2014 ANNUAL REPORT

PENNSYLVANIA
OFFICE OF SMALL BUSINESS ADVOCATE

John R. Evans
Small Business Advocate

Commerce Building
300 North Second Street, Suite 202
Harrisburg, PA 17101
(717) 783-2525
(717) 783-2831 (fax)

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I. INTRODUCTION

Business and residential customers generally have a similar interest in keeping a proposed utility rate increase as small as possible. However, their interests often conflict on the issue of rate structure, *i.e.*, the share of a rate increase to be borne by each particular category of customer.

Historically, the Attorney General's Office of Consumer Advocate ("OCA") has represented residential ratepayers in rate structure disputes. Furthermore, large commercial and industrial customers frequently have had their own attorneys and expert witnesses. In contrast, because they did not have – and could not afford – their own representation, small business customers often received a disproportionate share of the rate increase. The legislature sought to level the playing field by creating the Office of Small Business Advocate ("OSBA").

The OSBA operates under the act of December 21, 1988 (P. L. 1871, No. 181), known as the Small Business Advocate Act, 73 P.S. §§399.41 *et seq*. (the "Act").

The Act directs the OSBA to represent the interests of small business consumers of utility services before the Pennsylvania Public Utility Commission (the "PUC" or "Commission"), before comparable federal agencies, and in the courts. For purposes of the Act, a small business consumer is defined as "a person, sole proprietorship, partnership, corporation, association or other business entity, which employs fewer than 250 employees, and which receives public utility service under a small commercial, small industrial or small business rate classification."

Small business customers usually take service in rate classes designated by the utilities for small commercial and industrial ("Small C&I") customers, medium commercial and industrial ("Medium C&I") customers, or Commercial customers.

Under the Act, the Small Business Advocate is granted broad discretion concerning whether or not to participate in particular proceedings before the PUC. In exercising that discretion, the Small Business Advocate is to consider the public interest, the resources available, and the substantiality of the effect of the particular proceeding on the interests of small business consumers.

Although fully funded by assessments levied on Pennsylvania utilities and workers' compensation insurance in Pennsylvania, the OSBA is administratively situated within the Department of Community and Economic Development ("DCED"). However, the Act specifically provides that the Secretary of DCED is not in any way responsible for the development of policies, procedures, or other substantive matters developed by the OSBA to carry out its duties under the Act.

Because of the office's success in utility litigation, additional duties were assigned to the OSBA as part of the 1993 reforms to Pennsylvania's Workers' Compensation Act. Specifically, Article XIII of that revised statute, 77 P.S. §§1041.1 *et seq*., authorizes the Small Business Advocate to represent the interest of employers in proceedings before the Insurance Department that involve filings made by insurance companies and rating organizations with respect to the premiums charged for workers' compensation insurance policies. These duties require the Small Business Advocate to review the "loss cost" filings that are made each year by the Pennsylvania Compensation Rating Bureau (PCRB) and the Coal Mine Compensation Rating Bureau of Pennsylvania (CMCRB).

The OSBA's budget for Fiscal Year 2013-2014 was $1,286,000. The OSBA is not funded under Pennsylvania's General Fund for its operations. Rather, the OSBA is fully funded by assessments on utilities and on workers' compensation insurers, in direct proportion to the office's actual expenses relative to activities within each operational group. Presently, utility company assessments account for approximately 85 percent (85%) of the OSBA budget, with Pennsylvania insurance company assessments accounting for approximately 15 percent (15%). Again, none of the OSBA's budget is financed by General Fund tax revenues. Additionally, any monies not deployed by the OSBA during the Fiscal Year are returned to the PUC and placed in trust for the next Fiscal Year operations.

The OSBA is authorized for an employee complement of seven persons, including the Small Business Advocate, four utility industry expert attorneys, and two legal/administrative support staff personnel. John R. Evans has been serving as the Small Business Advocate since March 25, 2013.

2014 OSBA Highlights:

Pennsylvania's Office of Small Business Advocate is the only one of its kind nationally; and thus, serves as a benchmark of excellence for other states endeavoring to equitably represent the interests of their own small businesses and ratepayers relative to utility and energy matters. As state, national, and global utility and energy-related industries continually evolve, so does Pennsylvania and its OSBA.

During calendar year 2014, the OSBA represented the Commonwealth at state, regional and national industry forums, affording leaders the latest information from United States federal policymakers, business and consumer advocates, and industry officials and stakeholders, to ensure that Pennsylvania remains responsive to critical national discussions regarding the best regulatory practices and how to confront numerous challenges facing regulated utility sectors.

During 2014, the OSBA conducted comprehensive reviews of thousands of utility-related proceedings filed with the Pennsylvania PUC, and determined that active

engagement on behalf of Pennsylvania's small business consumers was appropriate in 55 new cases, involving a variety of proceedings across the electric, gas, telecommunication, water, and steam arenas.

OSBA's participation in these 55 cases resulted in an estimated $34.5 million in savings realized by Pennsylvania's small business utility customers.

In addition to its litigation caseload, the OSBA also handles individual small business consumer problems. Small business consumers usually contact the OSBA as a result of the OSBA's web page, referrals by the PUC, and referrals by legislators.

II. THE UTILITY RATEMAKING PROCESS

Historically, utility companies have been viewed as natural monopolies which, in the absence of regulation, could charge excessive rates to their customers. Under the Public Utility Code, the PUC is responsible for setting rates which are "just and reasonable," *i.e.*, rates which cover the utility's costs and provide an opportunity for the utility to earn a fair profit.

Under the traditional ratemaking process, the PUC first measures the dollar amount of the utility's investment, *e.g.*, the utility's physical plant. Then, the PUC determines the return on that investment which will enable the company to service its debt and offer a stock price and dividends sufficient to attract equity investors. Next, the Commission awards the utility a rate increase in an amount that yields the required return on investment (after the utility has paid its operating expenses). Finally, the PUC determines how much of the rate increase is to be paid by each class of customers, *e.g.*, residential, small commercial and industrial, and large commercial and industrial.

In an appeal brought by the OSBA, the Commonwealth Court held "that rates and rate structures [must] be set for each service primarily on a cost-of-service study." *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006), *appeals denied*, 916 A.2d 1104 (Pa. 2007). Although the Court indicated that the Commission may consider other factors, such as gradualism, the Court characterized cost of service as the "polestar" of ratemaking concerns. In addition, the Court stated that gradualism may not be permitted to trump cost of service and that, whenever gradualism is successfully invoked, there must be a plan to move rates to cost of service gradually, *e.g.*, a multi-year phase-out of any subsidy provided by small commercial and industrial customers to residential customers.

Although the Commission continues to regulate water and wastewater utilities largely through the traditional ratemaking process, Pennsylvania has departed significantly from that process with regard to telephone, electric, and gas service. This

departure is in response to changing federal requirements, and to three statutes enacted by the Pennsylvania General Assembly in the 1990's.

First, a 1993 state law (commonly referred to as "Chapter 30") ended rate regulation of those telecommunications services for which there was deemed to be competition. Furthermore, Chapter 30 provided for the similar deregulation of additional services, if competitive markets develop.

In addition to deregulating certain services, Chapter 30 required the local telephone company to deploy high-speed broadband throughout its service area. To help pay for the broadband deployment, the utility was allowed to increase its rates for non-competitive services each year in an amount roughly equivalent to the rate of inflation, less a productivity adjustment. These annual price increases are commonly referred to as "Price Change Opportunities," or "PCOs." A 2004 state law reenacted Chapter 30 and provided for larger annual rate increases as an incentive to accelerate broadband deployment.

Secondly, a 1996 state law (which was amended in 2008) ended traditional regulation of the portion of the electric rate which specifically covers the cost of generating electricity. After a transition period, the generation rates charged by the utility are to be based on the competitive procurement of electricity in the market place.[1] Customers who are not satisfied with the utility's generation rates also have the opportunity to buy their electricity from power plants other than those selected by the utility. However, the charge for transporting the electricity from the power plant to the utility's service territory (the "transmission rate") and the charge for delivering that electricity from the transmission line to the customer's premises (the "distribution rate") remain subject to traditional ratemaking.

Lastly, a 1999 state law gave all customers the right to buy natural gas from either the local utility or a competitor of the local utility. If a customer chooses to buy from the local utility, the rate for that service is set by the PUC following its review to assure that the utility is paying the "least cost" for the gas, and for the transportation of the gas from the well to the utility's service territory. However, regardless of whether the customer buys gas from the utility or from a competitor, the utility remains responsible for delivering the gas from the interstate pipeline or the local gas well to the customer's premises. The PUC sets that delivery (or "distribution") rate through the traditional ratemaking process.

[1] Under the 1996 statute, the utility was required to acquire the electricity at "prevailing market prices." However, the 2008 amendments repealed the "prevailing market prices" standard and imposed the requirement that the utility acquire the electricity competitively through a "prudent mix" of contracts and at the "least cost to customers over time." The 2008 amendments also prohibited any interclass subsidization, *e.g.*, small commercial and industrial ratepayers cannot be required to pay an above-market price for electricity so that residential or large commercial and industrial customers can pay a below-market price.

III. UTILITY MERGERS AND ACQUISITIONS

Approval from the PUC is required before a Pennsylvania utility may be sold to, acquired by, or merged with another utility or a non-utility. In general, Commission approval is contingent upon a finding that the proposed transaction would result in "affirmative benefits" to the public.

Specifically, Section 1102(a) of the Public Utility Code, 66 Pa. C.S. § 1102(a), requires that the Commission issue a certificate of public convenience as a legal prerequisite for the transfer or acquisition of certain property. The statute provides, in pertinent part:

> (a) Upon the application of any public utility and the approval of such application by the commission, evidenced by its certificate of public convenience first had and obtained, and upon compliance with existing laws, it shall be lawful:
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> * * *
>
> (3) For any public utility or an affiliated interest of a public utility as defined in section 2101 … to acquire from, or to transfer to, any person or corporation, including a municipal corporation, by any method or device whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service….

66 Pa. C.S. § 1102(a)(3).

Section 1103(a) of the Public Utility Code provides, in pertinent part:

> A certificate of public convenience shall be granted by order of the commission, only if the commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.

