

An overview of the Pennsylvania Public Utility Commission and Energy Issues

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PUC Background

- The PUC is comprised of five full-time members nominated by the Governor to staggered 5-year terms. Commissioners must be confirmed by a majority of the state Senate. No more than three Commissioners can be the same party as the Governor
- The Chairman is appointed by the Governor. The Vice Chairman is elected by his or her peers
- Public Meetings are typically held two times per month in Harrisburg - votes are taken at Public Meeting – agendas/audio of meetings available on PUC website
- Commissioners meet in Executive Session on personnel, litigation, and other confidential matters
- Each Commissioner has their own staff, typically assigned to cover various industries the PUC regulates (each has at least one attorney on staff)
- Pennsylvania is active in the National Association of Regulatory Utility Commissioners and the Mid Atlantic Conference of Regulatory Utilities Commissioners
- Pennsylvania is represented on the Organization of PJM States, Inc.

PUC Background

- Budget of over \$56+ million – funded by assessments on utilities, not the PA General Fund (an additional \$4 million in federal funds)
- Regulate nearly 8,000 utilities
- Created by General Assembly in 1937 - Public Utility Code (66 Purdons)
- Approximately 500 employees – majority are based in Harrisburg others are in the Philadelphia, Pittsburgh and Scranton regional offices

PUC Mission Statement

- The Pennsylvania Public Utility Commission balances the needs of consumers and utilities to ensure safe and reliable utility service at reasonable rates; protect the public interest; educate consumers to make independent and informed utility choices; further economic development; and foster new technologies and competitive markets in an environmentally sound manner.

Purpose of PUC

- The original purpose of the PUC was to protect consumers from monopolies and to ensure reasonable rates and adequate service
- Significant statutory changes over the last 10 years have placed PUC in the role of overseeing introduction of competition into a traditionally regulated environment

Quasi-Judicial Agency

- Operates as a quasi-judicial agency
- Filings are made similar to the way documents are filed with courts
- Hearings are held (across the Commonwealth) when there are facts in dispute
- PUC must make decisions on the basis of the evidence in the record at Public Meetings

PUC Regulates

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

Electricity

- Regulate electric distribution rates – just and reasonable
- Ensure reliability and safety of service
- Promote competitive electricity markets
- Oversee implementation of alternative sources of energy and energy efficiency/demand side response programs
- Monitor entry of competitive suppliers and enforce consumer protections

Natural Gas

- Regulate natural gas distribution company rates – just and reasonable
- Review purchased gas cost rates
- Ensure safety and reliability of service
- Encourage development of competitive supply markets
- Inspect gas pipelines; monitor compliance with federal pipeline safety standards and investigate incidents

Telecommunications

- Review local rates to ensure just and reasonableness as well as service quality
- Oversee deployment of high-speed Internet service
- Promote competitive markets
- Ensure telecommunications relay services for people with hearing loss and speech disabilities and universal service

Water/Wastewater

- Regulate rates and services of investor-owned water and wastewater companies and municipal systems serving customers outside their boundaries
- Promote regionalization and consolidation to assist challenges faced by small water companies
- Nationally known for Distribution System Improvement Charge (DSIC) which enables companies to use a surcharge to fund upgrades of aging infrastructure

Transportation

- Review applications and rate filings of motor carriers that transport property, passengers and household goods
- Respond to complaints about unsafe conditions at rail crossings
- Conduct railroad facility and track inspections
- Conduct motor vehicle safety inspections

Significant Changes in PUC Oversight

- Act 183 of 2004 (referred to as “Chapter 30). Authorized the PUC to oversee network modernization plans for broadband deployment and reduced requirements for incumbent local exchange carriers
- Expiration of long-term electric generation rate caps coupled with Commission’s efforts to mitigate the effects of rate caps expiration led to new rules, policies and consumer education programs
- Act 201 of 2004. Responsible Utility Consumer Protection Act (referred to as “Chapter 14”) applicable to electric distribution companies, water distribution companies and larger natural gas distribution companies (those having annual operating income in excess of \$6 million)
- Act 213 of 2004. Alternative Energy Portfolio Standards Act requires that electric distribution companies and electric generation suppliers include a specific percentage of electricity from alternative resources in the generation that they sell to Pennsylvania customers
- Act 129 of 2008. Expanded the Commission’s oversight responsibilities and imposed new requirements on electric distribution companies with the overall goal of reducing energy consumption and demand including establishing an energy efficiency and conservation program; changes in default service provider responsibilities; and requirements for smart meter technology; time-of-use rates; real-time pricing plans; market misconduct; alternative energy sources; and cost recovery

