



PENNSYLVANIA PUBLIC UTILITY COMMISSION  
**2017-18 Annual Report**



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*Pictured from left to right: Commissioner Norman J. Kennard, Commissioner Andrew G. Place, Commissioner John F. Coleman Jr., Chairman Gladys M. Brown and Vice Chairman David W. Sweet.*

**THE HONORABLE JOHN FETTERMAN**  
LIEUTENANT GOVERNOR OF PENNSYLVANIA

## MEMBERS OF THE PENNSYLVANIA GENERAL ASSEMBLY

We are pleased to submit the FY 2017-18 Annual Report for the Pennsylvania Public Utility Commission (PUC). As required by Section 321 of the Public Utility Code, 66 Pa. C.S § 321, the Annual Report highlights the accomplishments and challenges the PUC faced over the course of the year in fulfillment of our mission as regulators and protectors of the public interest.

Ensuring the reliability and resiliency of utility service in the face of physical and cyber threats has been a major emphasis. Working with the Office of the Governor and other key public and private sector stakeholders, the Commission continued efforts to promote cybersecurity in the utility sector, to enhance communication among various agencies and industries, and to emphasize improved best practices.

The PUC now has jurisdiction over the enforcement of Pennsylvania One Call, with several of its bureaus working to successfully create a Damage Prevention Committee. The Committee holds regular livestreamed meetings to take action against facility owners, excavators and project owners across the state.

The Commission also assumed regulatory oversight over the operations of Pittsburgh Water and Sewer Authority (PWSA). To ensure a smooth transition, a PUC working group worked directly with PWSA and local officials to increase educational efforts toward customers, address consumer inquiries to the PUC call center and evaluate PWSA's rate increase request.

Advancements for transportation services remained a focus for the PUC, including updating regulations intended to eliminate barriers for qualified passenger carriers while still ensuring safe and reliable operations. The Commission also continued its focus on the safety of Pennsylvania's numerous rail crossings.

The Commission continued its efforts to help preserve Pennsylvania's access to funding for rural broadband projects. Additionally, as part of its telecommunications efforts, the PUC assisted with the implementation of the "445" area code in portions of the state.

In order to increase public awareness about career opportunities in the utility sector, the PUC initiated a #UtilityCareers campaign, a collaborative effort by the PUC, public utilities and educational institutions in response to a strong anticipated need for skilled utility workers, driven by a combination of factors – including an aging current workforce as well as the growth of new systems and technologies.

We look forward to continuing our mission to balance the needs of consumers and utilities; 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.



Gladys M. Brown  
Chairman



David W. Sweet  
Vice Chairman



Norman J. Kennard  
Commissioner



Andrew G. Place  
Commissioner



John F. Coleman  
Commissioner



# INTRODUCTION

The PUC regulates more than 9,000 entities, including the following in-state services: electricity; natural gas; telephone; water and wastewater collection and disposal; steam heat; transportation of passengers and property by motor coach, truck, taxicab and transportation network companies (TNCs); pipeline transmission of natural gas and hazardous materials; and public highway-railroad crossings.

## ORGANIZATION

**March 31, 1937** – Pennsylvania Public Utility Commission is created by the PA Legislative Act, abolishing the Public Service Commission.

**Mission Statement** – The Pennsylvania Public Utility Commission balances the needs of consumers and utilities; ensures safe and reliable utility service at reasonable rates; protects the public interest; educates consumers to make independent and informed utility choices; furthers economic development; and fosters new technologies and competitive markets in an environmentally sound manner.

**Locations** – Harrisburg, Philadelphia, Pittsburgh and Scranton.

**Funding** – The PUC is funded by assessments of the regulated entities based upon intrastate revenues and by federal grant monies. Assessments are paid into the state Treasury’s General Fund for use solely by the Commission.

**Regulatory Filings** – Utility mergers, rate adjustment requests, acquisitions and affiliated interest agreements.

The PUC [livestreams](#) its regular Public Meetings held in Hearing Room 1 of the Commonwealth Keystone Building, Harrisburg.

### Fiscal Year 2017-18

25,711 filings received

50% of filings eFiled

11,964 documents served (including consumer and staff-initiated complaints)

### PUC’s Bureau of Consumer Services Complaint Hotline:

1-800-692-7380

[www.puc.pa.gov](http://www.puc.pa.gov)

# COMMISSION BUDGET

## EXECUTIVE GOVERNMENT OPERATIONS

### GENERAL GOVERNMENT FUND

	GENERAL FUND Estimated 2017-18 Expenditures	GENERAL FUND Approved 2018-19 Budget
<b>State Funds:</b>		
Personnel	\$58,571,000	\$60,775,000
Operating	13,885,000	13,200,000
Fixed Assets	210,000	210,000
Other	100,000	0
<b>Total State Funds</b>	<b>\$72,766,000</b>	<b>\$74,185,000</b>
<b>Federal Funds:</b>		
Personnel	\$4,887,000	\$5,367,000
Operating	650,000	700,000
<b>Total Federal Funds</b>	<b>\$2,677,000</b>	<b>\$6,067,000</b>
<b>Other Funds</b>	<b>\$733,000</b>	<b>\$0</b>
<b>Total Commission Budget</b>	<b>\$79,036,000</b>	<b>\$80,252,000</b>

### OTHER REVENUE SOURCES

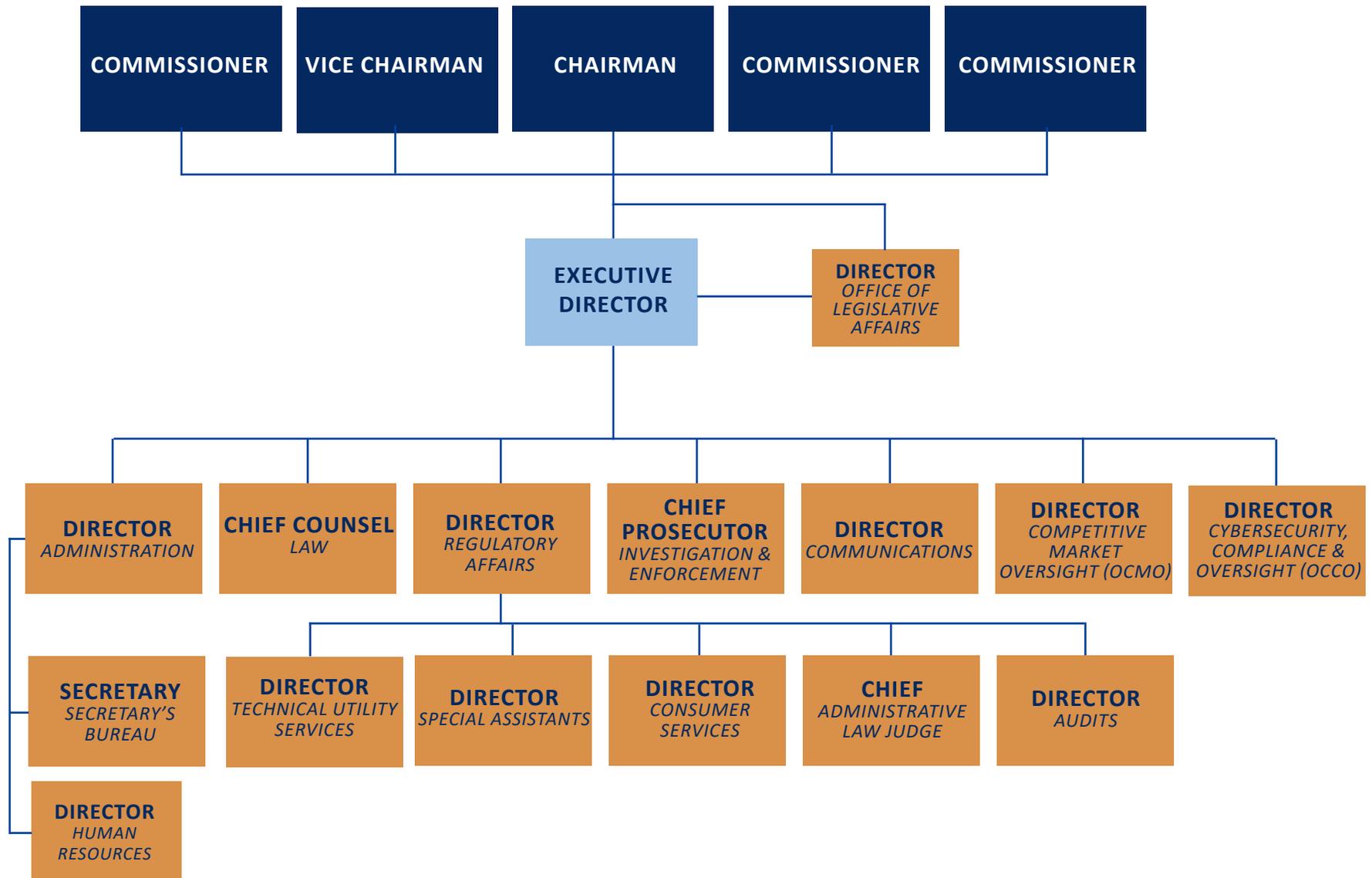
	2017-18 RECEIPTS
Unconventional Gas Well Fund – Act 13	\$1,000,000
Filing & Copy Fees	12,408
Electric Generation Application Fees	196,990
Fines*	1,623,798
Federal – Gas Pipeline Safety	3,840,000
Federal – Motor Carrier (Motor Carrier Safety Administration Program)	1,697,000
<b>Total</b>	<b>\$8,370,196</b>

### 2017-18 APPLICATION FEES, FILING & COPY FEES & FINES

	APPLICATION FEES	FINES*	FILING & COPYING FEES	TOTAL
1st Quarter	\$40,430	284,314	\$4,634	\$329,378
2nd Quarter	36,155	1,031,109	3,314	1,070,578
3rd Quarter	33,905	135,811	1,438	171,154
4th Quarter	86,500	172,564	3,022	262,086
<b>Total</b>	<b>196,990</b>	<b>\$6,790,232</b>	<b>\$12,408</b>	<b>\$7,199,635</b>

\*These funds go directly to the General Fund.