66 Pa. C.S. § 1103(a).

In *City of York v. Pennsylvania Public Utility Commission*, 449 Pa. 136, 295 A.2d 825 (Pa. 1972), the Pennsylvania Supreme Court provided the legal standard for granting

a certificate under Section 1103(a) in public utility merger and acquisition cases. Specifically, the Supreme Court stated:

> [A] certificate of public convenience approving a merger is not to be granted unless the Commission is able to find affirmatively that public benefit will result from the merger ….[T]hose seeking approval of a utility merger [are required to] demonstrate more than the mere absence of any adverse effect upon the public …. [T]he proponents of a merger [are required to] demonstrate that the merger will affirmatively promote the 'service, accommodation, convenience, or safety of the public' in some substantial way.

City of York, 449 Pa. at 141, 295 A.2d at 828.[2]

Under Section 1103(a), "[t]he commission, in granting such certificate [of public convenience], may impose such conditions as it may deem to be just and reasonable." Consistent with Section 1103(a), the PUC has held that "[i]n order to ensure that a proposed merger is in the 'public interest,' the Commission may impose conditions on its granting of the certificate of public convenience." *Joint Application for Approval of the Merger of GPU, Inc. with FirstEnergy Corp.*, Docket No. A-110300F0095, 2001 Pa. PUC Lexis 23 (Order entered June 20, 2001). Consequently, by imposing conditions pursuant to Section 1103(a), the PUC may approve a transaction which would not meet the *City of York* standard without those conditions.

Moreover, the Pennsylvania Supreme Court applied Section 1103(a) in deciding the appeal of the Commission's decision regarding the Verizon/MCI merger. *Popowsky v. Pennsylvania Public Utility Commission*, 594 Pa. 583, 937 A.2d 1040 (Pa. 2007). The Supreme Court ruled that "while in some circumstances conditions may be necessary to satisfy the Commission that public benefit sufficient to meet the requirement of Section 1103(a) will ensue, even where the PUC finds benefit in the first instance, Section 1103(a) also confers discretion upon the agency to impose conditions which it deems to be just and reasonable." *Popowsky*, 937 A.2d at 1057.

Through its ruling in *Popowsky*, the Supreme Court provided further guidance on what the Commission is required to review in a merger or acquisition case. The Court opined that "the appropriate legal framework requires a reviewing court to determine whether substantial evidence supports the Commission's finding that a merger will

[2] Although *City of York* involved a merger, its holding is equally applicable to an acquisition. Section 1102(a)(3), which imposes the certificate of public convenience requirement, makes no distinction based on whether property is acquired by the "sale or transfer of stock," a "consolidation," a "merger," a "sale," or a "lease."

affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way. In conducting the underlying inquiry, the Commission is not required to secure legally binding commitments or to quantify benefits where this may be impractical, burdensome, or impossible; rather, the PUC properly applies a preponderance of the evidence standard to make factually-based determinations (including predictive ones informed by expert judgment) concerning certification matters." *Popowsky*, 937 A.2d at 1057. In other words, the proponents of the transaction are required to prove the likelihood of *substantial* affirmative public benefits by a preponderance of the evidence.

In *City of York*, 449 Pa. at 141, 295 A.2d at 828, the Supreme Court stated the test as follows:

> [T]he proponents of a merger [are required to] demonstrate that the merger will affirmatively promote the 'service, accommodation, convenience, or safety of the public' in some *substantial* way. (emphasis added)

In both *City of York* and *Popowsky*, the Supreme Court simply concluded that there was substantial evidence to support the Commission's finding that the proposed transaction would provide affirmative public benefits. The Supreme Court did not hold that it would have been erroneous if the Commission had found that those benefits were not "substantial" and, therefore, did not justify approval of the transaction.

In other words, even if the Commission finds by a preponderance of evidence, that a proposed transaction would yield affirmative public benefits, the Commission is not permitted to approve that transaction unless it finds that the benefits would be *substantial*.

IV. THE OSBA'S PUC-RELATED ACTIVITY

The OSBA participates before the PUC in major rate cases, merger cases, and other non-rate proceedings that have a significant impact on small business customers. The following is a summary of some of the most significant cases in which the OSBA was active in 2014. The case summaries set forth below are current as of January 30, 2015.

A. Electric Industry Highlights

The rates charged by an electric distribution company ("EDC") include the cost of generating electricity (the "generation rate"), the cost of transporting that electricity from the power plant to the EDC's service territory (the "transmission rate"), and the cost of delivering that electricity through the EDC's wires to customers' premises (the "distribution rate").

Pennsylvania EDCs no longer generate electricity. Therefore, an EDC is required to purchase electricity from generators and transport it to the service territory in order to serve the EDC's non-shopping, *i.e.*, default service, customers. The EDC is required to deliver that electricity through the EDC's wires to its default service customers and also to deliver electricity through those wires which shopping customers have bought from electric generation suppliers ("EGSs").

1. Transmission and Distribution Rates

Pike County Light and Power Company Electric Base Rate Increase [Docket No. R-2013-2397237]

On February 25, 2014, the OSBA filed a complaint in the above-captioned proceeding against the January 17, 2014, filing by Pike County Light & Power Company ("PCL&P" or the "Company") of Supplement No. 61 to Tariff Electric-Pa. P.U.C. No. 8. Through Supplement No. 61, PCL&P requested an annual increase in electric distribution revenues of approximately $1.7 million. Concurrently with filing Supplement No. 61, PCL&P also filed Supplement No. 92 to Tariff Gas-Pa. P.U.C. No. 6 requesting an annual increase in gas distribution revenues of approximately $151,000. Please see Section IV.B.1 for more information on that proceeding. Although the two cases were not consolidated, the procedural schedule for each case was the same, and they have followed parallel tracks.

On behalf of Pennsylvania's small business consumer class, the OSBA filed Testimony, and actively participated in the negotiations that led to a Joint

Petition for Settlement of Rate Investigation ("Settlement") in each case, and is a signatory to each Settlement.

In each of the proceedings, the Company submitted summary results of its costs analysis rather than a complete, detailed analysis. Thus, compared to the submissions of larger electric and natural gas distribution companies in Pennsylvania, PCL&P's filings were substantially incomplete. As part of the Settlement of its 2008 base rate case, PCL&P agreed to file a cost of service study in its next base rate case (the instant case), which either incorporates the changes recommended by the OSBA in that proceeding or explains in its filing why it declined to incorporate those changes. This was not accomplished to the OSBA's satisfaction in this proceeding. Further, the OSBA experienced difficulty in this case in obtaining updated cost of service information from PCL&P. This problem will be addressed in PCL&P's next filing when the OSBA reviews the initial filing to ascertain whether it is complete and detailed. If PCL&P has not included a complete, detailed costs analysis in the next filing, the OSBA will address that issue in its Complaint and request that the Commission reject the filing and require PCL&P to submit a complete filing prior to referral to the Office of Administrative Law Judge.

In the electric base rate case, the OSBA concluded that PCL&P's proposed revenue allocation for its rate classes was directionally correct, in that it moved customers classes mostly toward cost-based rates, as the Commission has directed. The final allocation of revenues was negotiated primarily between the OSBA and the OCA, and resulted in an allocation to which all parties have agreed and which upheld the principle of cost-based rates, while avoiding placing too large a burden on any one class of customers.

On August 8, 2014, the Commission issued the Recommended Decision of the Administrative Law Judge ("ALJ"), which recommended approval of the Settlements without modification. The Commission subsequently entered it Orders in these cases, approving the Settlements without modification.

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company Distribution Base Rate Filings [Docket Nos. R-2014-2428745, R-2014-2428743, R-2014-2428744 and R-2014-2428742]

On August 4, 2014, FirstEnergy filed for distribution base rate increases for its four Pennsylvania operating companies, Met-Ed, Penelec, Penn Power, and West Penn. The amounts of increase requested were $151.9 million (Met-Ed), $119.8 million (Penelec), $28.48 million (Penn Power) and $151.5 million (West Penn).

On August 22 and 25, 2014, the OSBA filed Complaints in these cases. The cases were paired with four other proceedings, each involving an issue with the respective company's Smart Meter program, which, for the purpose of measuring savings from the deployment of Smart Meters, established a cost baseline from which savings would be measured in 8 discrete categories. The Smart Meter portion of each case was filed under separate dockets, M-2013-2341990 (Met-Ed), M-2013-2341994 (Penelec, M-2013-2341993 (Penn Power) and M-2013-2341991 (West Penn). The OSBA did not actively address the Smart Meter portion of these cases, rather, focused on the small business rates, cost of service and cost allocation, revenue allocation, and rate design portions of these cases.

The four rate cases, which were not consolidated, resulted in a negotiated Partial Settlement of all issues (with the single exception of a street lighting issue briefed only by Penn Future). The Partial Settlement sets forth a comprehensive list of the issues which were resolved in negotiations, and to which the OSBA has no objection.

The parties negotiated much smaller revenue increases than each company had initially proposed ($90 million for Met-Ed versus $152.6 million initially) ($91.3 million v. $120.3 million for Penelec) ($17 million v. $29.557 million for Penn Power) ($59.9 million v. $115.5 million for West Penn). These smaller revenue numbers translated directly into much smaller rate increases for small business customers than those customers would have experienced under the initial filings by the companies.

In the Met-Ed and Penelec cases, the companies proposed assigning the revenue increases in ways which did not move small business customers closer to cost-of service, for which the OSBA has long advocated. Therefore, the OSBA proposed an alternative approach to revenue allocations for both companies that were cost based. The allocation finally agreed to by the parties was more beneficial to small business customers than if each party had received equal weight in an average of their respective positions. The OSBA's concern with Met-Ed and Penelec's proposed rate designs was that both proposals involved disproportionate bill impacts based upon customer usage. After consideration of alternatives offered by the OSBA, both companies agreed to modify their rate design to mitigate the bill impacts based upon customer usage.

With respect to Penn Power, the OSBA primarily took issue with the company's revenue allocation, which did not seem to fit either Penn Power's or OSBA's cost of service studies. This issue ultimately was addressed by Penn Power and revenues were reassigned between GSS and GSM classes (Penn

Power's small business rate classes). The OSBA largely agreed with Penn Power's rate design proposal, as scaled back from its initial proposed levels.

West Penn presented several problems with its filing, which was replete with errors, both methodological and mathematical, errors which were pointed out by the OSBA, and most of which were subsequently corrected in Rebuttal Testimony. As with Penn Power, West Penn's revenue allocation proposal did not match either its cost of service study or the OSBA study. The company ultimately modified its proposal consistent with the OSBA's recommendations, and the resulting allocation and rate design were acceptable to the involved parties.

The parties filed the Joint Petition for Partial Settlement and their respective Statements in Support on February 3, 2015. Main Briefs were filed on that same date on the street lighting issue by Penn Future and the four companies. At the time of this writing, parties are awaiting the ALJs' Recommended Decisions in the four cases.