Ongoing Challenges & Opportunities

- Homeland Security & Emergency Preparedness
- Reliability
- Consumer Education
- Investigation of Retail Electric Markets
- SEARCH (Natural Gas Retail Markets)
- Impact of federal rules
- Marcellus Shale

Legislative Activity Related to the PUC

- Commission jurisdiction over pipeline safety, gathering lines
- Alternative Ratemaking Mechanism
- Amendments to Alternative Energy Portfolio Standards Act
- Marcellus Shale
- 5,000 bills introduced every session (2 year cycle) plus 10-12,000 amendments
- 203 House Members and 50 Senators representing every corner of the Commonwealth
- Independent Regulatory Review Commission
- Impact of Federal rules

Access PUC www.puc.state.pa.us



The screenshot shows the Pennsylvania Public Utility Commission (PUC) website. The browser address bar displays <http://www.puc.state.pa.us/>. The website features a navigation menu with links to Search Public Documents, eFiling, Daily Actions & Hearings, Obtain/File Information, Online Forms, Publication & Reports, Regulatory Information, Career Opportunities, Consumer Concerns, File Complaints, Right-To-Know, Electric Shopping, and Request for Proposals. A Public Meeting Calendar icon is also visible. The main content area includes a section for Electricity with a wind turbine image and a paragraph about balancing consumer needs and utility service. Below this is a Highlights and Hot Topics section with links to Announcements, Press Releases, Prepare Now for Winter, Energy Efficiency, Alternative Energy Portfolio Standards, Natural Gas Competitive Market Oversight, Telephone Tips for Consumers, Water Conservation Measures, Railways Operation Lifesaver, and Electric Shopping at PA Power Switch. A Meet the Commissioners section features a photo of the commissioners. At the bottom, there are banners for the 2010-2011 Executive Budget, Governor's Report on State Performance, PUC 2010-2011 Executive Budget Request, and the United States Census 2010.

PA Public Utility Commission - Home

Pennsylvania Public Utility Commission

Electricity Natural Gas Telecommunications Water/Wastewater Transportation & Safety

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Obtain/File Information
Online Forms
Publication & Reports
Regulatory Information
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Consumer Concerns
File Complaints
Right-To-Know
Electric Shopping
Request for Proposals

Public Meeting Calendar

The Pennsylvania Public Utility Commission balances the needs of consumers and utilities to ensure safe and reliable utility service at reasonable rates; protect the public interest; educate consumers to make independent and informed utility choices; further economic development; and foster new technologies and competitive markets in an environmentally sound manner.

Highlights and Hot Topics

- Announcements
- Press Releases
- Prepare Now for Winter
- Energy Efficiency
- Alternative Energy Portfolio Standards
- Natural Gas Competitive Market Oversight
- Telephone Tips for Consumers
- Water Conservation Measures
- Railways Operation Lifesaver
- Electric Shopping at PA Power Switch

Meet the Commissioners

2010-2011 EXECUTIVE BUDGET

Governor's Report on State Performance

PUC 2010-2011 Executive Budget Request

United States Census 2010 IT'S IN OUR HANDS

The PUC will hold three Public Meetings in September on Thursday, Sept. 8, Sept. 15, and Sept. 22, 2010.

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Access to Public Meeting Info

The screenshot shows a web browser window with the address bar displaying <http://www.puc.state.pa.us/general/PMAudio.aspx>. The browser's menu bar includes File, Edit, View, Favorites, Tools, and Help. The toolbar contains icons for Convert, Select, Contribute, Edit, and Post to Blog. The address bar also features a Live Search box. The browser window has two tabs: 'Public Meeting Calendar' and 'Public Meeting Audio', with the latter being the active tab. The website header for the Pennsylvania Public Utility Commission (PUC) is visible, with the PUC logo on the left and the text 'Pennsylvania Public Utility Commission' in the center. Below the header is a navigation bar with links to Home, Electricity, Natural Gas, Telecommunications, Water/Wastewater, and Transportation & Safety. The main content area is titled 'Public Meeting Audio & Summaries' and includes a breadcrumb trail: Home > Public Meeting Audio. The text states: 'Audio from each public meeting will be available on the PUC's website for approximately six months. The audio will be posted shortly after the public meeting.' It also provides instructions: 'To access the clips you must have an Internet connection and have [Windows Media Player](#) or similar audio program installed on your computer.' A note mentions: 'Audio clips of a public meeting are not considered official transcripts. Official transcripts are available from the court reporting service.' Below this is a section titled 'Public Meeting Dates' which lists several dates with corresponding MP3 audio links and links to the Agenda and Summary for each meeting. The dates listed are: Thursday, November 4, 2010; Thursday, October 21, 2010; Thursday, October 14, 2010; Thursday, September 23, 2010; Thursday, September 16, 2010; Thursday, September 2, 2010; Wednesday, August 18, 2010; Thursday, July 29, 2010; Thursday, July 15, 2010; and Wednesday, June 16, 2010. Each date entry includes an MP3 audio link and links to the Agenda and Summary.