# ORGANIZATIONAL CHART



# COMMISSION STAFF

**THE BUREAU OF ADMINISTRATION** is responsible for overseeing administrative, fiscal and personnel functions. The Bureau of Administration is comprised of the Office of Human Resources; Management Information Systems, which oversees technology; the Secretary's Bureau; the Office of Administrative Services, which is responsible for office services; and the Financial and Assessment section that handles budget issues and the financial functions of the Commission.

**THE OFFICE OF ADMINISTRATIVE LAW JUDGE** fulfills a judicial role within the Commission by hearing cases, mediating cases through the alternative dispute resolution process and issuing decisions. The Office's primary duty is to provide fair and prompt resolution of contested proceedings before the Commission. The Administrative Law Judges (ALJs) are attorneys with experience in administrative law who preside over the hearings in cases, which can include consumer complaints, rate filings, investigations, ability to pay/billing disputes and applications.

**THE BUREAU OF AUDITS** performs financial, management, operational and specialized audits on electric, natural gas, steam heat, wastewater, water and telecommunications utilities. It also reviews certain adjustment clause rate filings and 1307(e) reconciliation statements. The audits may result in recommendations to refund over-recovered costs and to improve accounting/operational procedures that could save utilities and consumers money.

**THE OFFICE OF COMMUNICATIONS** is charged with handling Commission media relations, external communications, internal communications and consumer education, in addition to acting as the lead staff for the Consumer Advisory Council. The Bureau is responsible for issuing press releases, responding to media calls, conducting consumer-education campaigns, distributing educational materials, creating internal and external publications, coordinating the PUC's websites and social media, and managing livestreaming and communications technology.

**THE OFFICE OF COMPETITIVE MARKET OVERSIGHT** serves as the Commission's electric and natural gas choice ombudsman and oversees the development and functioning of the competitive retail electric and natural gas supply markets, in addition to providing a forum for informal dispute resolution.

**THE BUREAU OF CONSUMER SERVICES** investigates informal complaints from residential and small commercial customers and enforces the PUC's customer service regulations. The Bureau also serves as an intermediary between utilities and consumers, mediating complaints or making payment agreements, and is responsible for implementing and monitoring universal service and energy conservation programs. The Bureau prepares reports on complaint handling, customer service performance, universal service and collection performance.

**THE OFFICE OF CYBERSECURITY COMPLIANCE AND OVERSIGHT** advises the Executive Director and Commissioners on policy issues and procedural improvements involving cybersecurity oversight functions of regulated utilities; drafts proposed cyber-related regulations; and oversees the preparation of documents related to cybersecurity policies and procedures.

**THE EXECUTIVE DIRECTOR** is responsible for the oversight of the day-to-day management of the Commission's functions and staff. This position is responsible for the overall planning, direction, organization and operation of the Commission. Also, the Executive Director develops, recommends to the Commissioners, and implements the PUC's strategic plans and policies.

**THE OFFICE OF HUMAN RESOURCES** is responsible for planning, organizing and directing a comprehensive human resource services program for the Public Utility Commission. This includes personnel and position management, labor relations, staff development, equal opportunity, recruitment and placement, employee benefits and services, personnel and leave transactions, and complement management. The Bureau provides administrative and advisory services to the Executive Director, Director of Administration and PUC management.

**THE BUREAU OF INVESTIGATION AND ENFORCEMENT** serves as the prosecutory bureau for purposes of representing the public interest in ratemaking matters. The Bureau also prosecutes service matters before the Office of Administrative Law Judge, and enforces regulatory compliance with the state and federal motor carrier safety, electric safety, and gas pipeline safety laws and regulations. The Bureau handles rail safety enforcement proceedings and investigates referrals from other Bureaus. The Bureau also prepares administrative reports for the Commission.

**THE LAW BUREAU** acts as the Commission's in-house legal counsel in three main areas: advisory, representational and enforcement, providing legal advice to the Commission regarding electric, natural gas, telecommunications, water/wastewater and transportation matters, as well as proposed legislation, regulatory and policy statements. The Bureau's director serves as Chief Counsel to the Commission. The Law Bureau represents the Commission before state and federal courts and before other state and federal agencies.

**THE OFFICE OF LEGISLATIVE AFFAIRS** acts as the liaison between the PUC and the Governor's Office, the General Assembly and the Pennsylvania Congressional Delegation; identifies legislation that may affect the Commission or public utilities and obtains staff analysis; provides relevant information to the legislature; and promotes the Commission's position on legislation and issues with the General Assembly.

**THE DIRECTOR OF REGULATORY AFFAIRS** oversees the PUC's bureaus with regulatory functions, including the Bureau of Audits, the Bureau of Consumer Services, the Office of Special Assistants, the Bureau of Technical Utility Services and the Office of Administrative Law Judge. The Director of Regulatory Affairs also is responsible for planning, organizing, coordinating, directing and overseeing regulatory staff.

**THE SECRETARY'S BUREAU** is the PUC's official point of contact with the public. The Secretary serves as the prothonotary of the Commission, and all documents and filings received by the Commission must be officially filed with the Secretary. The Bureau processes, docket and assigns all filings to the appropriate bureaus within the Commission for review and recommendation. All official Commission actions and decisions are issued over the Secretary's signature. The Secretary's Bureau coordinates the Commission's Public Meeting agendas, records the minutes of each Public Meeting, and issues all Commission Orders, Decisions and Secretarial Letters. The Secretary also is the Commission's official Right-to-Know Officer.

**THE OFFICE OF SPECIAL ASSISTANTS** is the Commission's advisory support bureau, providing legal and technical advice to the Commission primarily regarding challenges to Administrative Law Judge decisions, as well as policy issues; drafts proposed opinions and orders containing a review of the facts, the applicable law and a proposed resolution of the issues raised in contested proceedings; drafts opinions and orders pursuant to motions adopted at Public Meeting; and reviews petitions for relief following the issuance of Commission orders.

**THE BUREAU OF TECHNICAL UTILITY SERVICES** serves as the principal technical advisory bureau to the Commission regarding fixed and transportation utility regulatory matters, as well as an adviser to the PUC on technical issues for electric, natural gas, water and wastewater, and telecommunications utilities. The Bureau also offers policy recommendations on rates, tariffs and regulatory matters, processes utility applications, and coordinates emergency operations of utilities.

# CONSUMERS

## CONSUMER OUTREACH SUMMARY

From hundreds of statewide outreach events, to its annual Be Utility Wise and [Prepare Now](#) campaigns, to the production of new educational videos in Fiscal Year 2017-18, the PUC's consumer outreach specialists provided utility education and outreach to thousands of consumers by working alongside health and human service providers, consumer advocates, utility community relations specialists, seniors and low-income consumers.

The outreach team travels the state to ensure consumers from all socioeconomic backgrounds are educated about and understand their rights as utility customers through a series of workshops, free seminars and roundtable discussions. Outreach specialists also support and participate in community fairs, legislative forums, senior expos, public input hearings and other educational events.

## PREPARE NOW

During Fiscal Year 2017-18, the PUC continued to work with electric and natural gas companies to help consumers "[Prepare Now](#)" for the higher costs of winter heating by educating about low-income programs, energy conservation and electric and natural gas shopping.



## SMART HEARINGS

PUC Smart Hearings enable consumers throughout Pennsylvania to see and hear testimony being offered during the hearings by watching a livestream on the [PUC website](#).

The Commission has built on the success of its online "Smart Hearings" pilot project by scheduling and conducting additional "Smart Hearings." The PUC employed "Smart Hearings" related to the [Suez Water Annual Rate Increase Request](#) and the [UGI Electric Utilities Rate Increase Request](#).

As a way to increase transparency and participation, “Smart Hearings” also achieve modest travel and productivity savings, as fewer PUC employees are needed to travel to multiple in-person public input hearings throughout a particular service territory.

## NATIONALLY RECOGNIZED SHOPPING WEBSITES

[PAPowerSwitch.com](http://PAPowerSwitch.com) averages 60,010 visits per month.



[PAGasSwitch.com](http://PAGasSwitch.com) receives 8,650 visits a month, with more than 415,000 residential and business gas customers who receive their natural gas supply from a competitive supplier, accounting for about 55 percent of April’s total natural gas load.



In Fiscal Year 2017-18, both websites received the Governor’s Office of Transformation, Innovation, Management and Efficiency (GO-TIME) award for promoting increased citizen engagement through technology.

## COLD WEATHER SURVEY RESULTS

Each year, prior to the winter heating season, the PUC requires electric utilities, natural gas utilities and Class A water utilities to check residential properties where heat-related service has been terminated due to non-payment. The goal of the annual [Cold Weather Survey](#) is for the company to attempt to reach payment agreements with the occupants so service can be restored.

The Commission requires that utilities make four attempts to contact the consumer or a responsible adult occupant at the property where service has been terminated. These contacts include a combination of telephone calls and letters to establish contact, with the fourth attempt being a personal visit to the property.

The companies resurveyed the households without utility service in [February 2018](#).

## CONSUMER ADVISORY COUNCIL



*Pictured left to right: Sonny Popowsky, Vice Chairman Patrick Cicero, Chairman Ralph Douglass, Troy Geanopulos and Timothy Hennessey. (Not pictured: Lillian Carpenter, Chad Quinn, Tina Serafini, George Silvestri, Javier Toro, Joseph Toner and Christopher Winters.)*

The [Consumer Advisory Council](#) (CAC) was created through a regulation in 1977 to advise the Commission on matters relating to the protection of consumer interests under the Commission’s jurisdiction. The CAC represents the public in advising Commissioners on matters relating to the protection of consumer interests under the PUC’s jurisdiction.

## LINKS TO COMMISSION’S REPORTS

[Universal Service Reports](#) – The report highlights data submitted by the electric distribution companies and natural gas distribution companies in compliance with the Universal Service reporting requirements. Reporting categories include residential collections, LIURP, CAP, CARES and Hardship Funds.

[Customer Service Performance Reports](#) – The PUC’s Bureau of Consumer Services (BCS) compiles the report on the quality of service data for major electric distribution companies and natural gas companies in Pennsylvania.