Metropolitan Edison Company and Pennsylvania Electric Company Transmission Rate Increase [Docket Nos. M-2008-2036197 and M-2008-2036188]

On April 14, 2008, Met-Ed filed Supplement No. 5 and Supplement No. 6 to Tariff Electric – Pa. P.U.C. No. 50 with the Commission. The two Met-Ed Supplements were filed in the alternative to recover an alleged under-recovery through the Transmission Service Charge ("TSC") in the amount of $144.48 million.

Also on April 14, 2008, Penelec filed Supplement No. 5 to Tariff Electric – Pa. P.U.C. No. 79 with the Commission. The Penelec Supplement was filed to recover an alleged under-recovery through the TSC in the amount of $3.5 million.

The OSBA filed a Complaint in both proceedings. Several other parties also filed Complaints or Interventions.

The Commission approved Penelec's Supplement No. 5, subject to adjudication of the filed complaints. In the Met-Ed case, the Commission entered an Order adopting Supplement No. 6; instituting an investigation of the proposed rates; and reserving the right to order refunds if the investigation concluded that any revenues collected under Supplement No. 6 were unjust, unreasonable, or otherwise contrary to law.

The issues raised by the OSBA are that (1) the Companies are not entitled to recover interest on marginal losses and other transmission costs; and (2) the Companies should have re-adjusted their transmission rates at the conclusion of their 2006-2007 rate case to make up for the fact that their request for increasing the generation rates in that case was denied.

On July 24, 2009, the Commission issued the ALJ's Recommended Decision, which rejected all of the objections to the Companies' filings. However, on behalf of Pennsylvania utility customers, the OSBA and several other parties filed Exceptions to the Recommended Decision.

By Order entered March 3, 2010, the Commission reversed the ALJ and denied the Companies the right to recover marginal losses. However, the Commission adopted the ALJ's recommendation to permit recovery of interest related to the re-adjustment of transmission rates at the conclusion of the 2006-2007 rate case.

Both the Companies and the OSBA appealed. On June 14, 2011, the Commonwealth Court issued a Decision on the contested issues.

While upholding most of the Commission's decision, the Court agreed with the OSBA that the Commission erred by failing to articulate reasons for rejecting the OSBA's Exception regarding interest related to the Companies' belated readjustment of transmission rates following their 2006-2007 rate case. As a result, the Court remanded that single issue to the Commission for an appropriate adjudication of the OSBA's Exception.

In addition, the Court affirmed the Commission's Decision that the Companies should not be allowed to recover marginal losses. As a result, the OSBA's argument that the Companies should be denied interest on the recovery is moot.

The Companies appealed the Decision of the Commonwealth Court to the Pennsylvania Supreme Court, which denied allocatur. The Companies then filed an appeal with the United States District Court for the Eastern District of Pennsylvania, citing, among other things, the issue of federal preemption of the issues decided by the Commission and the Commonwealth Court.

In an Opinion and Order issued on September 30, 2013, the U.S. District Court dismissed the Companies' Amended Complaint on the grounds of issue preclusion or collateral estoppel. *Metropolitan Edison Co. and Pennsylvania Electric Co. v. Pa. PUC et al.*, 2013 U.S. Dist. LEXIS 141147 (September 30, 2013). On October 29, 2013, the Companies filed a Notice of Appeal of the

District Court's Opinion and Order to the U.S. Circuit Court of Appeals for the Third Circuit. That appeal is still pending; however, the OSBA did not intervene in the Third Circuit proceeding.

On remand from the Commonwealth Court, the Commission entered an Order on May 22, 2014, specifically addressing the issues raised by the OSBA's Exception and articulating its reasons for rejecting the OSBA's Exception.

Duquesne Light Company
Base Rate Increase [Docket No. R-2013-2372129]

On or about August 13, 2013, Duquesne Light Company ("Duquesne" or the "Company") filed Supplement No. 81 to Tariff Electric-Pa. P.U.C. No. 24 with the Commission. The Company's filing requested an additional $76.3 million in annual distribution rate revenue with a return on equity of 11.25%.

The OSBA filed the Direct, Rebuttal and Surrebuttal Testimony of its expert witness engaged in this proceeding.

The OSBA participated in the negotiations that led to the Joint Petition for Approval of Non-Unanimous Settlement ("Settlement") and is a signatory to the Settlement.

In its filing, Duquesne identified two specific objectives that guided the development of the Company's proposed revenue allocation: 1) each rate class should be moved closer to full cost of service, as determined by the Company's class cost-of-service study ("COSS"), subject to the condition that 2) no individual rate class should receive an increase greater than 1.5 times the Company's requested system average increase in distribution revenue (so as to limit customer impacts).

However, as noted by the OSBA in Direct Testimony, Duquesne's proposed revenue allocation was problematic, in part because the Company proposed to assign an aggregate decrease of $2.1 million to the HVPS, SE, SL and UMS rate classes. As a result, the aggregate revenue increase required of the Company's remaining rate classes at proposed rates was $78.4 million ($76.3 million plus $2.1 million).

In an effort to move all classes closer to cost and to avoid rate decreases, the OSBA first proposed a detailed alternative allocation of the distribution rate increase at the Company's full revenue requirement. The Settlement reflected the OSBA's proposed revenue allocation for the Company's customer classes.

Rate GMH is available to commercial and industrial space heating customers. The Settlement incorporates a customer charge of $42 per month for Rate GMH, which is the same amount paid by Rate GS/GM (<25 kW) customers, and therefore maintains the current GMH Rate Structure, as recommended by OSBA.

Duquesne requested approval of a tariff rider ("PRA Rider"), which would permit the Company to align future distribution rates with future pension funding outside of the context of a base rate proceeding.

The OSBA objected to the requested PRA Rider because the level of Duquesne's pension expense, as it may affect the Company's distribution rates, is a base rate case issue. Consequently, the PRA Rider was eliminated from the Settlement as recommended by the OSBA.

The Joint Petition of for Non-Unanimous Settlement was submitted to the Commission on January 16, 2014.

A Recommended Decision was issued by the Commission on March 28, 2014, recommending approval of the non-unanimous settlement. On April 23, 2014, the Commission entered an Order which adopted the Recommended Decision and approved the Non-Unanimous Settlement in its entirety.

2. Conservation

Mandatory Conservation Plans
Major Electric Distribution Companies

Governor Edward Rendell signed Act 129 of 2008 ("the Act" or "Act 129") into law on October 15, 2008. The Act required each EDC with at least 100,000 customers to adopt a plan, approved by the Commission, to reduce electric consumption by at least 1% of the EDC's expected consumption for June 1, 2009, through May 31, 2010, adjusted for weather and extraordinary loads. Per Act 129, this 1% reduction shall be accomplished by May 31, 2011. By May 31, 2013, the total annual weather-normalized consumption shall be reduced by a minimum of 3%. Also, by May 31, 2013, peak demand shall be reduced by a minimum of 4.5% of the EDC's annual system peak demand in the 100 hours of highest demand, measured against the EDC's peak demand during the period of June 1, 2007, through May 31, 2008. The Commission was charged with assessing the cost-effectiveness of the program and setting additional incremental reductions in electric consumption if the benefits of the program exceeded its costs by November 30, 2013.

Act 129 required the Commission to establish an Energy Efficiency and Conservation Program ("EE&C Program") in order to set parameters for the individual EDC plans. The Commission sought comments from the EDCs and other interested parties on the content of the Commission's EE&C Program. The OSBA was among the parties which submitted comments. The OSBA also participated in a special *en banc* hearing on alternative energy, energy conservation and efficiency, and demand side response.

The Commission subsequently circulated a draft staff proposal of its EE&C Program and held an EE&C Program stakeholder meeting, in which the OSBA participated. The OSBA also submitted reply comments on the Commission's draft staff proposal. After considering the parties' input, the Commission entered an Implementation Order (at Docket No. M-2008-2069887) on January 15, 2009, that established its EE&C Program.

On July 1, 2009, each of the following EDCs filed an energy efficiency and conservation plan ("EE&C plan") with the Commission for review and approval: West Penn Power Company, at Docket No. M-2009-2093218; Duquesne Light Company, at Docket No. M-2009-2093217; PPL Electric Utilities Corporation, at Docket No. M-2009-2093216; PECO Energy Company, at Docket No. M-2009-2093215; and Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company, consolidated at Docket No. M-2009-2092222.

The OSBA intervened in each EDC's proceeding, filed Testimony, and submitted Briefs.

Each EDC proposed its own mix of EE&C programs and proposed its own customer groupings for delivery of those programs and the recovery of the related costs. Although the OSBA evaluated each EE&C plan and commented on some of the unique aspects of the plans, the OSBA focused its attention on key policy and procedural issues applicable to the plans across-the-board.

Of particular significance to the OSBA, Act 129 explicitly requires that the costs for approved EE&C measures be financed by the same customer class that will receive the direct energy and conservation benefits from those measures. The effect of this language is to prohibit inter-class subsidization.

After an initial evaluation, the OSBA concluded that each EE&C plan was reasonable enough to begin implementation. Given the abbreviated time frame for reviewing the filings and also the lack of data (because the programs are new and untested), the OSBA suggested that an assessment of the actual worthiness of

the various proposed EE&C programs prior to implementation would be speculative.

Nevertheless, the OSBA did make several recommendations. First, the OSBA proposed that each EE&C plan be modified to assure a full vetting of the plan as part of an annual reconciliation proceeding. The OSBA proposed that the annual vetting should include an evaluation of the cost-effectiveness of the various EE&C programs and the recovery of the costs of those programs. Although the Commission addressed the annual review process somewhat differently for each EDC, it appears that the process approved by the Commission will provide the OSBA the opportunity to recommend changes in the EE&C plans, and to challenge the allocation of specific costs among the customer groupings.

Second, each EE&C plan must achieve a minimum of 10% of the plan's reductions in both overall consumption and peak demand from units of federal, state, and local government, including municipalities, school districts, institutions of higher education, and nonprofit entities ("Government/Non-Profit"). To varying degrees, the EDCs proposed to group Small Commercial and Industrial ("Small C&I") customers and Government/Non-Profit customers together for cost recovery purposes. As a result, Small C&I customers are likely to subsidize the cost to achieve the significant reductions in consumption and peak demand required from Government/Non-Profit customers. To avoid that subsidization, the OSBA proposed that each plan be modified to place Government/Non-Profit entities into a separate class for cost recovery purposes. Although the Commission rejected the OSBA's proposal, several EDCs did agree to collect the costs of municipal lighting EE&C programs solely from the lighting classes, thereby relieving Small C&I customers from having to bear those costs.

