administrative Law Judge**



# Purpose

The Office of Administrative Law Judge (OALJ) fulfills a “judicial” role within the Commission by:

- 1) Hearing cases
- 2) Mediating cases through an alternative dispute resolution (ADR) process
- 3) Issuing decisions

# Organization

- Headed by the Chief Administrative Law Judge
- Employs 18 Administrative Law Judges (ALJs) in four regional offices and two mediators
- Employs Legal and Administrative Support Staff



# Work Assignments

- All assignments to OALJ are received from the Secretary's Bureau
  - 1) Complaint Cases
  - 2) Rate Cases
  - 3) Investigations
  - 4) Ability to Pay/Billing Disputes
  - 5) Application Cases
- All assignments reviewed and sent to mediation staff or to ALJ or Special Agent for hearing

# Work Process

- Cases are resolved in one of two ways:

- Parties resolve dispute by using mediation or otherwise agreeing to settle case



- ALJ holds a hearing on the case and decides all issues in the case by issuing a Recommended or Initial Decision



# OALJ Decisions

- Decisions are made based upon record evidence, legal precedent and policy.
  - 1) Initial Decisions – an Initial Decision can become a final order of the Commission if no Commissioners request review or if no Exceptions to the decision are filed by the parties.
  - 2) Recommended Decisions – a Recommended Decision must be placed on the Public Meeting Agenda. All rate cases and rail crossing cases are issued as Recommended Decisions.
  - 3) Certification of Record – If the Commission requests it, the record is certified up to the Commission without an ALJ decision.


# Office of Special Assistants

# Overview



- The Office of Special Assistants (OSA) is one of the Commission's advisory support bureaus, with the key function of drafting Opinions and Orders containing recommendations for the Commission to vote on at Public Meetings.
- OSA is comprised of Attorneys, Rate Case Review Specialists and administrative support staff, and provides both legal and technical advisory services to the Commissioners on all aspects of fixed utility and motor carrier regulation as required.

# Examples of matters OSA handles

- *Exceptions to an ALJ Recommended or Initial Decision*  
(asking the Commission to consider issues that a party believes the ALJ did not consider or did not consider accurately, to which other parties to the proceeding may then file Replies to those Exceptions)  
An illustration showing a person in a suit sitting at a desk with a microphone, representing an ALJ. Two other people in suits are running towards the desk, one holding a briefcase and the other a folder, representing parties filing exceptions or replies.
- Rates and Ratemaking - Determining the revenue requirement of a utility by looking at its expenses (including depreciation and taxes), the value of its plant, and how much its investors are entitled to earn on their investments.
- Gas Cost Rates –reconciling the actual and projected costs of gas with the rates charged for gas





# Examples of matters OSA handles, cont'd.

- Modernization (Improvement) of Telephone Networks in Exchange for Eased (Less) PUC Regulation
- Developing rules for competition and restructuring of the electric, gas and telephone utility industries
- Contested Application Proceedings (a company opposes another company's request for a Certificate of Public Convenience to commence operations as a regulated utility, usually in electric, gas, telephone, water, wastewater, taxi cabs, limousines, household goods movers, etc.)
- Inability to Pay (customer asks the Commission to set a payment plan when they cannot pay their utility bills)



# Examples of matters OSA handles, cont'd.

- Service Complaints (a company or customer files a complaint against a utility for unreasonable or unauthorized service)
- Billing Disputes (a customer challenges the amount of their utility bill)
- Termination Disputes (a customer challenges the circumstances surrounding termination of their utility service)
- Safety Matters (a customer challenges the activities or facilities of a utility company as being unsafe)
- Rail Crossing Issues (the Commission has jurisdiction over rail/highway crossings, and whenever repairs to the crossing are necessary, the Commission must allocate costs amongst the rail utility, as well as other utilities with facilities in the area, and government entities)

# **Bureau of Consumer Services**



# Bureau of Consumer Services

BCS staff responsible for most activities at the PUC involving consumer services for residential and small commercial consumers.



# Division of Policy

- Energy Policy and Compliance Unit
- Telecommunications Policy & Evaluation
- Field Review Unit



# Division of Customer Assistance and Complaints

- Informal Complaint Unit – Handles electric, gas and water complaints: 800-782-1110
- Telecommunications Unit – Handles all telecom complaints: 800-782-1110
- Residential Termination Unit – All terminations electric, gas and water companies: 800-692-7380
- Competition Unit – All competition-related inquiries: 888-782-3228



# Bureau of Consumer Services' Functions

- Complaint handling for electric, gas, water, telephone:
  - Consumer complaints 2003 - 24,837
  - Payment arrangement requests 2003 - 95,083
  - Inquiries 2003 - 70,678



# Bureau of Consumer Services' Functions, cont'd.

- Enforcement of Customer Service Regulations:
  - Informal investigations/whistle blowers
  - Field reviews
  - Informal compliance process
  - Enforcement actions