# 717 Area Code 10-Digit Dialing





Mandatory 10-digit dialing for all local calls in 717 service area

Earliest date for release of new '223' phone numbers

## What Numbers Should I Dial?



For local calls inside the 717/223 area code, dial: 717 or 223 + XXX-XXXX

For calls to other area codes, dial: 1+ XXX-XXX-XXXX

For operator assisted, collect, credit card or 3rd party calls, dial: 0+XXX-XXX-XXXX

## What Counties Are Affected?



## Preparing for 10-Digit Dialing

- Check your devices to verify that area codes are included with stored numbers.
- Contact medical alert services, alarm services, alarm systems and other systems that make automatic calls, to ensure operation with 10-digit dialing.
- Include area codes to all new numbers added to your devices.

## What Devices Should I Check?

- Mobile phones, landline phones & tablets that can save/store phone numbers
- Fax machines
- Life-safety & medical alert systems
- Alarm & security systems
- Call-forwarding settings & voicemail services
- Internet dial-up systems
- Automatic dialing equipment & software
- Speed-dialers
- Security gates
- Ankle monitors
- Any other device that can save, store and automatically dial phone numbers

**Pennsylvania Public Utility Commission**  
1-800-692-7380  
www.puc.pa.gov



### Consumer Activities Report & Evaluation (UCARE)

– This report is a valuable resource that allows consumers to review their local utility’s customer service performance for each year. The report uses tables to graphically represent company performance of electric, gas, water and telephone utilities. Performance measures include consumer complaint rate, justified consumer complaint rate, response time to consumer complaints, payment arrangement request rate, justified payment arrangement request rate, response time to payment arrangement requests, infraction rate and termination rate.

### Gas and Electric Cold Weather Survey Results

– This annual survey shows the number of households entering the winter months without electric or gas service. Pennsylvania’s major electric and natural gas distribution companies are required to report this information each December.

## COMMUNICATIONS & PUBLIC EDUCATION RECOGNITION

The Commission [has received national recognition](#) by being awarded the 2017 MarCom Gold Award for its campaign about the [switch to mandatory 10-digit telephone dialing](#) across Central Pennsylvania. The MarCom award is one of the oldest, largest and most prestigious creative competitions in the world – recognizing outstanding achievement by creative professionals involved in the concept, direction, design and production of communication materials and programs.



## PA RELAY SERVICE ADVISORY BOARD



Back row, left to right: Dan Ramage, BCS; Alphonso Arnold, OSA; Eric Jeschke, TUS. Front row, left to right: Kay Tyberg, public member; Melissa Hawkins, Office of Deaf and Hard of Hearing; and Amy Goldman, public member. (Not pictured are Steve Samara, Pennsylvania Telephone Association, and Christa Cervantes, Hamilton)

During 2017-18, the [Pennsylvania Relay Service Advisory Board](#) met quarterly to advise the Telecommunications Relay Service (TRS) providers on service issues, to discuss policy issues related to traditional TRS and Captioned Telephone Relay Service (CTRS), and to interact with Commission-appointed members.

## SOCIAL MEDIA OUTREACH

The PUC continues to enhance the way we reach Pennsylvania utility customers. The Commission engages with consumers every day on a variety of social media platforms.

Follow us on:



# ELECTRIC

## WHOLESALE ELECTRIC PRICING

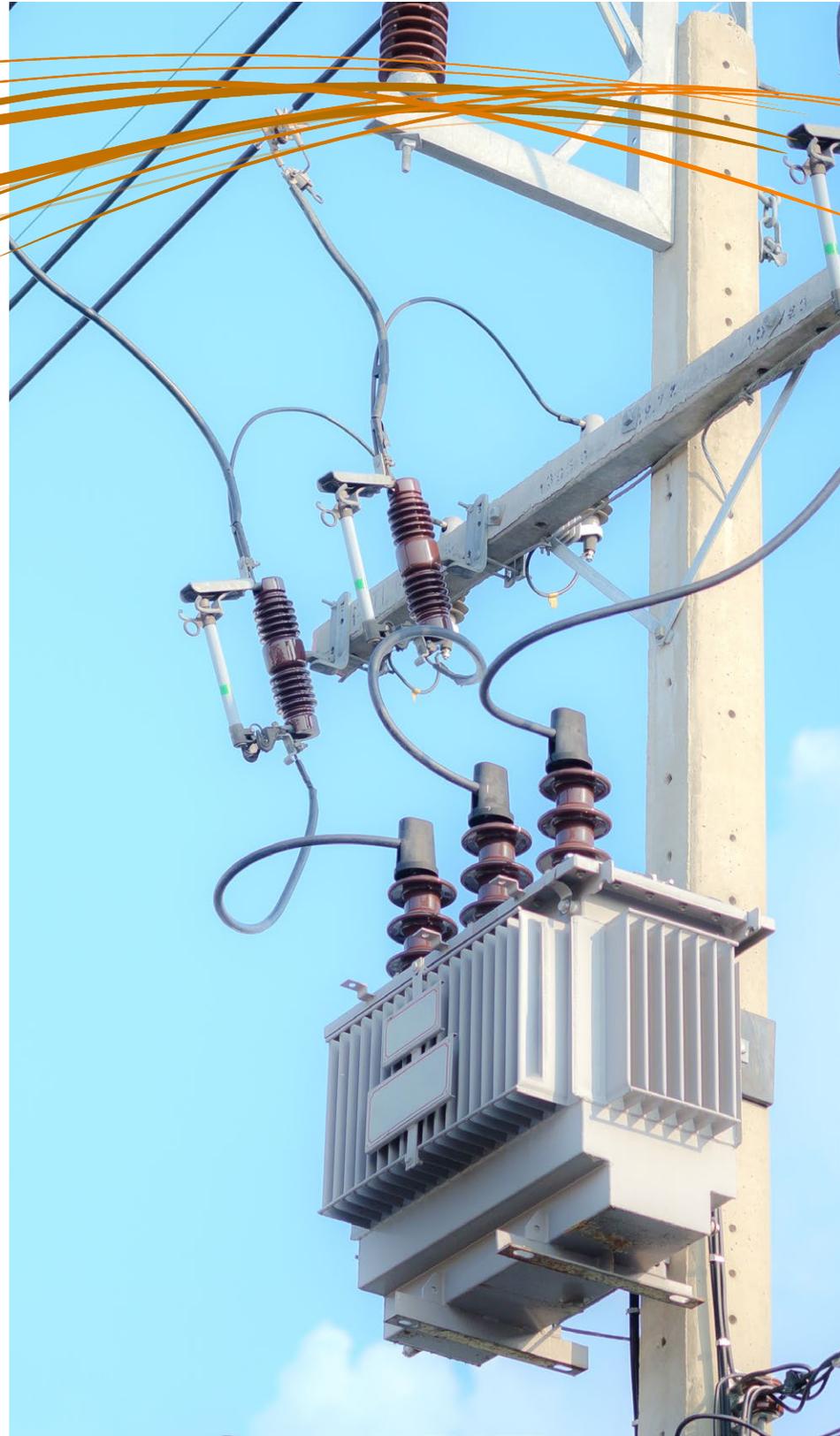
“[PJM’s Evolving Resource Mix and System Reliability](#)” report concluded that PJM’s current portfolio remains reliable and diverse, even with the changing resource mix given environmental regulations, low-cost natural gas, increased penetration of renewable resources and demand response and possible retirements of nuclear power resources. PJM ensures reliability in 13 states, including Pennsylvania, as well as the District of Columbia.

The study urges PJM’s ongoing review of events which impact reliability, identifying highest risks to reliability and ways to mitigate infrastructure vulnerabilities, especially given rapid growth in gas generation. The Commission serves on several working groups that monitor actions and provide comments to PJM.

## COMPETITIVE MARKETS

During 2017-18, the PUC took additional steps to strengthen and enhance Pennsylvania’s competitive market, including:

- Issued a detailed Secretarial Letter in December 2017 to all competitive suppliers reminding them of the Commission’s marketing regulations and the Commission’s expectations as to appropriate behavior when engaged in door-to-door sales and marketing, along with telemarketing. This was followed by a daylong supplier workshop attended by all residential suppliers where the Commission, joined by the Office of Consumer Advocate and the Office of Attorney General, reinforced this message in person. The workshop also included an orientation to the PUC where suppliers could interact and question Commission staff about various Commission functions such as formal and informal complaint processes, licensing, bonding, and annual assessments.
- Launched a rulemaking to review and update the Commission’s Chapter 54 electric supplier disclosure regulations. These important regulations address what must be included in the disclosures that suppliers provide residential and small



business customers to describe their products and prices. The Commission's Notice of Proposed Rulemaking (NOPR) issued for comment on proposals to ban early termination fees once an Electric Generation Supplier (EGS) has provided the customer with an initial contract renewal notice; requirements that EGSs display their prices in a format that allows for easier price-comparisons; requirements that any introductory pricing be clearly identified and explained to the customer; requirements to provide more information about variable prices and the use of common, consistent terminology by EGSs in their customer communications, including marketing, billing and disclosure statements. After receiving comments from the stakeholders, the Commission expects to promulgate updated regulations in 2019.

- Clarified the ability of customers on FirstEnergy's (Met-Ed, Penelec, West Penn Power and Penn Power) customer assistance program (CAP) to choose a competitive electric supplier through CAP-specific rules and standards. In late 2018, OCMO convened a collaborative to develop a CAP-shopping program that restricts CAP customers from entering into a contract with a supplier at a price higher than the utility's price to compare, and with no cancellation fee. The resulting new FirstEnergy CAP-shopping program is expected to go live in mid-2019.

- Continued enhancements to the PUC's official website for electric shopping – [PAPowerSwitch.com](http://PAPowerSwitch.com) – including direct links connecting PAPowerSwitch shoppers to suppliers' online enrollment webpages and the ability to display new products being offered by suppliers, including but not limited to flat monthly rates, enrollment fees and, eventually, time-of-use products.

## **ALTERNATIVE ENERGY PORTFOLIO STANDARDS (AEPS) ACT OF 2004**

**Dec. 21, 2017** - The Commission issued a Tentative Implementation Order seeking comments on the Commission's interpretation and implementation of Act 40, which became law on Oct. 30, 2017.

**March 19, 2018** – The Commission released the *2017 Annual Report - Alternative Energy Portfolio Standards Act of 2004*. The report included a compliance summary for the 2017 reporting year (June 1, 2016 – May 31, 2017), a cost and benefit analysis of alternative energy generation, renewable energy market trends, and the status of Pennsylvania's alternative energy portfolio standards marketplace.