Third, several EDCs proposed to include the EE&C cost recovery mechanism as part of the distribution charge on customers' bills. In response, the OSBA pointed out that the costs associated with the EE&C programs are not distribution costs; rather, they are subsidies to a subset of customers to encourage participation in EE&C programs. The OSBA also warned that customers would likely (albeit incorrectly) view the EE&C charge as a distribution rate increase, thereby complicating future efforts to move distribution rates to cost of service. Finally, the OSBA opined that a separate charge for conservation is likely to receive a better reception from ratepayers when coupled with communication efforts from each EDC to promote its EE&C plan. Therefore, the OSBA recommended that the EE&C cost recovery mechanism be listed as a separate line item on customers' bills rather than be included within distribution rates. The Commission agreed with the OSBA that the EE&C charge should be listed separately on the bills of business customers.

On or before September 15, 2010, the EDCs made filings to facilitate the first annual Commission review of their EE&C plans.

In late December 2012, the OSBA intervened in the "Phase II" EE&C cases for the various EDCs across the Commonwealth.

The OSBA reviewed these Phase II filings, and after discussing the filings with the OSBA's expert witnesses, it was determined that the Phase II cases had little impact on small business customers. Simply put, the legislature mandated these programs exist and the Commission has established the basic guidelines. Consequently, most of the significant issues regarding the EE&C plans were resolved in Phase I, including (a) how kWh and kW savings are measured using the Technical Resource Manual, (b) what economic test applies to the program, (c) how benefits are quantified, including how electric energy and demand costs are derived for the longer term and what the discount rate should be, (d) how the net to gross issue is addressed, (e) how costs are allocated among programs and classes, and (f) how costs are recovered and reconciled.

Therefore, the OSBA has been monitoring the Phase II EE&C cases to ensure no unreasonable or unfair burden is placed upon small business customers.

As of this writing, the Commission has issued a tentative schedule for implementation of Act 129 EE&C Program "Phase III," to begin June 1, 2016. The OSBA will intervene in the Phase III EE&C cases and determine their impact on small business customers.

West Penn Power Company Non-Compliance With Act 129 Guidelines
[Docket Nos. C-2014-2417325, P-2014-2415521]
Appeal to Commonwealth Court at 656 C.D. 2014.

Pursuant to Act 129 and Commission Order, West Penn reported that its May 31, 2011, and May 31, 2013, energy savings reduction targets were set at 209,387 MWh and 628,160 MWh, respectively. West Penn reported energy savings on May 31, 2011, of 90,520 MWh and 688,089 MWh on May 31, 2013. In a March 20, 2014, Order at Docket Nos. M-2008-2069887 and M-2012-2289411, the Commission made an "initial determination" that "West Penn is not in compliance with the May 31, 2011, 1% consumption reduction requirement", but is "in compliance with the May 31, 2013, 3% consumption reduction requirement."

On April 9, 2014, pursuant to the Commission's direction in its March 20 Order, West Penn filed a Petition stating grounds for challenging the Commission's initial determination that West Penn is not in compliance with the

1% consumption reduction requirement, which was docketed at P-2014-2415521 (Act 129 Petition). West Penn also filed a Petition for Review of the Commission's March 20, 2014, Order with the Commonwealth Court on April 21, 2014, at Docket No. 656 C.D. 2014. The OSBA intervened in the Act 129 Petition to ensure that small business customers of West Penn were not burdened with paying for any penalties that might ultimately be imposed upon West Penn. However, the OSBA did not intervene in the later Petition before the Commonwealth Court.

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On April 22, 2014, the Commission's Bureau of Investigation and Enforcement ("I&E") filed a Complaint seeking a civil penalty for the alleged violation of Act 129 that is the subject of the Act 129 Petition, which was docketed at C-2014-2417325 (Civil Penalty Complaint). The OSBA did not file an Intervention in the Civil Penalty Complaint case.

The two matters before the Commission were not consolidated, due to the objections of I&E; however, the parties all agreed to consider settlement of the issues simultaneously. After numerous discussions, the parties agreed to a Joint Petition for Approval of Unanimous Settlement of All Issues and Stipulation of Facts ("Settlement"), which was filed on July 30, 2014, at the docket for the Civil Penalty Complaint. Although the OSBA and West Penn would have preferred to file the Settlement at the docket for the Act 129 Petition, it was agreed to file the Joint Petition as a Settlement of the Civil Penalty Complaint as a concession to I&E direct. The OSBA did not intervene in the Civil Penalty Complaint, and did not object to the Settlement.

The terms of the Settlement required West Penn to make a payment of $1.3 million to the Commonwealth of Pennsylvania, in satisfaction of I&E's allegations and the Commission's initial determination that the Company violated the statutory requirements of Act 129. West Penn agreed not to seek to recover any portion of the $1.3 million payment from ratepayers or in rates, thereby satisfying the OSBA's concerns which initially led to its intervention in the Act 129 Petition case. The Commission approved the Settlement by Order entered August 22, 2014.

Further, to resolve the matter in which the OSBA intervened, West Penn, upon Commission approval of the Settlement, filed to withdraw the Act 129 Petition pending before the Commission, as well as the appeal before the Commonwealth Court. Those cases have both been withdrawn.

3. Smart Meters

Pursuant to Act 129 of 2008, each electric distribution company ("EDC") with at least 100,000 customers was required to file a smart meter technology procurement and installation plan ("SMIP") with the Commission. After soliciting input from the EDCs and other interested parties, the Commission entered an Implementation Order (at Docket No. M-2009-2092655) to establish the parameters for the individual SMIPs.

On August 14, 2009, the following EDCs filed their SMIPs: West Penn Power Company, at Docket No. M-2009-2123951; Duquesne Light Company, at Docket No. M-2009-2123948; PPL Electric Utilities Corporation, at Docket No. M-2009-2123945; PECO Energy Company, at Docket No. M-2009-2123944; and Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company, consolidated at Docket No. M-2009-2123950. The OSBA intervened in each EDC's proceeding and filed Testimony and Briefs as deemed necessary. For the most part, the OSBA focused on the allocation of SMIP costs among the customer classes, and the collection of those costs within the classes, which include Small C&I customers.

Of particular significance to the OSBA, the Commission's Implementation Order provides that SMIP costs that benefit only one class are to be recovered solely from that class. However, costs which benefit more than one class, *i.e.*, "common costs," are to be allocated among the classes on the basis of reasonable cost of service practices.

The EDCs proposed to recover the cost of each smart meter directly from the class for which that meter is purchased and installed. This approach is consistent with the Implementation Order and also recognizes that the cost of a meter is likely to vary on the basis of the meter's size and functionality. Although there has been no dispute among the parties on the assignment of these costs directly to the classes, there has been considerable controversy over the allocation of the "common costs" among the classes.

Specifically, the EDCs proposed to allocate these common costs to the rate classes on the basis of the relative number of customers in each class. The OSBA supported the EDCs' approach, in that common costs are likely to vary on the basis of the number of customers in each class and not on the basis of the classes' relative consumption of electricity. However, the OCA opposed the EDCs' approach and argued that the common costs should be allocated on the basis of the relative energy consumption and coincident peak demand of each rate class. The OCA's proposal would have effectuated a dramatic reduction in the share of the common costs allocated to the Residential rate class and a dramatic increase in

the share of the common costs allocated to the Small C&I and Large C&I rate classes.

The essence of the OCA's argument was that smart meters will reduce electricity costs for ratepayers, that the ratepayers who use more electricity will "benefit" more from these reduced costs, and that the ratepayers who "benefit" more from these reduced costs should pay a larger share of the SMIP costs than the ratepayers who "benefit" less. In making this argument, the OCA assumed that Small C&I customers are more likely to be able to reduce their electric bills through the use of smart meters than are customers in the Residential class. However, the OSBA pointed out that there is no reason to believe that restaurants and retail establishments will be able to shift their load to off-peak periods as (or more) readily than Residential customers will be able to shift their use of dishwashers, washing machines, and dryers to the evening hours or weekends. In that regard, the OSBA noted that it is unrealistic to assume that a restaurant which relies upon its lunch, Happy Hour, and dinner patrons will be able to shift its load to off-peak hours and manage to continue in business.

The OCA's proposal also assumed that the principal reason for mandating the deployment of smart meters is to save ratepayers money. However, the OSBA pointed out that smart meters are expected to result in environmental benefits which will accrue to all citizens, regardless of how much electricity they use and regardless of whether their electric bills go down—or go up—as a result of smart meters.

The Commission ultimately approved a SMIP for each of the EDCs. In approving those SMIPs, the Commission rejected the OCA's cost allocation proposal and adopted the position advocated by the EDCs and the OSBA. As a result, Small C&I customers will save tens of millions of dollars in comparison to the amounts they would have had to pay under the OCA's proposal.

In calendar year 2014, EDCs were in the deployment phase of their various smart meter programs. Significantly, the EDCs were at widely varying stages of that process. At the time of this writing, it appears that a couple of years remain until full deployment of smart meters is accomplished by all of the EDCs.

PPL Electric Utilities Corporation Petition for Smart Meter Procurement and Installation Plan [Docket No. M-2014-2430781]

On June 30, 2014, PPL filed its updated *Petition for Approval of its Smart Meter Technology Procurement and Installation Plan* with the Commission.

On August 6, 2014, the OSBA filed an Answer and Notice of Intervention in opposition to PPL's Petition. A Prehearing Conference was held before the ALJ on August 11, 2014. The OSBA served direct Testimony and Rebuttal Testimony in this proceeding.

The OSBA argued that PPL's current smart meters met nearly all of the requirements set forth by the Legislature in Act 129. Furthermore, the price for upgrading PPL's smart meters in order to achieve that last bit of functionality was not the $450 million that PPL original projected, but closer to $810 million. The OSBA argued that was an extreme financial burden to place upon PPL's ratepayers. In addition, PPL was not able to produce any evidence that the new smart meters would provide better cyber security than the current smart meters. Finally, the OSBA argued that PPL's Petition was filed four years too early. PPL must have upgraded smart meters in place by 2025, not by 2019. Accelerating the installation provides no benefit to PPL's ratepayers.

An evidentiary hearing was held before the ALJ on December 16, 2014. In early 2015, the OSBA submitted both a Main Brief and Reply Brief in this proceeding.

At the time of this writing, the case is pending before the ALJ.