Public Meeting Audio & Summaries

Audio from each public meeting will be available on the PUC's website for approximately six months. The audio will be posted shortly after the public meeting.

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Audio clips of a public meeting are not considered official transcripts. Official transcripts are available from the court reporting service.

Public Meeting Dates

[Thursday, November 4, 2010](#) -MP3 audio link. ([Agenda](#) and [Summary](#))

[Thursday, October 21, 2010](#) -MP3 audio link. ([Agenda](#) and [Summary](#))

[Thursday, October 14, 2010](#) -MP3 audio link. ([Agenda](#) and [Summary](#))

[Thursday, September 23, 2010](#) -MP3 audio link. ([Agenda](#) and [Summary](#))

[Thursday, September 16, 2010](#) -MP3 audio link. ([Agenda](#) and [Summary](#))

[Thursday, September 2, 2010](#) -MP3 audio link. ([Agenda](#) and [Summary](#))

[Wednesday, August 18, 2010](#) -MP3 audio link. ([Agenda](#) and [Summary](#))

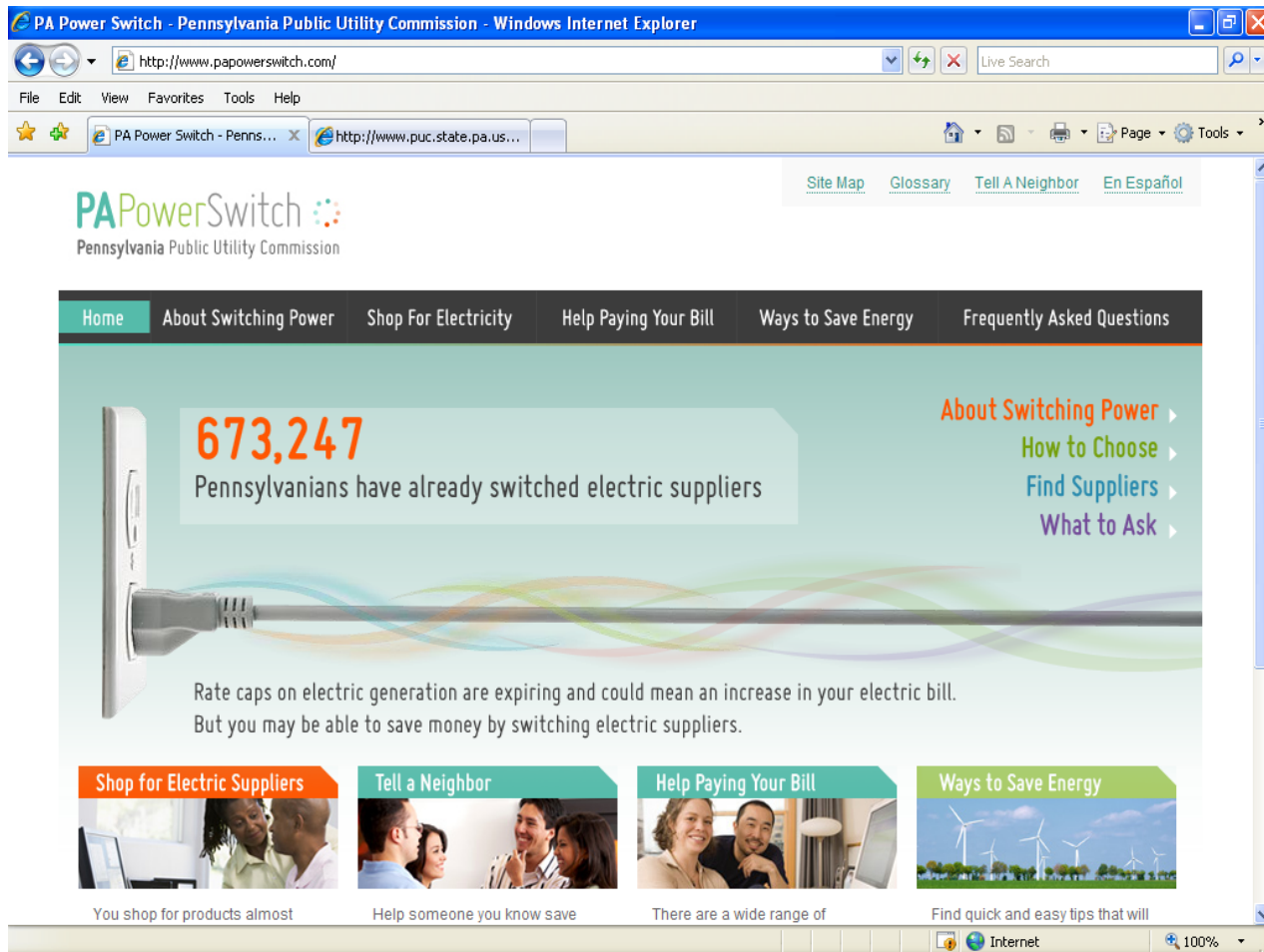
[Thursday, July 29, 2010](#) -MP3 audio link. ([Agenda](#) and [Summary](#))