**April 19, 2018** – Following the receipt and review of comments, the Commission formally established [new qualifications](#) for systems that qualify for the solar photovoltaic requirements under the [AEPS Act](#). Pennsylvania's AEPS Act requires Electric Distribution Companies (EDCs) and EGSs to source a specific percentage of electricity from alternative resources in the generation that they sell to Pennsylvania customers. That percentage increases annually and will require 0.5 percent of the electricity supplied by Pennsylvania's EDCs and EGSs to come from solar PV resources by 2021.

**May 16, 2018** – The Commission issued a Secretarial Letter further clarifying some procedural information for the filing of petitions that Commission staff would review to determine eligibility of credits from out-of-state solar facilities.

**May 17, 2018** – The Commission granted the Petition for Clarification and/or Reconsideration of the Final Implementation Order for Act 40 approved at Public Meeting April 19, 2018.

## **ACT 129**

Act 129 of 2008 required the seven Pennsylvania EDCs with at least 100,000 customers to establish an energy efficiency and conservation (EE&C) plan. The Act is being implemented in phases; Phases I and II are complete. Phase III of Act 129, the current five-year phase, began on June 1, 2017, and will end on May 31, 2021. While the EDCs must implement energy efficiency programs during all five years of Phase III, the Commission required demand response programs only during the last four years of the phase. The Statewide Evaluator (SWE) monitors and verifies electric consumption and peak demand savings data.

**February 2018** - The Commission released the [Act 129 SWE Phase III Program Year 8 Annual Report](#).

## **THIRD-PARTY ELECTRIC VEHICLE (EV) CHARGING**

In March 2018, the Commission advanced a [proposed policy statement](#) on third-party EV charging stations that seeks to provide greater clarity and consistency throughout the state. The PUC also provided [testimony](#) on House Bill 1446, which would determine a statewide goal to increase EV adoption and identify opportunities for the increased utilization of natural gas vehicles.



## TRANSOURCE TRANSMISSION LINE PUBLIC INPUT HEARINGS

In summer 2018, the PUC conducted eight [public input hearings](#) in the two counties impacted by the electric transmission line applications and other related filings submitted by Transource Pennsylvania LLC (Transource). The hearings drew a total audience of nearly 1,000 concerned residents and more than 200 speakers.

## RELIABILITY

August 2017 – The Commission released its annual [Electric Service Reliability Report](#), detailing the performance of the state’s EDCs during 2017.

June 2018 – The Commission released the [2018 Summer Readiness Overview reports](#), from the state’s electric distribution companies and the regional transmission organization, PJM Interconnection, which provide the companies’

preparations and plans for various conditions that may affect electric supply, price and service reliability during the summer months.

Microgrids are a new and fluid concept and something that utilities, government agencies, private businesses and communities across the country are actively exploring. The PUC continues to encourage innovation, especially involving matters that have potential benefits for our citizens and our state, including the exploration of [microgrids](#).

## 2017-18 AUDITS

The PUC completed 37 audits, involving default service, purchased power, non-utility generation, transmission service costs, generation supply service, energy efficiency and conservation, and universal service programs.

## RATE INCREASE REQUESTS

During the fiscal year, the Commission did not approve any electric rate increase requests.

During the fiscal year, the Commission received the below rate increase requests. Information about the [ratemaking process](#) is available on the PUC website.

### Duquesne Light Company

**Requested Rate Increase** – \$133.8 million (8.82 percent)

**Approved Rate Increase** – In Process

**Primary Reason** – New investments in infrastructure, improving operations and strengthening reliability.

### UGI Utilities Inc. – Electric Division

**Requested Rate Increase** – \$9.254 million (10.4 percent)

**Approved Rate Increase** – In Process

**Primary Reason** – New investments in infrastructure, improving operations and strengthening reliability.

### PECO Energy Company

**Requested Rate Increase** – \$82 million (2.2 percent)

**Approved Rate Increase** – In Process

**Primary Reason** – New investments in infrastructure, improving operations and strengthening reliability.



The Commission also reviewed and processed 163 filings requesting changes to established adjustment clause rates and implementing revised surcharge rates, and an additional 64 Section 1307(e) reconciliation statements that were reviewed and processed.

The PUC performed the following periodic management and operations audits (MAs) or management efficiency investigations (MEIs), including:

- **Pike County Light and Power/Leatherstocking Gas Company** – A [Focused Management and Operations Audit](#) released Feb. 8, 2018, showed that all 33 recommendations were accepted – with the majority of the recommendations being implemented by May 2019.
- **PECO Energy Company** – An MEI, released Oct. 5, 2017, showed that the company effectively or substantially [implemented](#) 14 of 23 prior recommendations and took some action on the remaining nine recommendations.

In October 2018, the PUC released its [2017-18 annual report](#) on PUC management and operations audits (MAs) and management efficiency investigations (MEIs) that included recommendations on various regulated utilities and identified \$1.4 million in one-time savings – helping to ensure that rates paid by consumers are fair and reasonable.

## PROCEDURES FOR FULLY PROJECTED FUTURE TEST YEAR

December 2017 – The Commission approved an [Advance Notice of Proposed Rulemaking Order](#) requesting comments on proposed procedures and filing requirements for utilities that use a fully projected future test year in base rate cases.

## ELECTRIC SAFETY

The PUC’s Electric Safety Division responds to an average of 25 reportable contacts with power lines in the state each year, with six as the average number of fatalities each year. Meanwhile, the Bureau of Consumer Services (BCS) investigates an average of 130 electric safety referrals.

## SMART METERS

Act 129 of 2008 requires PA’s seven large (100,000 or more customers) EDCs to deploy smart meters to all customers by 2023. The PUC has approved all plans. As of the end of June 2018, 4.86 million smart meters (84 percent of all meters) currently are deployed statewide.

# NATURAL GAS

## WHOLESALE GAS MARKET AND NATURAL GAS PRICES

In 2017, the state's natural gas industry set another production record, producing 5.5 trillion cubic feet of gas – a 4 percent increase over the previous year. Pennsylvania ranks second behind Texas in total volume of natural gas production. Within the territory of the PJM Interconnection, the regional power grid operator which serves Pennsylvania, gas-fired generation makes up the highest percentage of installed generation capacity at 36 percent.

According to FERC's [2017 State of the Market Report](#), 2017 natural gas prices in the United States rose between 14 percent to 37 percent regionally in 2017 as compared to 2016. Cold weather and high winter heating load at both the beginning and end of 2017 contributed to a 28 percent increase in average natural gas spot prices in the Eastern United States, relative to 2016. Natural gas for power generation fell 6 percent from 2016 as cooling degree days in 2017 decreased 3.5 percent from 2016. The largest increase in demand was from liquefied natural gas (LNG) exports that rose 248 percent from 2016. Gas storage inventories fell to their lowest level since 2014. The United States became a net exporter of natural gas for the first time since 1958 with increasing LNG shipments.

Throughout the ongoing development and growth of Pennsylvania's natural gas industry, the Commission continues its effort to enhance pipeline safety across the Commonwealth, highlighted by adding engineers to the PUC's Pipeline Safety Team, supporting new federal regulations for Class 1 Gathering lines, and encouraging increased access to federal safety training resources for engineers – including discussions about creating a pipeline training facility in Pennsylvania.

## COMPETITIVE MARKET OVERSIGHT

During 2017-18, the PUC continued moving forward on several fronts to further remove barriers to competition in the state's natural gas market. Led by its Office of Competitive Market Oversight, the PUC took the following steps:





- Advanced efforts to amend and add to regulations addressing the release, assignment and transfer of capacity among natural gas distribution companies and natural gas suppliers. This included issuing an advanced notice of proposed rulemaking (ANOPR) for comment in late 2017 followed by a technical conference in March 2018 where suppliers, natural gas utilities and Commission staff discussed the issues in person. A NOPR is expected on these issues in 2019.
- Initiated the first steps to bring accelerated switching to the state’s natural gas industry, essentially modeling accelerated switching in Pennsylvania’s electric industry. This included hosting a technical conference in March 2018 where suppliers, natural gas utilities and Commission staff discussed the issues in person. A NOPR is expected in 2019 proposing a new, faster, natural gas supplier switching process.
- Enhanced the PUC’s official website for natural gas shopping – [PAGasSwitch.com](https://www.pagaswitch.com) – including direct links connecting PAGasSwitch shoppers to suppliers’ online enrollment webpages and the ability to display new products being offered by suppliers.

## 2017-18 AUDITS

During Fiscal Year 2017-18, the PUC completed six purchased gas cost (PGC) audits, seven gas cost rate (GCR) audits and 10 universal service audits. The PUC also reviewed 14 gas cost rate, one consumer-education charge, 10 Universal Service Fund charge, three supplier choice and 45 distribution system improvement charge (DSIC) rate change and reconciliation filings. The PUC performed management and operations audits (MAs) or management efficiency investigations (MEIs), including:

- National Fuel Gas – A Focused Management and Operations Audit released April 19, 2018, showed that all nine recommendations were accepted – with the majority of the recommendations being implemented by December 2019.
- Pike County Light and Power/Leatherstocking Gas Company – A Focused Management and Operations Audit released Feb. 8, 2018, showed that all 33 recommendations were accepted – with the majority of the recommendations being implemented by May 2019.

## LAUREL PIPE LINE APPLICATION

The Commission held two “Smart Hearings” regarding the [application by the Laurel Pipe Line Co.L.P.](#) to change the direction of its petroleum products transportation service over a portion of its system, west of its Eldorado facility in the Altoona area. A decision on the application is anticipated later in the fiscal year.

## SUNOCO MARINER EAST

The Commission issued an Emergency Order in March 2018 enjoining the operation of Mariner East 1 for safety reasons. The pipeline was returned to service in May 2018. The Commission took action in June 2018 regarding an [Interim Emergency Order](#) issued in May 2018, related to operation of Sunoco Pipeline L.P.’s Mariner East 1 pipeline and construction of Sunoco’s Mariner East 2X pipelines.

## SETTLEMENTS

- [Columbia Gas of PA Worker Safety Concerns](#) – In December 2017, the Commission approved a joint settlement involving Columbia Gas of Pennsylvania and the PUC’s Bureau of Investigation and Enforcement, following an investigation into alleged safety violations at work sites in Allegheny and Lawrence counties.