4. Default Service

PPL Electric Utilities Corporation Petition for a Default Service Program for June 1, 2015 through May 31, 2017 [Docket No. P-2014-2417907]

On April 18, 2014, PPL filed a Petition for approval of a program to provide default service from June 1, 2015, through May 31, 2017.

On May 28, 2014, the OSBA filed an Answer and Notice of Intervention in opposition to PPL's Petition. A Prehearing Conference was held before the ALJ on June 5, 2014. The OSBA served Direct Testimony, Supplemental Direct Testimony, Rebuttal Testimony, and Surrebuttal Testimony in this proceeding.

The OSBA supported PPL's proposal to procure electricity for Small C&I customers through fixed-price, full requirements contracts. PPL also proposed that half the load will be served by 12-month contracts, and half the load will be served with 6-month contracts. The OSBA also supported PPL's proposal to adjust the Small C&I rate GSC-1 every six months to reflect the cost of supply contracts for the upcoming six- month period, rather than every three months, as preferred by certain marketers.

The OSBA, however, opposed PPL's proposal to change the definition of what a Small C&I customer is. Currently, Small C&I customers can take default service if their peak demand is less than 500 kW. PPL proposed to change that to 100 kW, thus forcing 13.7 percent of the total Small C&I load to take hourly priced electric service. PPL claimed that it was only following the directives of the Commission. The OSBA pointed out that the Commission has no legal authority to order this change.

The OSBA filed a Main Brief and a Reply Brief. The ALJ issued her Recommended Decision agreeing with the OSBA. The ALJ concluded that the Commission was not following the law by ordering PPL to change the definition of Small C&I customers for the purposes of default service.

PPL and other parties filed Exceptions to the Recommended Decision. The OSBA filed Reply Exceptions.

On January 15, 2015, the Commission approved PPL's proposal, stating that the Commission "believes" that it "appears" that it "currently" has such authority to order the change in the definition of Small C&I customers.

On January 30, 2015, the OSBA filed a Petition for Reconsideration with the Commission. The OSBA argued the Commission has committed an error of law, and this error must be corrected.

At the time of this writing, that Petition for Reconsideration is pending before the Commission.

Joint Petition of Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company for their Default Service Program For the Period June 1, 2015 Through May 31, 2018 [Docket Nos. P-2014-2425024 and P-2014-2425245]

On May 30, 2014, Citizens' Electric Company of Lewisburg, PA ("Citizens"), and Wellsboro Electric Company ("Wellsboro") (collectively, "the Companies") filed with the Commission their proposed Third Default Service Plan ("DSP") for the period beginning June 1, 2015 and ending May 31, 2018. The Companies' current DSP, which was approved by the Commission via Order entered December 5, 2012 at Docket Nos. P-2012-2307931 and P-2012-2307827, is scheduled to expire on May 31, 2015.

The OSBA filed a Complaint and Public Statement on June 20, 2014. The OSBA filed a Protest on June 30, 2014, in conformance with the June 21, 2014, Notice in the *Pennsylvania Bulletin.*

The OSBA filed direct and Rebuttal Testimony in which the OSBA was generally supportive of the Companies' proposed method for procuring electricity supplies for default service customers over the three-year period ending May 31, 2018. The OSBA recommended that the Companies' modify their proposal to increase the minimum number of qualified bids from two to three in order to deem their default service supply solicitation competitive or successful. The Companies agreed to modify their proposal in a subsequent round of Testimony in accord with the OSBA's recommendation.

The OSBA filed main and Reply Briefs in support of its position.

In the event that the Commission adopts the OCA's proposal to require the Companies to use the Stratified Plan to acquire default service supply for the period of June 2015 through May 2018, the OSBA recommended that the Companies also be required to continue the submission of annual benchmark reports.

On November 4, 2014 a Recommended Decision was issued approving the plan filed by the Companies, as modified.

At the time of this writing the matter is pending before the Commission.

Duquesne Light Company Petition for Approval of a Default Service Plan For The Period of June 1, 2015, through May 31, 2017 [Docket No. P-2014-2418242]

On April 24, 2014, the Duquesne Light Company ("Duquesne" or "Company") initiated the above-captioned proceeding by filing with the Commission a Petition for Approval of a Default Service Plan for the period of June 1, 2015, through May 31, 2017, pursuant to Section 2807(e) of the Public Utility Code, 66 Pa. C.S.§2807(e), and 52 Pa. Code §5.41, and the Commission's Retail Market Orders at Docket No. I-2011-2237952, including the Default Service End-State Order. *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, Order entered February 15, 2013 ("*Default Service End-State Order"*).

The OSBA filed a Notice of Intervention and an Answer. Subsequently, the OSBA filed three rounds of Testimony through its expert witness. The OSBA was in general agreement with the Company's proposal to serve Small C&I customers, *i.e.*, non-residential customers with peak loads of up to 25 kW, and Medium C&I customers, *i.e.*, non-residential customers with peak

loads between 25 kW and 300 kW, through a series of competitively-procured, full-requirements contracts.

However, the OSBA disagreed with the Company's proposal to use only 3-month supply contracts for Medium C&I customers and proposed the continuation of 6-month, full-requirements, load-following, non-laddered contracts included in the DSP VI. In Testimony the OSBA highlighted the statistic that 37% of the Medium C&I class customers choose not to shop and should not be involuntarily subjected to the price volatility inherent to procurements using only 3-month supply contracts. In Rebuttal Testimony, the Company acknowledged the OSBA's proposal had certain benefits, including longer term price stability and eliminating RFPs, which should produce cost savings.

The OSBA also disagreed with RESA's proposal to lower the hourly priced service threshold from 300 kW to 100 kW arguing that lowering the hourly priced service threshold absent legislative changes may raise legal questions about compliance with the Competition Act.

Evidentiary hearings were held in Harrisburg, with the ALJ appearing telephonically from the Pittsburgh, on August 25, 2014. The OSBA submitted main and Reply Briefs pursuant to the procedural schedule set forth in the Prehearing Order. The ALJ issued a recommended decision on October 28, 2014.

The ALJ agreed with Duquesne and OSBA that OSBA's recommendation for Medium C&I customers is reasonable, and recommended the continuation of full-requirements, load following non-laddered contracts. The ALJ noted that customers already enjoy a high level of retail competition in the Company's service territory and the incentive to shop would be lessened due to price instability and a chilling effect on shopping if the RESA's proposal were accepted over Duquesne's proposal and OSBA's contention. Accordingly, the ALJ recommended that Duquesne's proposal should be accepted for the DSP VII and the Small C&I customer class for default service procurement.

In an Order entered January 15, 2015, the Commission denied the Exceptions filed by RESA, adopting the ALJ's Recommended Decision, and approving the Company's filing as modified.

PECO Energy Company Petition for Approval of its Default Service Program For The Period From June 1, 2015 Through May 31, 2017 [Docket No. P-2014-2409362]

On March 10, 2014, PECO Energy Company ("PECO" or "the Company") filed with the Commission seeking approval of the Company's proposed third Default Service Program ("DSP III") to secure default service supply for the Company's customers for the period from June 1, 2015, through May 31, 2017.

The OSBA intervened and filed an Answer to the Petition on March 28, 2014. A Prehearing Conference took place on April 10, 2014, before the ALJ, where the parties agreed to a procedural schedule and discovery modifications.

The OSBA generally supported the DSP III as filed by PECO, and therefore did not submit direct Testimony. The OSBA did, however, submit Rebuttal and Surrebuttal Testimony in response to the recommendations of other parties. Evidentiary hearings were held in Philadelphia on July 17, 2014, followed by the submission of Main Briefs.

Subsequent to the filing of Main Briefs, the parties engaged in further settlement discussions and were able to agree on a partial settlement, reserving only two issues for litigation. A Joint Petition for Partial Settlement was filed on August 28, 2014.

Of the three issues relevant to the interests of PECO's small business customers, two were settled consistent with the OSBA's position, and the third was reserved for litigation.

First, on the issue of procurement of default service supply for PECO's Small Commercial procurement group, the partial settlement adopts PECO's proposal to use overlapping, one-year, fixed price, full requirements, load following contracts, which the OSBA supported, because it provides reasonable price stability for Small Commercial default service customers.

Second, on the issue of reconciliation of default service revenues and costs, the partial settlement adopts PECO's proposal to change from quarterly to semi-annual reconciliation of default service costs and revenues. By moving from quarterly to semi-annual reconciliation, PECO hoped to smooth out the current quarterly fluctuations in its Price To Compare, thereby sending clearer price signals to customers and competitive suppliers. The OSBA agreed that eliminating unnecessary swings through semi-annual reconciliation was preferable to PECO's current practice.

Third, the issue of procurement of default service supply for the Medium Commercial procurement group was reserved for litigation. The OSBA supported PECO's initial proposal to use 6-month, fixed price, full requirements, load following contracts. However, the Retail Energy Suppliers Association recommended that all Medium Commercial default service customers be required to be charged hourly pricing.

The OSBA filed a Reply Brief on September 4, 2014, recommending that the Commission reject RESA's proposal and adopt PECO's initial proposal because hourly pricing would result in unreasonable price volatility for Medium Commercial default service customers, is inconsistent with the Public Utility Code, and is outside the PUC's authority.

The ALJ issued a Recommended Decision ("RD") dated September 19, 2014, recommending approval of the partial settlement as well as implementation of hourly priced default service for Medium Commercial customers. Because this recommendation was inconsistent with the OSBA's position, the OSBA filed Exceptions to the RD on October 10, 2014, and Reply Exceptions on October 17, 2014.

On December 4, 2014, the Commission entered its Order in this matter adopting the ALJ's recommendation to implement hourly pricing for PECO's Medium Commercial customers. The OSBA filed a Petition for Reconsideration on December 19, 2014, with the Commission arguing why the Commission should reverse its decision.

At the time of this writing, the Petition for Reconsideration is pending before the Commission.

Pike County Light and Power Company Petition For Approval of Its Default Service Plan Covering The Period June 1, 2014 Through May 31, 2016 [Docket No. P-2013-2371666]

On June 28, 2013, Pike County Light & Power Company ("Pike") filed its Petition for approval of its default service plan covering the period June 1, 2014 through May 31, 2016. The plan proposed by Pike is essentially the same as the two previous default service plans submitted by Pike and approved by the Commission. This includes the procurement of electricity supply through the spot market, which was the method initially recommended by the OSBA.

Parties have engaged in discovery and filed Testimony and Briefs. The OSBA, having no major quarrel with the proposed plan for small business customers, did not file Briefs. The OCA, even though its position was rejected by

the Commission and Commonwealth Court in Pike's previous default service case, argued for a portfolio approach to procurement for residential customers.