# Bureau of Consumer Services' Functions, cont'd.

- Universal Service Programs:
  - Collections performance evaluation
  - Customer assistance programs in 2003 are funded at \$151 million.\*
  - Usage reduction programs in 2003 are funded at \$26 million.\*
  - Other assistance programs (telephone lifeline, relay service, hardship funds)

\*Does not include PGW



# Bureau of Consumer Services' Functions, cont'd.

- Customer Service Policy Development:
  - Review of company offers, bills and terms and conditions
  - Customer service regulation development and evaluation
  - Quality of service
  - Complaint evaluation and activity reporting
- Regulation and complaint handling for Philadelphia Gas Works

Total Permanent Staff = 69



# BCS Consumer Services' Feedback Survey

	FY 02/03 All Units % Responses	FY 03/04 All Units % Responses
How quickly did the PUC handle your request?		
Very quickly	44.59%	56.28%
Fairly quickly	33.29%	30.15%
Not very quickly	12.07%	6.79%
Not at all quickly	8.16%	6.29%
Don't recall	1.89%	1.48%
If you were to have another problem with a utility That you could not settle by talking with the Company, would you contact the PUC?		
Yes	85.28%	87.30%
No	5.37%	6.69%
Not sure	9.35%	6.01%
Overall, how would you rate the service your received From the PUC?		
Excellent	52.19%	64.60%
Good	27.18%	19.45%
Fair	12.84%	7.42%
Poor	7.80%	8.52%

# Bureau of Audits



# Overview

The Bureau of Audits is responsible for performing a wide variety of audits on Pennsylvania's fixed utilities and reviewing certain adjustment clause rate filings. There is a staff of 45 people located in the Harrisburg, Pittsburgh and Scranton offices and working in the Philadelphia area.

The Audits performed by the Bureau fall into three basic categories:

- Financial Audits
- Management Audits
- Special Audits



# Financial Audits

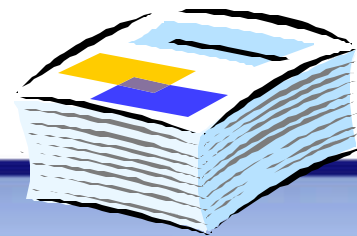
- Adjustment Clause Audits are conducted at Commission direction and according to the Public Utility Code. They are directed at rates that are allowed to go into effect “subject to audit” and examine specific criteria like allowable fuel costs or allowable infrastructure additions in the case of Distribution System Improvement Charge rates.
- Original Cost, Continuing Property Record, Compliance, etc., are a few of the financial audits conducted at Commission direction, Bureau discretion or Outside (of the Commission) request.



# Management Audits and Management Efficiency Investigations

- Management Audits (MAs) are examinations of the utilities management effectiveness and operating efficiency. MAs are conducted every five to eight years for fixed utilities (electric, gas, telephone and water) that have of plant-in-service of \$10 million or more.
- Management Efficiency Investigations (MEIs) are to examine and report on the utilities' progress in implementing recommendations from prior Management Audit. They are conducted two – three years after the Management Audit Report is released.

# General Comments



Virtually all audits and reviews result in some form of written report to the Commission.

- Audit reports can and often do make recommendations to utility companies to correct or improve its accounting or operational policies or procedures.
- All Audit Reports publicly released since April 2001 can be found on the Commission's website at [www.puc.state.pa.us](http://www.puc.state.pa.us) by using 'Search' under Document Type tab 'Audits Reports & Reviews.'



# **Bureau of Transportation and Safety**

# Introduction

Bureau Primary Function: To provide safe & reliable gas, rail, and motor carrier service in PA

The Bureau has a total of 92 employees in three Divisions:

- Rail Safety
- Gas Safety
- Motor Carrier Services and Enforcement



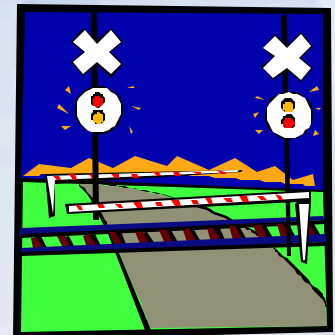


# Introduction

- Only 35 employees are located in Harrisburg in the Keystone Building – includes the Harrisburg District Office
- Remainder are located in four District Offices in Altoona, Philadelphia, Pittsburgh and Scranton
- 54 employees are field employees that inspect gas, rail, or motor carrier equipment and facilities

# Rail Safety Division

- Process applications for highway rail crossings
- Process complaints concerning unsafe conditions at highway-rail crossings
- Inspects the facilities of railroad companies



# Motor Carrier Services and Enforcement Division

- Primary duties:
  - Applications
  - Tariffs/Rates
  - Insurance
  - Safety Inspections
  - Enforcement Actions