## STEAM HEAT

Three steam heat utilities currently operate in Pennsylvania. Generally, steam heat is produced in central generation plants by heating water to its boiling point, and then distributing the steam heat to users through a series of underground pipes. In Fiscal Year 2017-18, the PUC reviewed and processed 30 (monthly and annual) steam cost rate adjustment clause filings submitted by jurisdictional steam heat companies. In addition, seven steam cost rate audits were completed.

## RATE INCREASE REQUESTS

During the fiscal year, the Commission finalized the following rate increase requests. Information about the [ratemaking process](#) is available on the PUC website.

### UGI Penn Natural Gas Inc.

**Requested Rate Increase** – \$21.7 million (10.4 percent)

**Approved Rate Increase** – \$11.25 million (5.4 percent)

**Primary Reason** – The Commission approved a rate increase due to additions and investments made since 2009.

### Philadelphia Gas Works

**Requested Rate Increase** – \$70 million (11.6 percent)

**Approved Rate Increase** – \$42 million (7 percent)

**Primary Reason** – The Commission approved a rate increase due to initiatives to modernize infrastructure and to make the system safer and more efficient.



The PUC continues work on a proposed rulemaking that would amend the Commission’s regulations for steam utilities. Specifically, the rulemaking would revise and expand the Commission’s steam heating service regulations, including the modernization of accident regulations to the same standard as other utilities, as well as the facilitation of the PUC’s Gas Safety Division’s safety inspections of jurisdictional steam heat distribution facilities.

## CURRENT NATURAL GAS INDUSTRY ACT 13 OF 2012 (MARCELLUS SHALE IMPACT FEE)

The Commission is charged with collecting and distributing the unconventional gas well fee (also called the Marcellus Shale Impact Fee), and the distribution of those funds to local and state governments.

This year’s distribution totaled \$209,557,300, more than half (\$114,784,380) of which was distributed to county and municipal governments directly affected by drilling.

Over the past six years, the PUC has collected and distributed more than \$1.4 billion in Impact Fees to local governments and communities across Pennsylvania.

## GAS SAFETY

In Fiscal Year 2017-18, the PUC Pipeline Safety Division conducted 500 inspections; investigated nine reportable incidents (incidents resulting in death, personal injury, property damage exceeding \$50,000 or gas loss of more than 3 million cubic feet); and issued 40 non-compliance letters.

# TELECOMMUNICATIONS

## TYPES OF CARRIERS IN PENNSYLVANIA

Incumbent Local Exchange Carriers – 37

Competitive Local Exchange Carriers – 168

Interexchange (Toll) Carriers – 61

Interexchange (Toll) Resellers – 260

Competitive Access Providers – 87

## FEDERAL ISSUES

The Commission continues to address various issues that stem from the landmark federal Telecommunications Act of 1996 (TCA-96) and the Federal Communications Commission's (FCC's) 2011 USF/ICC Transformation Order. The Commission also actively participates in relevant proceedings before the FCC. The [Transformation Order](#) fundamentally restructured the telecommunications regulatory environment, including, in particular, issues regarding federal universal service funding (USF) support and broadband, intercarrier interconnection and compensation, and federal preemption of state jurisdiction.

### ■ UNIVERSAL SERVICE

The universal service concept now includes broadband access in addition to voice services per the Transformation Order. This is fully compatible with the statutory directives of Pennsylvania's Chapter 30 of the Public Utility Code, which directed universal broadband deployment by regulated incumbent local exchange carriers (ILECs) throughout the Commonwealth by Dec. 31, 2015, while maintaining universal telecommunications service at affordable rates.



## ■ BROADBAND

**HELP SAVE BROADBAND FUNDING**

**\$140 MILLION**  
IN FEDERAL FUNDING FOR HIGH-SPEED INTERNET IS AT-RISK

**63**  
COUNTIES COULD LOSE FUNDING FOR PROJECTS

**SUBSTANTIAL IMPACT**

**31** COUNTIES COULD LOSE AT LEAST **\$1 MILLION**

**8** COUNTIES COULD LOSE AT LEAST **\$5 MILLION**

**PENNSYLVANIA'S LOSS**

THE FUNDING ORIGINALLY INTENDED FOR PA COULD GO TO PROJECTS IN OTHER STATES

PA RESIDENTS & BUSINESSES HAVE ALREADY PAID FOR PROJECTS WITH SURCHARGES ON PHONE BILLS

**HOW CAN I HELP?**

PA HAS ASKED THE FCC TO CONSIDER A PLAN TO KEEP THE BROADBAND FUNDING IN OUR COMMUNITIES

**CONTACT THE FCC IN SUPPORT OF THE PA PLAN**

VISIT THE PUC WEBSITE FOR INSTRUCTIONS ON SUBMITTING COMMENTS TO THE FCC

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
1-800-692-7380  
WWW.PUC.PA.GOV

**PUC**  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Under Chapter 30, broadband access must be made available throughout Pennsylvania within 10 business days of a request at speeds of 1.544/0.128 Mbps (download/upload). Federally funded broadband must be supplied at 10/1 Mbps to supported locations although the FCC has more recently defined broadband as 23/3 Mbps.

Technological changes, FCC mandates and consumer expectations have overtaken the statutory Pennsylvania broadband speed standard.

FCC reforms changed the way federal USF support is provided in high-cost rural areas by replacing older funding for voice with conditional funding for a voice and broadband network using offers of support. If declined, the offers of support would be auctioned off. All Pennsylvania carriers except Verizon accepted the offers of support. Verizon Pennsylvania LLC and Verizon North LLC declined the FCC's offer of almost \$140 million for Pennsylvania in the FCC's USF Connect America Fund (CAF) program to provide service in their high-cost rural areas at eligible locations, including the deployment of broadband at speeds of at least 10/1 Mbps. Subsequent FCC rulings on the auction triggered by Verizon's refusal made it apparent that those funds could migrate outside the Commonwealth. The Commission pursued efforts at the FCC seeking

modest relief to retain access to those funds through a Joint Petition to the FCC filed with the Department of Community and Economic Development (DCED) on April 19, 2017. The Commission actively pursued support of the Joint Petition at the [FCC](#). The Joint Petition also had extensive bipartisan support from Pennsylvania's [Congressional Delegation](#) and from [multiple statewide municipal, farm](#) and other [associations](#).

By a Public Notice issued Aug. 4, 2017, the FCC initiated the pre-auction process for the [CAF Phase II Auction](#) (Auction 903). On Sept. 18, 2017, the PUC and DCED filed joint comments in response to the Public Notice reiterating its request in its Joint Petition regarding its proposed modification to the auction formula and addressing the simplicity with which Pennsylvania's proposed negative weight could be incorporated into the FCC's application and pre-auction process.

At its Jan. 30, 2018, Open Meeting, the FCC adopted an Order on Reconsideration, addressing the issues raised in challenges to the CAF Phase II Auction Rules Order, including: how to compare bids of different performance levels; standalone voice requirements; Phase II auction deployment and eligibility; and state specific bidding weights, among other matters. In the Order on Reconsideration, released Jan. 31, 2018, the FCC also declined to grant the Commission/DCED's Joint Petition. Among other reasons, the FCC determined that the request lacked sufficient details on Pennsylvania's specific state initiatives to advance broadband deployment, including the provision of complementary state support. Subsequent to this order, by letters dated March 14, 2018, FCC Chairman Pai responded to members of the Pennsylvania Congressional Delegation who had supported the Joint Petition repeating the FCC's rationale in the Order on Reconsideration by explaining that the Joint Petition failed to sufficiently address state matching funds. Chairman Pai noted, however, that, in 2019, the FCC planned to move on to the Remote Areas Fund for those areas still without high-speed broadband and that any funding originally intended for rural Pennsylvania would be available in that second auction.

The FCC released a Public Notice on March 2, 2018, announcing a revised final list of census blocks eligible for the CAF Phase II auction (Auction 903), a revised list of the census block groups and associated annual reserve prices and location counts, and a revised map showing the eligible blocks within the census block groups. Subsequently, the FCC issued a notice in the

[Federal Register](#) on March 29, 2018, publishing the final procedures for the CAF Phase II auction (Auction 903). The Phase II auction began July 24, 2018, purported to award up to \$198 million annually for 10 years (or \$1.98 billion) to service providers that commit to offer voice and broadband services to fixed locations in unserved high-cost areas, and closed Aug. 22, 2018.

The Commission continues to work to improve its website to make information available regarding broadband availability in Pennsylvania.

## ■ BROADBAND INCENTIVE INVESTMENT PROGRAM

In March 2018, the Commission joined Gov. Wolf and other state officials to announce the launch of the Governor's Office of Broadband Initiatives, reaffirming the Commonwealth and Commission's commitments to helping bring greater broadband access to underserved and unserved areas of the Commonwealth. Through this program, \$35 million in financial incentives was offered to eligible providers bidding on eligible census block service areas in Pennsylvania in the FCC CAF Phase II Auction.

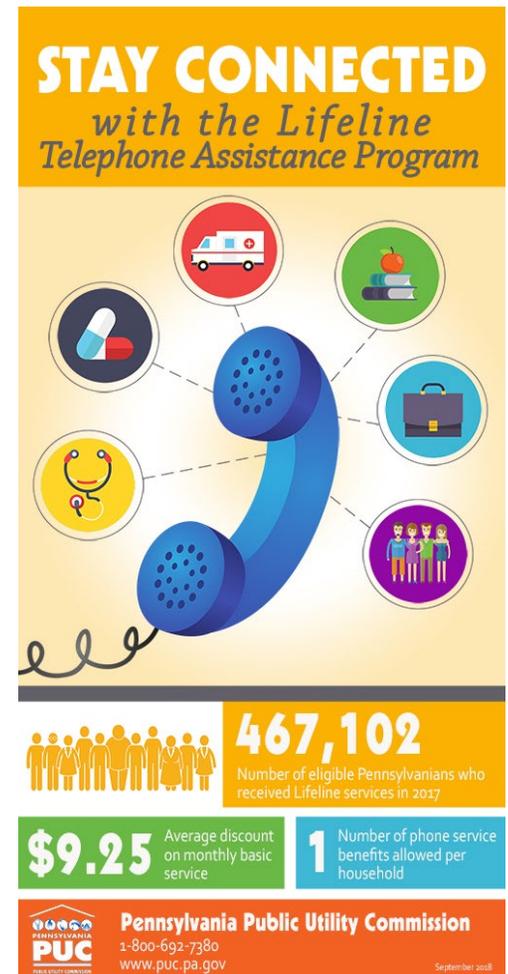
## ■ LIFELINE

In April 2016, the FCC issued its latest major [Lifeline Order](#) that established Broadband Internet Access Service (BIAS), as a federal USF-supported service that eligible low-income consumers and households can now get in Pennsylvania. The new rules for BIAS went into effect on Dec. 1, 2016. Consumers eligible under the programs that were eliminated continued to get their support until July 1, 2016. The Commission continues to make eligible telecommunications carrier (ETC) designations for wireline and wireless providers of Lifeline services while the FCC plans to revisit its April 2016 determinations. For 2017, the Working Group developed a brochure to educate consumers about changing eligibility requirements for the federal Lifeline program and the evolving speed and data standards that ETCs must meet to be Lifeline providers.