ALJ Colwell, in her Recommended Decision, recommended approval of Pike's default service plan as filed. The OCA filed Exceptions to the RD, and Pike filed Reply Exceptions. In its Opinion and Order entered March 20, 2014, the Commission approved Pike's default service plan as filed, granting one exception of the OCA with respect to billing information about price to compare.

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company Joint Petition for Approval Default Service Programs For the Period June 1, 2015 through May 31, 2017 [Docket Nos. P-2013-2391368, P-2013-2391372, P-2013-2391375, P-2013-2391378]

On November 4, 2013, First Energy (parent corporation of Met-Ed, Penelec, Penn Power and West Penn) filed a Joint Petition for approval of the four companies' default service programs for the period June 1, 2015 through May 31, 2017, with the Commission.

The OSBA filed an Answer to the Joint Petition and intervened in the proceeding. Several other parties also filed Answers or Interventions.

The OSBA identified several issues of concern, primarily regarding the timing and duration of the Companies' Commercial supply procurement portfolio. The OSBA was concerned with the use of spot procurements, the premium associated with the use of 48-month contracts, and the concentration of so many procurements in a narrow window of time. The OSBA recommended that spot procurements be eliminated, as well as 48-month contracts, and that the procurements for remaining contracts be overlapped to avoid too many procurements in a narrow window.

The parties negotiated a partial Settlement of the issues, leaving just one issue for briefing (an issue regarding the inclusion of PJM charges for Network Integration Transmission Services ("NITS") in the Companies' Default Service Supply Rider ("DSSR") ,which was not an issue addressed by the OSBA in Testimony.

The Settlement sets forth a comprehensive list of issues which were resolved through the negotiation process. The OSBA does not object to the resolution of any of those issues as detailed in the text of the Settlement.

A. Spot Market Procurements Rates: Through the negotiations which led to this Settlement, spot market procurements for the Commercial class of customers were eliminated by the Companies, as the OSBA had requested. Therefore, the Settlement fully resolves the OSBA's concerns on this subject.

B. 48-Month Contracts: In the Settlement, the Companies' procurements for the Commercial class include only 3, 12, and 24-month contracts. The proposal to include 48-month contracts has been eliminated. The OSBA's concerns have, therefore, been addressed completely in this regard.

C. Narrow Procurements Window: In the Settlement, the Companies have agreed to ladder several of the commercial procurements to address the OSBA's concern about the concentration of procurements within a narrow window of time. This has addressed the concerns raised by the OSBA in Testimony.

As the OSBA's issues of principal concern were resolved through the Settlement, agreeing to the text of this Settlement enables the OSBA to conserve its resources and avoid the uncertainties inherent in fully litigating the case.

On July 24, 2014, the Commission entered its Order approving the Settlement, and adopting the ALJ's recommendation that under existing Commission precedent, the proposal to include NITS in the non-bypassable DSSR should be denied.

PPL Electric Utilities Reconciliation and Recovery of Default Service Costs

A. Transmission Service Charge ("TSC") Reconciliation [Docket Nos. M-2010-2213754, M-2011-2239805, 2217 CD 2013]

On December 10, 2010, PPL Electric Utilities Corporation's ("PPL Electric" or the "Company") submitted its final 2010 Transmission Service Charge ("TSC") reconciliation report. On February 8, 2010, a Recommended Decision approved the unchallenged reconciliation.

On March 22, 2011, PPL Electric informed the Commission that there was an error in the December 2010 TSC reconciliation report. Specifically, PPL Electric had used 2008 demand data rather than 2009 demand data to reconcile the 2010 TSC demand charges. On April 29, 2010, PPL Electric filed its TSC reconciliation of actual costs and revenues for December 1, 2010, through March, 31, 2011, which reflected a correction of the demand miscalculation.

However, Commission staff review of this matter raised a policy issue with regard to the manner in which PPL Electric allocates demand for TSC reconciliation purposes. PPL Electric allocated its 2010 actual TSC demand charges based on allocators calculated using *historical* 2009 TSC demand usage. Staff review indicated that using 2009 demand allocators may have resulted in a misalignment between certain costs and cost causers and may have created inter-class subsidies.

Therefore, the Commission entered an order on May 19, 2011 ("TSC Order"), which deferred the Recommended Decision and raised the possibility of a change in the allocation of TSC costs among rate classes. The TSC Order also invited comments from the statutory advocates on this issue. The OSBA submitted comments in response to that invitation on June 20, 2011, because it believed that a change in allocation could adversely affect the Company's small business customers.[3] During the course of this protracted proceeding, the OSBA re-evaluated its position and determined that use of such forecasted rather than actual demand data to reconcile demand-related costs in the TSC is inappropriate. This revised view was presented on July 20, 2012, by OSBA witness Robert D. Knecht in his Direct Testimony in PPL Electric's second default service proceeding at Docket No. P-2012-2302074.

On June 7, 2013, PPL Electric filed a petition for approval of a plan to refund certain historical overcollections of TSC charges.

On August 15, 2013, the Commission entered an order allowing PPL Electric to leave in place the 2010 reconciliation based on 2009 historical estimates of TSC demand usage ("August 15 Order"). The Commission directed PPL Electric to submit a revised plan to issue TSC refunds consistent with the August 15 Order and remanded the proceeding to the ALJ ("TSC Remand Proceeding"). However, the Commission also entered an order concurrently in the statewide *Investigation re Transmission Service Charge (TSC) Reconcilation Methods* at Docket No. M-2011-2239714, directing all EDCs to use actual demand data to reconcile TSC costs on a going-forward basis.

PPLICA and PPL Electric each filed a Petition for Reconsideration of the Commission's August 15 Order on August 30, 2013. The OSBA filed an Answer in support of PPLICA's Petition for Reconsideration, because it agreed that the Commission erred in allowing PPL Electric to leave in place the 2010 reconciliation based on 2009 historical estimates of TSC demand usage rather than directing it to reconcile based on actual demand data.

[3] By Order entered May 19, 2011, at Docket No. M-2011-2239714, the Commission initiated a generic investigation into how an EDC should reconcile past period over and under collections in its TSC. The OSBA also submitted comments in that proceeding.

PPL Electric submitted a revised TSC refund plan on September 16, 2013, in the TSC Remand Proceeding. A settlement in principle of the issues with respect to the revised TSC refund plan was subsequently reached by the parties on December 26, 2013.

In the meantime, however, the demand allocation remained a litigated issue. The Commission issued an order on November 14, 2013, denying both Petitions for Reconsideration ("November 14 Order"). PPLICA filed a Petition for Review of the August 15 Order and November 14 Order with the Commonwealth Court on December 13, 2013. The OSBA intervened in that appeal to protect the interest of PPL Electric's small business customers. The Commission filed a motion to quash PPLICA's appeal on the grounds that the August 15 Order and November 14 Order were not final orders because the TSC Refund Proceeding was still pending before the ALJ.

The Commonwealth Court appeal was suspended at the parties' request while they engaged in active settlement negotiations. A global settlement was subsequently reached resolving both the revised TSC refund plan and the demand allocation issue and the matter was remanded back to the Commission for entry of a Joint Petition for Settlement. The settlement provides for PPL Electric to issue refunds to the Small Commercial & Industrial and Large Commercial & Industrial customer classes in the amount of 62.5% of the TSC overcollection attributable to PPL Electric's reconciliation to estimated TSC demand cost allocators instead of actual monthly January 2010 to May 2012 TSC demand cost allocators, including applicable interest.

For the Small Commercial & Industrial customer class, this decision amounts to a refund of approximately $1.76 million. Given the litigation risk of receiving no refund at all, the OSBA determined that a settlement for 62.5% of the potential refund is reasonable and in the best interests of PPL Electric's small business customers.

A Recommended Decision was issued on July 2, 2014, approving the settlement without modification. The Commission adopted the Recommended Decision by Order entered August 22, 2014.

PPL Electric Utilities Reconciliation and Recovery of Default Service Costs

B. Act 129 Compliance Rider ("ACR") Reconciliation [Docket Nos. M-2013-2389549, M-2013-2389551]

On October 22, 2013, PPL Electric filed Tariff Supplement Nos. 139 and 140 proposing changes to its Act 129-1 Compliance Rider ("ACR-1") and Act

129-2 Compliance Rider ("ACR-2"), respectively. ACR-1 is designed to recover costs from Phase I of PPL Electric's EE&C Plan, and ACR-2 is designed to recover costs from Phase II. PPL Electric proposed interim adjustments to the ACR-1 and ACR-2 to avoid a significant over-collection of costs from Residential and Small C&I customers and a significant under-collection of costs from Large C&I customers. The need for the adjustment was due to the fact that the actual allocation of government, non-profit and institutional ("GNI") costs to each of the customer classes differed significantly from PPL Electric's forecasted cost allocation that had been used to set the ACR-1 and ACR-2 rates.

PPLICA filed a complaint on December 23, 2013, against Supplement Nos. 139 and 140 alleging that they would result in unjust and unreasonable rates and rate volatility for Large C&I customers. PPLICA requested that the Commission prevent PPL Electric from collecting revenues attributable to divergence from its originally projected GNI program costs, or alternatively, suspend the tariff supplements and open an investigation to review the rates, terms, and provisions included in the tariff supplements.

The OSBA intervened in this matter to ensure that any over-collection of costs from Small C&I customers is appropriately and timely refunded.

On December 3, 2014, the ALJ issued a Decision in this proceeding recommending that PPLICA's complaints be dismissed and finding that PPL Electric properly carried out its EE&C Plan as approved by the Commission.

At the time of this writing, this matter is pending before the Commission.

PPL Electric Utilities Petition for Approval of Default Service Program and Procurement Plan for the Period June 1, 2013 through May 13, 2015 [Docket Nos. P-2012-2302074 & P-2013-2389572]

On May 1, 2012, PPL Electric Utilities Corporation ("PPL" or the "Company") filed a Default Service Program and Procurement Plan for the period June 1, 2013, through May 13, 2015, with the Commission.

On May 4, 2012, the OSBA filed an Answer to PPL's Default Service Petition. The OSBA filed Direct, Rebuttal, and Surrebuttal Testimony in this proceeding.

The OSBA also filed an Initial Brief and a Reply Brief. As this office has in other cases, the OSBA argued for fixed price, load following, full requirements contracts for the Company's small business customers. The OSBA has consistently advocated that such contracts provide the degree of rate stability desired by small businesses, particularly in comparison to electric rates that

change on a monthly basis, or electric supply that is obtained from the spot market.