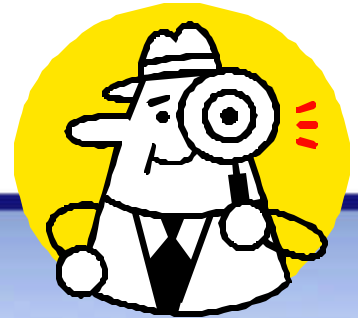




# Gas Safety Division

- Purpose: To provide for the public safety as it relates to public utility natural gas pipeline system in PA
- Program Description: Enforce both PUC and Federal gas pipeline safety regulations
- Agreement with Federal DOT/OPS
- Miles of transmission lines, mains, and number of customers
- Urban and suburban areas

# Types of inspections



- Records
- Field
- Pipeline Construction
- Corrosion
- Odorization
- District Regulator Stations
- Leakage Surveys
- Operating Procedures
- Maintenance Procedures
- Damage Prevention Programs
- Emergency Response Programs
- Incident Investigations
- Complaints
- Drug and Alcohol Misuse Testing

# Bureau of Fixed Utility Services





# Overview

The **Bureau of Fixed Utility Services (FUS)** serves as a principal adviser to the Commission on technical issues and advocates policy recommendations on a variety of rates, tariffs and regulatory matters.

**Specific duties of FUS include reviewing and analyzing:**



# **Tariffs filed by utilities with respect to:**

- General Rate Increases/Decreases
- Non-general rate increases and changes to tariff rules
- Taxation and other surcharges
- Deregulation of Energy and Telecommunication services

# Applications filed by fixed utilities, including:

- Licensing of competitive electric and gas suppliers
- Business entry and exit by telecommunication carriers, water providers, gas distribution and electric distribution companies
- Annual depreciation report filing
- Requests for approval to transfer or sell fixed utility assets





# **The Bureau of FUS assists the Commission by:**

- Developing generic guidelines, new policy statements and regulations
- Compiling annual and periodic informational reports for the Governor and General Assembly
- Providing pre-filing guidance to utilities
- Providing expert testimony before the Commission and other Judicial, Regulatory and Legislative bodies



# **The Bureau of FUS also coordinates emergency operations,**

acting upon emergency reports from utilities and serving as the principal point of contact with electric utilities for reporting incidents and/or problems at a nuclear power station. The FUS Director has the authority to act for the Commission during emergencies and represents it on the Pennsylvania Emergency Management Council.

# **Bureau of Conservation, Economics & Energy Planning (CEEP)**



# CEEP - General Description

- The Bureau of CEEP - Conservation, Economics and Energy Planning - is primarily an advisory bureau
- Research arm of the Commission that gathers data on energy market issues
- Serves market monitoring functions
- Focuses on developments in the energy market as to prices and available supply





# CEEP – Core Functions

- Specific statutory functions
  - Conduct studies and research energy matters
  - Advise Commission of results to assist in making policy decisions
- Advisory duties
  - Prepare reports for the Commission
  - Provide technical support for other bureaus
  - Participate in working groups on energy issues



# CEEP: Primary Mission

- Primary mission is the monitoring and analysis of wholesale and retail energy markets from the standpoint of prices and the adequacy of natural gas and electric supplies to meet demand

To fulfill these duties, CEEP:

- Monitors various developments in energy markets, such as pricing trends, demand forecasts, availability of supply to meet demand
- Maintains databanks of prices, as well as the adequacy of supplies, in wholesale and retail energy markets
- Alerts Commission to significant developments in energy markets

# Office of Legislative Affairs



# Office Description

The Office is responsible for promoting the Commission's position on legislation and issues before the General Assembly, handling constituent inquiries and analyzing legislation and amendments that affect the Commission and public utilities.

# Primary Duties

- Liaison
  - with the Governor's Office
  - with the General Assembly: 253 House and Senate Members
  - with the PA Congressional Delegation  
19 House members; 2 Senators

## Primary Duties, cont'd.

- Office receives calls from Legislative members regarding constituent utility concerns; refers to appropriate bureau or provides response to members
- Office responds to letters from the Legislature, Governor's Office and Congressional members





## Primary Duties, cont'd.

- Arranges meetings between members and Commissioners and/or staff
- Provides orders of interest to the General Assembly
- Notifies members of public input hearings



# Legislative oversight

PUC--independent agency created by the Legislature (1937)

1. Budget Process: Governor submits proposed budget for the PUC to the Legislature for approval;
2. Legislation and Regulatory Review
3. Nomination Process



# Budget Process

- After the Governor submits a proposed budget for the PUC to the Legislature, House and Senate Appropriations Committees hold public hearings; Commission testifies and answers questions;
- Budget bill is then introduced in both Houses and goes through the Committee process; either bill may pass as the final PUC budget bill
- General Fund \$s vs. Assessments--PUC's operations are funded by utilities
- Legislature, oversight committees; no action means approval by the Committees