On June 26, 2017, the FCC provided updated Lifeline minimum service standards for fixed broadband speed, 15 Mbps downstream and 2 Mbps upstream, and shared that the budget for federal universal service support for the Lifeline program in 2018 would be \$2,279,250,000 on a nationwide basis. On Dec. 1, 2017, the FCC announced the postponement of the launch date of

the National Lifeline Eligibility Verifier until early 2018.

On March 23, 2018, the Commission filed reply comments to the 2017 FCC Order seeking to maximize the Lifeline program in Pennsylvania. In its reply comments, the Commission recommended: (1) elimination of the standalone Lifeline Broadband Provider (LBP) designation and reversal of the preemption of states' regulatory authority to designate ETCs; (2) collaboration between the Universal Service Administrative Company (USAC, which administers the federal Lifeline program) and state agencies to implement the National Verifier; (3) continuation of the forbearance that allows non-facilities-based ETCs to receive federal Lifeline support; (4) retention of the Lifeline subsidy for voice only service, use of the Independent Economic Household (IEH) worksheet and restoration of certain public assistance programs (e.g., the Low-Income Home Energy Assistance Program or LIHEAP) to qualify subscribers for Lifeline assistance; (5) prohibition of self-certifying continued subscriber eligibility when the consumer is no longer participating in the qualifying program used to demonstrate initial eligibility for participation in the Lifeline program; and (6) rejection of the proposal to adopt a benefit limit (i.e., amount of support or length of time of participation) for the Lifeline program.





## ■ INTERCARRIER INTERCONNECTION AND COMPENSATION

The Commission continues to approve [interconnection agreements](#) between carriers and adjudicate carrier disputes involving [intercarrier compensation](#) pursuant to TCA-96.

## ■ PREEMPTION

The Commission filed comments in several FCC proceedings addressing federal proposals that might preempt the Commission's ability to act under existing state law or the General Assembly's authority to enact new state laws. On Nov. 30, 2017, the FCC released the Wireline Infrastructure Further Notice, Accelerating Wireline Broadband Deployment by Removing Barriers to Infrastructure Investment, Report and Order, Declaratory Ruling, and Further Notice of Proposed Rulemaking, 32 FCC Rcd 11128 (2017) that sought comment on further changes to the pole attachment rules, network change disclosure processes and Section 214(a) discontinuance processes. This Further Notice incorporated proposals to remove regulatory barriers that unnecessarily delay a carrier's transition from legacy networks and services to broadband networks and services, or that increase the cost of

that transition. Specifically, the FCC proposed to revise the current copper retirement process and preempt those state laws that require the provision of adequate, safe and reliable services that may delay deployment of next-generation networks and act as regulatory barriers to increased infrastructure investment. The Commission filed reply comments in this proceeding on Feb. 16, 2018, advocating against federal preemption of independent Pennsylvania laws requiring the provision of adequate, safe and reliable services.

## ■ AREA CODE RELIEF AND NUMBERING RESOURCES

The North American Numbering Plan Administrator (NANPA), Neustar (an FCC contractor and neutral third party), informs Pennsylvania and the other states of current and projected numbering resources. Commission staff closely monitors this information in all the Commonwealth's area codes to ensure the availability of adequate numbering resources.

The South-Central Pennsylvania Numbering Plan Area (NPA) received an all services distributed overlay with the new [223 area code](#) being assigned to the same geographic area as the existing 717 area code. Prior to the overlay, this NPA was projected to exhaust its supply of numbers in the third quarter of 2018. The area code overlay necessitated 10-digit dialing, as seven-digit dialing

is only permissible if the NPA has only one area code. Mandatory 10-digit dialing for all local calls began on Aug. 26, 2017. The 223 area code was successfully activated on Sept. 26, 2017.

The Southeastern Pennsylvania NPA also received an all-services distributed overlay. On March 3, 2018, the [445 area code](#) was successfully added to the same geographic area as the existing 215/267 area codes.

The Commission continues to monitor developments at the FCC regarding the provision of numbering resources to Voice over Internet Protocol (VoIP) service providers and prepares appropriate registration forms for industry use.

## STATE ISSUES

### ■ BROADBAND

Since the December 2015 completion of broadband deployment obligations by the Commonwealth's ILECs at the 1.544/0.128 Mbps statutory standards, the Commission continues to police the availability and provisioning of relevant broadband access services by those carriers through its informal and formal complaint processes. See *Terry R. White v. Verizon North LLC* and *Roberts v. The United Telephone Company of Pennsylvania LLC, d/b/a/ CenturyLink*. The Commission also has responded to legislative inquiries regarding potential legislative re-examination of Chapter 30 download and upload speed standards.

### ■ PA UNIVERSAL SERVICE FUND

The PA USF continues to support universal service within the Commonwealth. The annual PA USF distribution supports physical network facilities that provide both voice and broadband access services. The total USF fund size for 2018 calendar year was \$34.323 million. GVNW is the PA USF Fund Administrator, selected through a Request for Proposal process and awarded a contract that expires on June 30, 2021.

### ■ RULEMAKING TO ASSERT JURISDICTION OVER POLE ATTACHMENTS

In July, the Commission issued a [Notice of Proposed Rulemaking](#) proposing to assert jurisdiction over pole attachments by preempting the FCC's current jurisdictional role. The Commission's proposed rulemaking also contemplates the wholesale adoption of the FCC's existing regulatory scheme, for enforcement by the Commission. Comments and reply comments were received on the proposed changes and may, as appropriate, shape the final rulemaking process. The Commission's expanded role over pole attachments, it is believed, will facilitate faster and more efficient attachment processes associated with broadband and telecommunications deployment.

### ■ REGULATION OF ILEC LOCAL SERVICE RATES AND QUALITY OF SERVICE

The Commission regulates the rates and revenues of ILECs through review and approval of the companies' annual filings pursuant to their respective Chapter 30 alternative regulation and network modernization plans (Chapter 30 Plans). ILECs have the option to implement increases approved under their Chapter 30 Plans in actual rates or to bank them for future use. Some ILECs may bank increases indefinitely; others have a four-year limit. In a February 2015 order, the Commission granted a petition filed by the Verizon companies and determined that standalone basic local telephone service was competitive for residential and small business customers in 153 Verizon PA and Verizon North wire centers serving geographic areas in or adjacent to Verizon's Philadelphia, Scranton/Wilkes-Barre, Harrisburg, Pittsburgh, Allentown and York service territories. As a result, the Commission does not regulate local service rates in these competitive wire centers. No other ILECs have sought or obtained a Commission determination that standalone basic local service rates are competitive. Those rates continue to be regulated pursuant to the companies' Chapter 30 Plans.

During 2018, ILECs were authorized to implement a total of \$4.20 million in annual revenue increases under their respective price cap filings. From this figure, the companies banked \$2.60 million for future use. During this same period, the companies implemented a total of \$1.66 million into actual rate

increases. The Commission continues to oversee the safety, adequacy, reliability and privacy of telecommunications services provided by all ILECs, including service provided by Verizon in competitive wire centers.

## OTHER PROCEEDINGS AND ACTIVITIES

- By Secretarial Letter issued March 2, 2018, the Commission initiated an investigation to determine the effects of the Tax Cuts and Jobs Act of 2017 (TCJA) on Pennsylvania's ILECs for 2018 and future years. The Commission solicited comments from interested parties and issued comprehensive data requests concerning the effects of the TCJA and whether and how TCJA impacts might be reflected in carriers' rates.

Following the May 2018 filing by 10 Pennsylvania rural ILECs of their respective annual Chapter 30 Price Stability Index/Service Price Index (PSI/SPI) reports, the Pennsylvania Office of Consumer Advocate (OCA) filed formal complaints against each filing, generally alleging that these filings failed to include an exogenous event "Z factor" adjustment to account for savings in tax expense resulting from the TCJA. This omission, the OCA claimed, may result in each company's calculation of its allowed annual revenue increase to be overstated. On June 14, 2018, the Commission unanimously approved the Motion of Vice Chairman Place to accept the rural ILECs' annual PSI/SPI filings as being procedurally consistent with the rural ILECs' Chapter 30 plans and permitted them to go into effect subject to the adjudication of the OCA's formal complaints and further orders of the Commission as necessary. The OCA's complaints against these, and ultimately other Chapter 30 rate filings, remain pending.

- The Commission initiated a formal investigatory proceeding to examine issues related to the certification of providers and operators of Distributed Antennae Systems (DAS) networks as public utilities in Pennsylvania. The Commission concluded that DAS operations furnish wireless services and are outside the Commission's jurisdiction. This decision is on appeal.

- The Commission continues to review several telecommunications utility merger and acquisition (M&A) proceedings annually. Given the evolution of competition following extensive industry restructuring through M&A activity over the years, the Commission has begun to take a more aggressive review of the impact of this activity on Pennsylvania.

- The Commission annually reviews the monthly residential and business surcharge for the Pennsylvania Telecommunications Relay Service (TRS), which remains at \$0.08 per access line per month. In this fiscal year, the Commission also analyzed the results of a two-year pilot program that provided wireless devices for the Telecommunications Device Distribution Program (TDDP).

- Through sister orders dated Dec. 20, 2018, the Commission approved the [permanent expansion](#) of the TDDP program to include wireless devices and the creation of a task force to review the TDDP for recommendations on current and future needs, as well as modernization efforts.