On November 15, 2012, the ALJ issued her Recommended Decision. Among a wide variety of issues presented by this case, the ALJ agreed with the OSBA that the Company's small business customers should be provided electric supply using full requirements, load following contracts.

On January 24, 2013, the Commission entered an Order adopting the ALJ's recommendation that PPL's small businesses should be supplied electricity through the use of full requirements, load following contracts.

However, the Commission Order spawned a number of collaboratives. One such collaborative addressed PPL's Time of Use ("TOU") rates, which, to date, have been an expensive failure for PPL's small business customers. Ultimately, the collaborative was unable to reach any agreement on the proper design of a TOU program for PPL.

Consequently, PPL submitted a TOU program design of its own on August 23, 2013. On October 7, 2013, the Commission remanded the Company's proposed TOU program to the Office of Administrative Law Judge for the creation of a record, hearings, and the preparation of a Recommended Decision at the new Docket No. P-2013-2389572 ("TOU Remand Proceeding").

The OSBA has submitted Rebuttal and Surrebuttal Testimony in the TOU Remand proceeding. An evidentiary hearing was held on February 26, 2014, before the two Administrative Law Judges assigned this case.

The OSBA submitted a Main Brief and a Reply Brief addressing the issue of whether net metering customers who are also customer generators should be afforded a special rate at the expense of other small business customers.

The ALJs issued their Recommended Decision on May 9, 2014. The ALJs agreed with the OSBA on the issue of whether such a special rate should be afforded to net metering customers.

One net metering customer generator submitted Exceptions to the Recommended Decision. The OSBA submitted Reply Exceptions in response to a net metering customer who is also a customer generator.

On September 11, 2014, the Commission entered an Order that agreed with the ALJs and the OSBA. The Commission held that net metering customers who are also customer generators shall not be afforded a special rate at the expense of other small business customers.

On October 10, 2014, the Dauphin County Industrial Development Authority ("DCIDA") filed a Petition for Review of the Commission's September 11, 2014, Order with the Commonwealth Court. DCIDA, as a net metering customer who is also a customer generator, is arguing that the Commission erred by not granting a special rate for such customers.

At the time of this writing, DCIDA has submitted its Initial Brief with the Commonwealth Court.

5. Miscellaneous

PPL Electric Utilities Corporation Joint Application for Divestiture [Docket Nos. A-2014-2435752 & A-2014-2435833]

On July 30, 2014, a Joint Application was filed by PPL Interstate Energy Company ("PPL IEC") and PPL Electric Utilities Corporation ("PPL Utilities") seeking the necessary approvals and certificates of public convenience from the Commission pursuant to Sections 1102(a)(3), 2101(a), 2210(a), and 2811(e) of the Public Utility Code, to authorize: (1) the transfer of all of PPL Corporation's ("PPL Corp") ownership interests in PPL IEC to Talen Energy Corporation ("Talen Energy"), and certain post-closing transactions; (2) the transfer of certain property interests between PPL Utilities and subsidiaries of PPL Energy Supply, LLC ("PPL Energy Supply") in order to fully separate and define certain property rights among PPL Utilities and the PPL Energy Supply subsidiaries; and (3) to the extent required, any modifications or amendments to affiliated interest agreements among and between PPL Utilities and PPL Energy Supply and its subsidiaries, including PPL IEC.

On September 5, 2014, the OSBA filed a Protest and Notice of Intervention to the Joint Application.

The Joint Application proposed to cause PPL Corp to spin off its deregulated electric generation and retail electric and gas supply businesses to the shareowners of PPL Corp, and then immediately combine that business with the competitive generation assets owned by subsidiaries of the RJS Entities, which are ultimately controlled by Riverstone Holdings LLC ("Riverstone"), to form Talen Energy. Once the proposed transaction is completed, PPL Corp's shareowners will own 65% of Talen Energy and Riverstone will indirectly own 35% of Talen Energy. Significantly, the PPL Corp assets being transferred to Talen Energy include certain oil and gas pipeline assets that are regulated by the Commission.

The Joint Applicants originally requested that the Commission make a finding that Riverstone (directly or indirectly) would not have an actual controlling interest in Talen Energy. The OSBA recommended that the Commission make a finding that a 35% interest owned by Riverstone, under both the facts of this case and Commission policy, does constitute a controlling interest.

The Joint Applicants also originally requested pre-approval from the Commission for certain "potential future sell-down transactions" and "potential future internal reorganizations" for Riverstone. The OSBA opposed such carte blanche pre-approvals, and argued that Riverstone can submit the requisite requests for approval to the Commission when necessary. The Joint Applicants and the OSBA were able to reach a settlement of these issues.

First, the settlement proposed to drop the Joint Applicants' request that the Commission enter a finding that Riverstone would not have a controlling interest in Talen Energy by acknowledging that the Commission's Statement of Policy on "Utility Stock Transfer Under 66 Pa.C.S. § 1102(a)(3)" ("Stock Transfer Policy"), 52 Pa. Code § 69.901, applied to the proposed transaction. Specifically, Riverstone's 35% interest is clearly a controlling interest under Commission Policy. Overruling this policy would be highly improper given the facts of the case. Riverstone is an investment firm that plans to sell down its interest in Talen. The OSBA does not want to establish a precedent whereby an investment firm can simply buy up Commonwealth utility assets, resell them in short order, and escape Commission oversight by simply claiming that they "are not a controlling interest."

Second, the settlement proposed to make Riverstone's anticipated future sell-down transactions of the shares of Talen Energy's common stock to less than a combined 20% of the outstanding shares subject to certain conditions and qualifications. The conditions and qualifications proposed by the settlement allow the Commission to maintain a degree of control and oversight over the activities of Riverstone. If Riverstone's controlling interesting in Talen falls below 20% percent, PPL IEC will notify the Commission and the parties of this development. In addition, if another entity acquires 20% or more of an interest in Talen, PPL IEC shall apply for a certificate of public convenience under 66 Pa.C.S. § 1102(a)(3) prior to the consummation of the transaction.

On December 30, 2014, the settlement was filed. On February 6, 2015, the ALJ issued a Recommended Decision approving the settlement.

At the time of this writing, the settlement is pending before the Commission.

John R. Evans v. FirstEnergy Solutions Corp. Pass-Through of Ancillary Services Costs [Docket No. P-2014-2421556]

FirstEnergy Solutions Corp. ("FES") is an electric generation supplier ("EGS") and a subsidiary of First Energy Corp. FES has contracted with numerous residential and small business customers to provide fixed price electric generation supply service.

After the "Polar Vortex" weather experienced throughout the nation during the winter of 2013-14, beginning in March, 2014, FES notified its fixed price residential and small business customers, that, per its terms and conditions of service, it would be passing through to fixed price customers certain ancillary services costs billed to FES by PJM for the purchase of power needed to keep the electric system reliable during the severe conditions. All EGSs are obligated to supply such power to PJM upon demand. However, the EGSs can obtain the extra power to meet this obligation by using their own generation, by purchasing it under contract with another party or by buying it on the Synchronized Reserve Market from PJM. FES chose to purchase the power to meet its obligation from PJM.

By doing so, FES was able to claim that the cost of this power was a new cost "imposed" upon it by PJM, and thereby eligible to be passed through under the terms and conditions of its fixed price contract. After FES notified its customers of its intent to pass-through these costs, a group of residential customers filed a Complaint with the Commission, followed shortly by this proceeding and one filed by larger industrial fixed price customers. The OSBA has intervened in all of these proceedings.

FES rescinded its notice of intent to pass-through these costs to residential customers, and that Complaint was withdrawn. However, FES indicated that it intended to proceed with the pass-through of costs to small business and industrial customers.

OSBA has requested that FES not be permitted to pass-through these ancillary services costs to fixed-price small business customers, and should refund any costs that have been paid to date. The OSBA's rationale is that FES could have chosen to meet the synchronized reserve obligation by using FES's own generation, or by purchasing the power to meet the obligation from a third party rather than from PJM. However, if FES had chosen to meet its synchronized reserve obligation by supplying its own power or by purchasing the power from a third party, FES would not have been able to make the claim that PJM imposed these additional costs on FirstEnergy Solutions. Therefore, it would not have been

able to claim to its customers that these costs were a "pass-through event," recoverable under the fixed price contract.

Procedurally, FES filed Preliminary Objections to the OSBA's Petition for a Declaratory Order. Those preliminary objections were denied by the ALJ. In response, FES then filed a Petition for Interlocutory Review and Answer to Material Question. In response to FES's arguments that the Commission lacked subject matter jurisdiction over the controversy, the Commission reversed the ALJ's Order denying Preliminary Objections, granted those objections, and directed that OSBA's Petition for a Declaratory Order be dismissed, on the grounds that the Commission did not have jurisdiction over the retail customer supply contract at issue.

Petition of Sunrise Energy, LLC for Clarification of Electric Distribution Company (EDC) Tariffs That Address Renewable Energy Net Metering [Docket No. P-2013-2398185]

On December 20, 2013, Sunrise Energy filed a petition requesting fair and equitable enforcement of 52 Pa. Code §75.13(c), which states in pertinent part:

> The EDC shall credit a customer-generator at the full retail rate, which shall include generation, transmission and distribution charges, for each kilowatt-hour produced by a Tier I or Tier II resource installed on the customer-generator's side of the electric revenue meter, up to the total amount of electricity used by that customer during the billing period.

Sunrise Energy requested that the Commission require all Pennsylvania EDCs to provide a tariff option to "commercial" net-metering customers for distribution charges based on non-demand billing, *i.e.*, energy-only charges in lieu of existing demand and energy charges.

The OSBA had several concerns with whether Sunrise Energy's proposed commercial rate structure is in accordance with applicable law and would result in just and reasonable rates.

The Commission issued an Opinion and Order on March 20, 2014, denying Sunrise Energy's Petition finding that it did not have standing to request a Declaratory Order. The Commission also found it significant that the OSBA did not join in Sunrise Energy's Petition and in fact, expressed concerns about it. Furthermore, the Commission agreed with the OSBA and other parties that a

Declaratory Order is not an appropriate method to revise previously approved rates that were established for each EDC in separately litigated rate proceedings.

Sunrise Energy appealed the Commission's Decision to Commonwealth Court, and the OSBA intervened in that appeal. The appeal was subsequently discontinued on August 25, 2014.