[Thursday, July 15, 2010](#) -MP3 audio link. ([Agenda](#) and [Summary](#))

[Wednesday, June 16, 2010](#) -MP3 audio link. ([Agenda](#) and [Summary](#))

[Thursday, June 3, 2010](#) -MP3 audio link. ([Agenda](#) and [Summary](#))

PA PowerSwitch



Energy Issues In Pennsylvania

- What are we not hearing enough about in the media?
 - Use of Marcellus Shale Natural Gas in Pennsylvania
 - Conservation/Efficiency
 - Shopping, or not shopping, for electricity

Marcellus Shale Natural Gas

- Some issues are well publicized:
 - Should the industry be taxed and if so, how much?
 - What is the environmental impact of fracking on water supplies?
 - How many jobs can be credited to the industry?
 - What is the net economic gain for Pennsylvania versus the increase in municipal costs?
 - How long will the gas supplies last and should they be exported?

Marcellus Shale Natural Gas (cont.)

- Other equally important issues are not yet in the spotlight such as what will the rise of a major gas production area in Pennsylvania (and New York, West Virginia and Ohio) do to the *long term cost* and *availability* of natural gas and electricity in Pennsylvania?

Marcellus Shale Natural Gas (cont.)

- In the last 50 years, natural gas has been imported to Pennsylvania via large diameter pipelines from the South, Southwest and Canada.

Marcellus Shale Natural Gas (cont.)

- Origin of the interstate pipeline system:
The Big Inch Pipeline and *The Little Big Inch Pipeline*.
 - Initially used for transporting petroleum, later converted to natural gas transportation.

Marcellus Shale Natural Gas (cont.)

- For the first time, there is potential for Pennsylvania to have an "intrastate" gas industry with significant volumes and lower transportation costs to move gas to market.
- It is possible for both Pennsylvania price and supply at times to depart from national norms or other regions of the US.

Marcellus Shale Natural Gas (cont.)

- During the national interstate gas shortage of the 1970s, Pennsylvania was at the mercy of the combined forces of lack of supply and low federally set prices that did not incent more gas production.

Marcellus Shale Natural Gas (cont.)

- Gas producing states with intrastate markets not subject to federal price regulation had higher gas prices, but adequate supplies.

Marcellus Shale Natural Gas (cont.)

- Marcellus Shale gas supplies create the potential for new types of energy industry players located in Pennsylvania and new types of energy "arrangements":
 - intrastate natural gas pipelines
 - gathering pipelines
 - natural gas treatment facilities
 - gas routed to customers at favorable transportation or sale prices through non-utility arrangements.

Marcellus Shale Natural Gas (cont.)

- In the last 20 years, natural gas rather than coal or nuclear has been the fuel of choice for electricity generation.
- Industry and residential customers covet long term stable electricity prices.
- Long term gas-to-electricity contracts have potential to attract new businesses to Pennsylvania that are energy intensive.