# TRANSPORTATION & SAFETY

## TRANSPORTATION NETWORK COMPANIES

The Commission has provided licenses to several Transportation Network Companies (TNCs) and worked with the Pennsylvania legislature on establishing [Act 164 of 2016](#), which amends Titles 53 (Municipalities Generally) 66 (Public Utilities) and 75 (Vehicles) of the Pennsylvania Consolidated Statutes. Act 164 establishes the regulatory framework for the provisions of TNC service.

### *List of PUC-licensed TNCs:*

- **Rasier-PA** (an affiliate of Uber) was licensed on Jan. 26, 2017.
- **Lyft** was licensed on Feb. 9, 2017.
- **Freed Man Autonomous Vehicles**, trading as CabbyGo, was licensed on Feb. 9, 2017.
- **Yellow Cab Company of Pittsburgh**, trading as Z Trip Pittsburgh, was licensed on June 27, 2017.

*These companies are licensed to provide transportation between points in Pennsylvania, excluding service falling under the jurisdiction of the Philadelphia Parking Authority.*

## ADVANCING UPDATED TRANSPORTATION REGULATIONS

The PUC is continuing efforts to address changes in the transportation industry and eliminate barriers that could prevent qualified passenger carriers from serving Pennsylvania communities.

February 2018 – The Commission issued a [proposed rulemaking order](#) regarding liability insurance limits for motor carriers transporting fewer than 16 passengers.





June 2018 – The Commission approved a [change](#) to the age requirement of paratransit vehicles, in limited circumstances, to more closely match guidelines from the Pennsylvania Department of Health, and reduce operational and hiring challenges for ambulance and paratransit companies across the state.

### **NEW TECHNOLOGY AND RATES FOR CENTRAL PA TAXI START-UP**

In fall 2017, the Commission approved a request to utilize certain new regulations so that a [start-up taxi company](#) in Central Pennsylvania can use computer tablets, in place of traditional meters, along with using a flexible rate structure for its taxi service. These options were made available by the PUC’s implementation of [Act 85 of 2016](#) to provide traditional taxi companies with flexibility similar to the operation of TNCs, commonly known as ride-hailing or ridesharing services.

### **RAIL SAFETY RESPONSIBILITIES**

The Commission’s Rail Safety Engineers oversee highway-railroad crossings throughout Pennsylvania – including approximately 5,600 at-grade crossings, where public roads cross railroad tracks; along with 3,200 bridge crossings, involving bridges carrying public roads over railroads; bridges carrying railroads over public roads; and bridges carrying railroads over other railroads.

## OPERATION LIFESAVER

During Fiscal Year 2017-18, rail safety personnel attended several events across the state to promote [Operation Lifesaver](#), a nonprofit, national public-education program dedicated to eliminating collisions, deaths and injuries at rail-highway crossings and on railroad rights-of-way. Operation Lifesaver strives to increase public awareness about the danger for motor vehicle operators and pedestrians at rail-highway intersections.

## ANNUAL ASSESSMENT REPORT REVIEW OF MOTOR CARRIER ASSESSMENTS

The Commission conducted four reviews of selected motor carrier Annual Assessment Reports during Fiscal Year 2017-18 and continues to conduct reviews of selected motor carriers in order to make adjustments to assessable revenues and make recommendations for improved record keeping and reporting.

## REGULATED MOTOR CARRIERS

<b>4</b>	Transportation Network Companies
<b>30</b>	Contract Passenger Companies
<b>58</b>	Airport Transfer Companies
<b>167</b>	Taxis
<b>291</b>	Household goods movers
<b>358</b>	Limousines
<b>477</b>	Group and Party Bus Companies
<b>559</b>	Paratransit Companies
<b>6,584</b>	Property carriers

## 2017-18 ENFORCEMENT ACTIVITIES

<b>291</b>	Informal consumer and carrier complaint investigations
<b>687</b>	Safety fitness educational reviews for newly certificated PUC carriers
<b>4,400</b>	Safety inspections of trucks, buses, taxis, paratransit vehicles and limousines

## 2017-18 INSPECTIONS

<b>245</b>	Locomotives
<b>370</b>	Railroad grade crossings inspected
<b>827</b>	OP (operating practice) inspections
<b>1,676</b>	Miles of track
<b>2,602</b>	Hazmat units
<b>11,725</b>	Railroad cars

## 2017-18 ENGINEERING

<b>13</b>	Public Utility Municipal Contracts approved
<b>25</b>	Bridge projects approved @ \$113 million
<b>94</b>	At-grade crossing projects approved @ \$11 million
<b>129</b>	Formal proceedings processed
<b>203</b>	Field meetings/inspections conducted
<b>278</b>	Formal proceedings closed



# WATER & WASTEWATER

## OVERSIGHT OF PITTSBURGH WATER AND SEWER AUTHORITY (PWSA)

The Commission approved a [Final Implementation Order](#) for Act 65 of 2017, addressing the Commission's regulatory oversight of water, wastewater and storm water services by entities created by Pennsylvania cities of the second class – specifically the Pittsburgh Water and Sewer Authority (PWSA). During public forum events in early 2018, the Commission heard directly from residents to better understand the concerns of PWSA customers.

## LEAD SERVICE LINE REPLACEMENT

Lead contamination in drinking water is a public health and safety matter. Water utilities across Pennsylvania, as well as across the country, are diligently working to address this critical issue. The PUC encourages all public utilities to accelerate the replacement of lead lines in water distribution systems. In 2017, the PUC approved an adjudication case settlement involving the [York Water Company](#) for the immediate replacement of company-owned and customer-owned lead service lines, with total line replacement done at the same time. Additionally, as part of the PWSA compliance plan to be filed in September 2018, the utility must include details on its proposal to address lead service lines.

## MERGERS AND ACQUISITIONS

During Fiscal Year 2017-18, the Commission finalized six mergers and acquisitions in the water and wastewater industry, mainly transfers of assets from municipalities. In addition, the Commission approved 12 applications for water/wastewater territory expansion.

## POLICY STATEMENT ON ACQUISITION INCENTIVES

The PUC continues to implement a longstanding [policy](#) on water and wastewater system acquisition incentives to promote water system viability and regionalization.

## 2017-18 MANAGEMENT AUDITS AND EFFICIENCIES

During Fiscal Year 2017-18, the PUC performed management and operations audits (MAs) or management efficiency investigations (MEIs), including:

- **Columbia Water Company** – An MA released on May 3, 2018, contained 13 recommendations to improve company efficiency. The company indicated acceptance of 12 recommendations and one partial acceptance.
- **The York Water Company** – An MEI released on March 15, 2018, by the PUC indicated the company implemented 10 of the 15 prior recommendations reviewed and took some action on the remaining five.

## 2017-18 DSIC AUDITS

During Fiscal Year 2017-18, the PUC completed five Distribution System Improvement Charge (DSIC) audits. The PUC also reviewed and processed 44 rate adjustment and reconciliation filings.

## AUDITING EMERGENCY RESPONSE PLANNING

In conjunction with the standard MAs and MEIs, emergency response plans were audited for six of the larger utilities in the water, electric and natural gas industry. Two of those included water companies.

## SECTION 1329 OF THE PUBLIC UTILITY CODE

Section 1329 of the Public Utility Code at Title 66 became effective June 13, 2016, and established a voluntary, alternative process for the valuation of the assets of municipally or authority-owned water and wastewater systems

that are acquired by investor-owned water and wastewater utilities or entities. For ratemaking purposes, the valuation is the lesser of the fair market value or the negotiated purchase price. Section 1329 also allows the acquiring entity's post-acquisition improvement costs that are not recovered through a DSIC to be deferred for book and ratemaking purposes. The Commission strives to adjudicate Section 1329 acquisition cases within a six-month timeframe.

The following applications were submitted to the Commission in the 2017-18 fiscal year:

- [Aqua Pennsylvania Wastewater Inc.](#), for the acquisition of East Bradford Township's wastewater system assets
- [Pennsylvania-American Water Company – Wastewater Division](#) for the acquisition of Sadsbury Township's wastewater system assets
- [Aqua Pennsylvania](#) for the acquisition of the New Garden Township Wastewater System
- [Pennsylvania-American Water Company](#) for the acquisition of the McKeesport Authority Wastewater System
- [Aqua Pennsylvania](#) acquisition of the Limerick Wastewater System

## WATER AND WASTEWATER SYSTEM VIABILITY

Pennsylvania has more than 2,200 community drinking water systems, many of which are small water systems serving fewer than 3,300 consumers. The PUC regulates the rates and service of about 135 water and wastewater companies.

Many small water and wastewater systems have varying degrees of operational constraints that impact their viability. Operational constraints inherent to small systems typically include: compliance problems; limited technical and managerial expertise; lack of capital for improvements with a limited ability to borrow at reasonable rates; deferred maintenance; deteriorated and undersized infrastructure; and minimal sources of supply or storage. A viable water/wastewater system is one that is self-sustaining and has the financial, managerial and technical capabilities to reliably meet both PUC and DEP requirements on a long-term basis.

The Commission's Small Water Company Task Force meets quarterly with other state agencies to identify and initiate assistance to small water companies that are in distress from financial, operational or regulatory issues.

## THE PUC REGULATES:

135 – Water/Wastewater Utilities

29 – Municipal Water/Wastewater Utilities

## 2017-18 RATE INCREASE REQUESTS

4 – companies granted requests

\$108,931,921 – combined amount requested

\$62,546,283 – combined amount the PUC granted

\$13,909,501 – combined amount of 8 cases still pending before the Commission

At the end of Fiscal Year 2017-18, the following are pending before the Commission:

- **Reynolds Water Company (Water)**  
(\$236,829 – 45.40 percent)
- **Hidden Valley Utility Services (Water)**  
(\$150,629 – 107.17 percent)
- **Hidden Valley Utility Services (Wastewater)**  
(\$185,432 – 63.15 percent)
- **SUEZ Water Pennsylvania (Water)**  
(\$6,236,405 – 13.16 percent)
- **York Water Company (Water)**  
(\$6,398,961 – 13.14 percent)
- **York Water Company (Wastewater)**  
(\$288,623 – 24.95 percent)
- **Indiana Borough (Wastewater)**  
(\$390,062 – 31.76 percent)
- **Timberlee Valley Sanitation Company**  
(\$22,560 – 36.36 percent)

## RATE INCREASE REQUESTS

During the fiscal year, the Commission concluded four water/wastewater rate increase requests. The Commission granted 42.58 percent less than the overall annual increases proposed:

### Columbia Water Company (Water)

**Customers Served:** 10,233 in West Hempfield, Rapho, East Donegal & Manor Townships, Boroughs of Columbia, Mountville, Marietta, Lancaster County; and Hellam Township, York County

**Requested Rate Increase:** \$923,668 (17.80 percent)

**Approved Rate Increase:** \$635,000 (12.39 percent)

**Primary Reason:** The Commission approved the increase to recover costs associated with infrastructure investments and increased operating costs.

### Pennsylvania-American Water Company (Water)

**Customers Served:** 654,770 in various municipalities and counties across Pennsylvania

**Requested Rate Increase:** \$103,831,510 (16.99 percent)

**Approved Rate Increase:** \$56,281,090 (9.21 percent)

**Primary Reason:** The Commission approved the increase to recover costs associated with infrastructure investments, financing ongoing improvements, enhancing reliability and water quality, increasing fire protection capabilities and attracting capital investment. The requested rate increase included a \$13,805,187 allocation of the company's revenue requirement for wastewater service pursuant to Act 11 of 2012.

### Pennsylvania-American Water – Wastewater Division (Wastewater)

**Customers Served:** 24,516 in various municipalities and counties across Pennsylvania

**Requested Rate Increase:** \$4,094,298 (8.90 percent)

**Approved Rate Increase:** \$5,568,193 (12.11 percent)

**Primary Reason:** The Commission approved the increase to recover costs associated with infrastructure investments, financing ongoing improvements, enhancing reliability and attracting capital investment.

### Manwalamink Water Company (Water)

**Customers Served:** 1,257 in Smithfield and Middle Smithfield Townships, Monroe County

**Requested Rate Increase:** \$82,445 (20 percent)

**Approved Rate Increase:** \$62,000 (15.04 percent)

**Primary Reason:** The Commission approved the increase to recover increases in operating expenses and for the company to gain a reasonable return on rate base.

# MULTI-UTILITY ISSUES

## CYBERSECURITY

The PUC has worked with utilities and other stakeholders to enhance the Commonwealth's ability in terms of resiliency and recovery efforts for addressing long-term and widespread outages caused by "Black Sky" events. In collaboration with the Pennsylvania Emergency Management Agency, the Commission continues to engage in Black Sky planning meetings and the establishment of a Black Sky Steering Committee to prepare for, respond to, and recover from extraordinary and wide-area power outages that last for weeks or months. Chairman Brown currently chairs the [Committee on Critical Infrastructure](#) for the National Association of Regulatory Utility Commissioners (NARUC), which addresses these issues.

The Commission recognized [National Critical Infrastructure Security and Resilience Month](#) and [Cybersecurity Awareness Month](#). The PUC also has created an updated guide, [Cybersecurity Best Practices for Small and Medium Pennsylvania Utilities](#), outlining ways utilities can prevent identity or property theft; manage vendors and contractors who can access company data; understand anti-virus software, firewalls and network infrastructure; protect physical assets; and access federal cyber incident resources. In 2018, the PUC hired a cybersecurity expert to focus on this important topic and further strengthen the Commission's cybersecurity capabilities.

The Commission also hosted a first-ever statewide "[PA Operation Blue Flame 2018](#)" natural gas exercise as a mechanism to enhance preparation and coordination for large-scale natural gas outages, which could be the result of natural disasters, operational failures, or manmade cyber or physical events.

## #UTILITYCAREERS CAMPAIGN

The Commission is joining with leaders and utilities from across the state to highlight the importance and impact of educating the next generation of utility workers. Across Pennsylvania, and throughout the country, there is a strong anticipated need for additional skilled utility workers, driven by a combination of factors – including an aging current workforce as well as the



**UTILITY CAREERS**

**STRONG DEMAND FOR UTILITY WORKERS**

- 1/3 UTILITY WORKFORCE NEARING RETIREMENT AGE
- 70,000+ HIRES (NATIONALLY) EXPECTED BY 2020
- 1.5 million ADDED "ENERGY" JOBS BY 2020

**TOP POSITIONS**

- ENGINEERS
- TECHNICIANS
- FIELD OPS (LINE WORKERS, TROUBLESHOOTERS, REPAIR, CONSTRUCTION)
- PLANT OPERATIONS
- CUSTOMER SERVICE
- MECHANICS
- MAINTENANCE
- ANALYSTS
- IT
- CYBERSECURITY

**IN DEMAND**

- ENGINEERING
- TECHNICAL SYSTEMS
- CONTROL SYSTEMS
- COLLABORATION
- COMMUNICATION
- FIELD WORK
- COMPUTER SKILLS
- IT/CYBER
- MAP READING
- PROBLEM SOLVING

**ADVANTAGES**

- GOOD STARTING PAY \$40-\$60K PER YEAR
- TRAINING AND ADVANCEMENT OPPORTUNITIES
- COMMUNITY BASED (SERVING HOMETOWNS)
- STABILITY & GROWTH (ESSENTIAL SERVICES, NOW AND IN THE FUTURE)

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growth of new systems and technologies. Following the leadership of Chairman Brown, through job fairs, visits to local colleges and high schools combined with several press events, the Commission encouraged talented individuals of all ages and backgrounds to consider careers in the utility sector. As part of the effort to increase access to information, the PUC established an enhanced [LinkedIn site](#) to highlight information about job opportunities at the Commission and the greater spectrum of utility jobs across the state.

## ALTERNATIVE UTILITY RATEMAKING

In June 2018, following approval by the General Assembly and the Governor’s signature, the Commission began the process of implementing [Act 58 of 2018](#) (House Bill 1782), which provides for alternative ratemaking for natural gas distribution, electric distribution and water/wastewater companies.

## COMBINED HEAT AND POWER

Beginning July 1, 2018, EDCs and NGDCs are required to biennially report on the CHP systems in their respective service territories. This report not only provides information regarding current combined heat and power (CHP) deployment, but also the strategies, communication, and outreach by each distribution company to promote CHP and the potential barriers that may impede CHP development.

In April 2018, the Commission adopted a [policy statement](#) related to CHP technology and increasing development among Pennsylvania’s regulated electric and natural gas distribution companies. CHP captures the waste heat energy that is typically lost through power generation, using it to provide heating and/or cooling for manufacturing and business. CHP is an efficient means of generating electric power and thermal energy from a single fuel source, providing cost-effective energy services to commercial businesses such as hospitals, universities and hotels.

## TAX REFORM SAVINGS FOR CONSUMERS

In early 2018, the PUC [ordered](#) 17 major electric, natural gas, and water and wastewater utilities to begin adding credits or “negative surcharges” to monthly customer bills, effective with their July 2018 bills, because of substantial decreases in federal corporate tax rates and other tax changes under the Tax Cuts and Jobs Act (TCJA) of 2017. Utilities are expected to return [\\$400 million](#) in annual savings to consumers. The Commission’s action followed an extensive [investigation](#) into the effects of federal tax reform on the rates charged by Commission-regulated utilities – which, among other things, reflect annual taxes owed both to the federal and state governments.

## ENERGY AFFORDABILITY STUDY AND UNIVERSAL SERVICE AND ENERGY CONSERVATION PROGRAM REVIEW

The Commission also provides administrative oversight of universal service and energy conservation programs implemented by electric and natural gas utilities. The portfolio of universal service programs includes Customer Assistance Programs (CAPs), Low Income Usage Reduction Programs (LIURPs), Customer Assistance and Referral Evaluation Services (CARES), and Hardship Funds. These programs are primarily provided to customers at or below 150 percent of the Federal Poverty Income Guidelines, however, some programs, such as CARES, may be available to non-low-income customers who meet certain requirements. BCS reviews these programs to ensure they are developed, maintained and appropriately funded to ensure affordability and cost-effectiveness.

In May 2017, the Commission initiated a review of energy affordability. Throughout 2018, the Bureau of Consumer Services worked with the utilities and Pennsylvania State University on this initiative and a study is expected to be released in 2019. Additionally, in April 2017, the Commission initiated a comprehensive review of the universal service and energy conservation programs to examine issues of program design, implementation, costs, cost recovery, administration, reporting and evaluation. The Commission has taken comments from interested stakeholders on these issues, held multiple working groups and is working on next steps to potentially update the universal service requirements for utilities.

## VOLUNTARY ENERGY EFFICIENCY AND CONSERVATION PROGRAMS

Act 129 of 2008 established a comprehensive energy efficiency and conservation (EE&C) program for the large EDCs within the Commonwealth. However, the Commission believes that customers served by small EDCs also can benefit from EE&C measures. Since EDCs with fewer than 100,000 customers were exempted from Act 129, the Commission issued a [Secretarial Letter](#) to encourage smaller EDCs to file voluntary EE&C Plans. Several utilities (electric and natural gas) responded by offering voluntary EE&C programs to their customers. To date, the Commission has approved four voluntary EE&C plans for UGI Utilities Inc. – Electric Division; Philadelphia Gas Works; UGI Utilities Inc. – Natural Gas Division; and UGI Utilities Inc. – Penn Natural Gas.

## PA ONE CALL ENFORCEMENT

[Act 50 of 2017](#) enhanced the PA One Call Law, eliminating exemptions that allowed some facility owners to not participate in the program and avoid marking their lines, or allowed some excavation to occur without first contacting PA One Call. The statute also shifted enforcement authority to the PUC and established a [Damage Prevention Committee](#), modeled after successful programs in other states. The goal of the PUC program is to reduce the number of hits to underground lines by 50 percent over the next five years through increased enforcement and education.

## DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Act 11 of 2012 allows jurisdictional water and wastewater, natural gas, and electric utilities to petition the Commission for approval to implement a DSIC to fund infrastructure upgrades. Under the law, the DSIC must be designed to provide for “the timely recovery of the reasonable and prudent costs incurred to repair, improve or replace eligible property in order to ensure and maintain adequate, efficient, safe, reliable and reasonable services.”

To be eligible to recover costs from a DSIC, a utility is required to submit a Long-Term Infrastructure Improvement Plan (LTIIIP) for Commission approval. Currently, there are LTIIIPs for seven water companies, two wastewater companies, one municipal water utility, eight electric distribution companies and nine natural gas distribution companies.



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