Marcellus Shale Natural Gas (cont.)

- Positive business ripple effects could be widespread.
- Any manufacturer or service provider (including educational institutions) that must include the cost of energy in their proposals for contracts or grants can be advantaged by staying in or relocating to a gas producing state.

Conservation/Energy Efficiency

- Act 129 of 2008 launched Pennsylvania in a major way into conservation, energy efficiency and demand response programs
- Each major electric utility was required to develop programs that would reduce their sales of electricity and peak demand for electricity by preset amounts by mid 2011 and mid 2013. Failure to achieve these reduction milestones could trigger financial penalties of up to \$20 million per company.

Conservation/Energy Efficiency (cont.)

- At least one type of program must be made available to each type of customer, residential, small business, large business, low income and governmental/educational.
- A maximum budget based on historic utility revenues funds the programs and is collected from customers via a reconciling rider charge on the electric bill.
- Company websites, public events and marketing materials advertise programs and provide details on applying for rebates and grants that pay for some, but not the entire cost of the conservation/efficiency measure.

Conservation/Energy Efficiency (cont.)

- Even with this financial support many businesses are reluctant to make conservation/efficiency investments due to: easy improvements already completed; weak business backlog; internal investment requirements that full costs be returned in one to three months.
- By comparison, a cost pay back period of 8 years is not unusual for a solar panel installation with a lifespan of 25 to 30 years.

Conservation/Energy Efficiency (cont.)

- Customers interest in conservation/efficiency is affected by the current "low" cost of electricity which is considered suppressed due to lack of demand (weak economy). Lack of customer knowledge base is also an issue.

Conservation/Energy Efficiency (cont.)

- Pennsylvania's conservation/efficiency policy is set, but only through mid 2013.
- What comes next? Act 129 had as one impetus the Legislative goal of ameliorating the "fly up" in electricity prices that was expected (but didn't materialize) when rate caps in place since 1998 expired in 2010 and 2011.

Conservation/Energy Efficiency (cont.)

- A debate exists as to whether the local utilities should continue their current roles or whether *competitive electricity suppliers* should take the lead in designing and implementing customer conservation/efficiency measures.

Conservation/Energy Efficiency (cont.)

- General Assembly policy going forward is uncertain.
- Corbett Administration policy on the future of Act 129 initiatives is not clear at this point.
- What, if anything, will be in place when the current "roadmap" ends in mid 2013?

Smart Meters

- Smart meters, and the back office systems that will manage the data stream and apply it to situations such as service outages, will be a new cost imposed on customers.
- Smart meters will create new opportunities for customers to save money and launch the grand experiment of how to design and implement time of use rates.
- Customer education on smart meters is the precursor to a larger educational effort on the *smart grid*.

Smart Meters (cont.)

- Many issues for the near future such as cost (how smart?), safety (increased radio transmissions), privacy (data that shows whether you are home and perhaps what you are doing) and customer errors that increase rather than decrease their bills.

Shopping, or not Shopping, for Electricity

- Since 1997 it has been legal, but not necessarily practical or beneficial for customers to shop for electricity.
- The rate fly up expected when rates capped for over a decade were uncapped did not occur largely due to lower electricity demand and a weak economy.

Shopping, or not Shopping, for Electricity (cont.)

- Utilities were never relieved from their obligation to have a supply of electricity available to all customers who elect not to shop for their supply or decide to return to the utility after shopping. A significant number of residential customers have not strayed from their "home" utility even though lower prices are available.
- The purchasing standard utilities are held to for obtaining this supply has legally evolved from paying a "prevailing market price" to "least cost over time" through a "prudent mix" of spot market, short term and long term contracts. Is the utility competing with alternative suppliers for customers?

Shopping, or not Shopping, for Electricity (cont.)

- PUC is currently conducting a *retail markets investigation* which is examining issues such as: whether utilities should continue in the role of provider of last resort?
- Should the last resort service be priced higher than competitive suppliers to encourage the habit of shopping?
- What should the role of "reconciliation" be in provider of last resort service?

Shopping, or not Shopping, for Electricity (cont.)

- New suppliers of electricity continue to be authorized to operate in Pennsylvania.
- The variety of service offering will continue to diversify with flat rates, flat monthly bills, long term contracts, rebates, incentives, combination products (sign for three years and get a new air conditioner), hot water systems with "free" electricity, electricity being offered to customers via door to door sales.

Questions?