B. Gas Industry Highlights

The rates charged by a natural gas distribution company ("NGDC") include both the cost of the gas and the cost of delivering, *i.e.*, distributing, that gas through the NGDC's pipes to customers' premises. The cost of the gas includes the amount paid by the NGDC for the gas itself, the amount paid by the NGDC to transport the gas from the well to the utility's service territory, and the amount (if any) paid by the NGDC to store the gas until customers need it.

The NGDC is required to acquire gas and to deliver it through the NGDC's pipes for non-shopping customers, *i.e.*, sales customers. The NGDC is also required to use its pipes to deliver gas purchased by shopping customers, *i.e.*, transportation customers, from natural gas suppliers ("NGSs"). The NGDC collects the cost of the gas from its non-shopping customers through the Gas Cost Rate ("GCR"). The NGDC collects the delivery costs from both shopping and non-shopping customers through distribution rates.

1. Distribution Rates

Pike County Light and Power Company Gas Base Rate Increase
[Docket No. R-2013-2397353]

On February 25, 2014, the OSBA filed a complaint in the above-captioned proceeding against the January 17, 2014, filing by Pike County Light & Power Company ("PCL&P" or the "Company") of Supplement No. 92 to Tariff Gas-Pa.P.U.C. No. 6. Through Supplement No. 92, PCL&P requested an annual increase in gas distribution revenues of approximately $151,000. Concurrently with filing Supplement No. 92, PCL&P also filed Supplement No. 61 to Tariff Electric-Pa. P.U.C. No. 8, requesting an annual increase in electric distribution revenues of approximately $1.7 million. Please see Section IV.A.1 for more information on that proceeding. Although the two cases were not consolidated, the procedural schedule for each case was the same, and they have followed parallel tracks.

The OSBA filed Testimony, and actively participated in the negotiations that led to a Joint Petition for Settlement of Rate Investigation ("Settlement") in each case and is a signatory to each Settlement.

In each of the proceedings, the Company submitted summary results of its costs analysis rather than a complete, detailed analysis. Thus, compared to the submissions of larger electric and natural gas distribution companies in Pennsylvania, PCL&P's filings were substantially incomplete. As part of the Settlement of its 2008 base rate case, PCL&P agreed to file a cost of service study in its next base rate case (the instant case), which either incorporates the changes recommended by the OSBA in that proceeding or explains in its filing why it declined to incorporate those changes. This was not accomplished to the OSBA's satisfaction in this proceeding. Further, the OSBA experienced difficulty in this case in obtaining updated cost of service information from PCL&P. This problem will be addressed in PCL&P's next filing when the OSBA reviews the initial filing to ascertain whether it is complete and detailed. If PCL&P has not included a complete, detailed costs analysis in the next filing, the OSBA will address that issue in its Complaint and request that the Commission reject the filing and require PCL&P to submit a complete filing prior.

In the gas case, the OSBA accepted the revenue allocation proposal in the Settlement, which assigns a *de minimus* rate increase to the non-residential SC2 rate class. The OSBA believes that this revenue allocation will provide for modest progress toward cost-based rates, and that the matter can be better evaluated in the Company's next base rates proceeding when the Company submits a superior COSS analysis.

On August 8, 2014, the Commission issued the ALJ's Recommended Decisions, which recommended approval of the Settlements without modification. The Commission subsequently entered it Orders in these cases, approving the Settlements without modification.

2. Gas Cost Rates

Section 1307(f) of the Public Utility Code requires the Commission to conduct an annual review of the gas purchasing practices of each of the major NGDCs. At the conclusion of the review, the Commission must establish the Gas Cost Rate ("GCR") for the NGDC and must deny recovery of any costs which are unjust and unreasonable or otherwise inconsistent with a least cost procurement policy.

During 2014, the OSBA participated in the following GCR cases: Peoples TWP, at Docket No. R-2014-2399598; National Fuel Gas, at Docket No. R-2014-

2399610; Philadelphia Gas Works, at Docket No. R-2014-2404355; Peoples Natural Gas Company, at Docket No. R-2014-2403939; Peoples Natural Gas Company – Equitable Division, at Docket No. R-2014-2403935; Columbia Gas of Pennsylvania, at Docket No. R-2014-2408268; PECO Energy Company, at Docket No. R-2014-2420283; UGI Utilities-Gas Division, at Docket No. R-2014-2420276; UGI Central Penn Gas, at Docket No. R-2014-2420279; and UGI Penn Natural Gas, at Docket No. R-2014-2420273 .

Once again, a major priority for the OSBA in the 2014 cases was assuring that the NGDCs continued to make progress in reducing their lost-and-unaccounted-for gas ("LUFG") rates. LUFG occurs primarily because of leaks and inaccurate measurement. LUFG is costly for both non-shopping customers, *i.e.*, sales customers, and shopping customers, *i.e.*, transportation customers, because those customers must pay for extra gas that would not be needed if the LUFG rate were lower.

In addition, the OSBA focused on making sure that sales and transportation customers were paying for only their share of the LUFG, *i.e.*, that there were minimal (if any) cross-subsidies between sales and transportation customers and that there were minimal (if any) cross-subsidies among the various transportation customers in the same rate class.

The OSBA also sought to assure that the NGDCs had implemented all elements of the settlements in prior years' Section 1307(f) cases.

Columbia Gas of Pennsylvania Annual Purchased Gas Cost Filing, Section 1307(f) [Docket No. R-2014-2408268]

On April 1, 2014, pursuant to Section 1307(f) of the Public Utility Code, Columbia Gas of Pennsylvania ("Columbia" or "Company") submitted its annual Purchased Gas Cost Rate filing. The OSBA filed a Complaint on April 11, 2014. The Office of Consumer Advocate ("OCA") and the Commission's Bureau of Investigation and Enforcement ("I&E") also entered the case. Other parties also intervened.

After careful review of the filing and review of numerous set of discovery materials, the OSBA concluded that the Company's filed claims for unaccounted-for gas costs, its proposal for gas retainage rates for transportation customers, and its design day demand forecasting method were all reasonable with respect to the impacts on small business customers. The OSBA further determined that the Company's upstream capacity was consistent with the aforementioned design day demand forecast. For these reasons, the OSBA did not deem it necessary to submit Direct or Rebuttal Testimony in this proceeding.

The parties engaged in discussions that led to a settlement of all issues except two, which were reserved for briefing. Those issues were (1) a proposed change to the allocation of Unified Sharing Mechanism credits between the Purchased Gas Commodity Charge and the Purchased Gas Demand Charge; and (2) the request by Glen-Gery Corp. of the Columbia Industrial Intervenors to take delivery of some of its gas supply at a different delivery point than the one currently used by Columbia. The OSBA did submit Surrebuttal Testimony on the Unified Sharing Mechanism issue.

A Hearing was held on June 2, 2014, where witnesses for the second of the unresolved issues were cross examined. (Parties agreed that cross-examination of witnesses regarding the first issue was unnecessary.) In its Main Brief, filed on June 12, 2014, the OSBA addressed only the issue of the allocation of Unified Sharing Mechanism credits. Because the OSBA took no position with the respect to the issue raised by Glen-Gery Corp., the OSBA did not address that issue in its Brief.

The ALJ issued his Recommended Decision on July 13, 2014, and Exceptions were filed by the Columbia Industrial Intervenors and the Natural Gas Suppliers. Reply Exceptions were filed by Columbia, the OCA and I&E.

By Order entered September 18, 2014, the Commission adopted the RD, approved the Partial Settlement, and denied Glen-Gery's request for an alternative delivery point. With respect to the Unified Sharing Mechanism the Commission ordered Columbia to submit in its next purchased gas cost filing an evaluation of whether the allocation of its Unified Sharing Mechanism should be modified. This satisfied the OSBA's concern with this portion of Columbia's filing.

3. Distribution System Improvement Charge (DSIC)

UGI Penn Natural Gas, Inc. Petition for a Long-Term Infrastructure Improvement Plan, Petition for a Distribution System Improvement Charge [Docket No. P-2013-2397056]

On December 12, 2013, UGI Penn Natural Gas, Inc. ("UGI PNG" or the "Company") filed Petitions for approval of both a Long-Term Infrastructure Improvement Plan ("LTIIP") and a Distribution System Improvement Charge ("DSIC") with the Commission.

On January 2, 2014, the OSBA filed a Complaint against UGI PNG's DSIC Petition. On September 11, 2014, the Commission entered an Order

approving UGI PNG's LTIIP Petition. The Commission also partially approved UGI PNG's DSIC Petition, remanding three issues to the Office of Administrative Law Judge for litigation.

On October 28, 2014, a Prehearing Conference was held. The OSBA did not file any Testimony in this proceeding. The OSBA has not identified any specific, small-business related problems with the three issues remanded by the Commission. On February 10, 2015, an evidentiary hearing was held to admit Testimony into the record.

At the time of this writing, the parties are preparing their Main Briefs for the ALJ.

UGI Central Penn Gas, Inc. Petition for a Long-Term Infrastructure Improvement Plan, Petition for a Distribution System Improvement Charge [Docket No. P-2013-2398835]

On December 12, 2013, UGI Central Penn Gas, Inc. ("UGI CPG" or the "Company") filed Petitions for approval of both a Long-Term Infrastructure Improvement Plan ("LTIIP") and a Distribution System Improvement Charge ("DSIC") with the Commission.

On January 2, 2014, the OSBA filed a Complaint against UGI CPG's DSIC Petition. On September 11, 2014, the Commission entered an Order approving UGI CPG's LTIIP Petition. The Commission also partially approved UGI CPG's DSIC Petition, remanding three issues to the Office of Administrative Law Judge for litigation.

On October 28, 2014, a Prehearing Conference was held. The OSBA did not file any Testimony in this proceeding. The OSBA has not identified any specific, small-business related problems with the three issues remanded by the Commission. On February 10, 2015, an Evidentiary Hearing was held to admit Testimony into the record.

At the time of this writing, the parties are preparing their Main Briefs for the ALJ.

Peoples TWP LLC Distribution System Improvement Charge [Docket No. P-2013-2344595]

On or about January 23, 2013, Peoples TWP filed a Petition for Approval of its Long Term Infrastructure Improvement Plan ("LTIIP Petition") with the Commission, a prerequisite for filing a Petition for a Distribution System

Improvement Charge ("DSIC"). Subsequently, on January 31, 2013, Peoples TWP filed its Petition for Approval of a Distribution System Improvement Charge ("DSIC Petition") with an effective date of April 1, 2013.

The OSBA filed an Answer, Notice of Intervention, and Public Statement on February 20, 2013, in response to the DSIC Petition.

The Office of Consumer Advocate ("OCA") filed comments to the LTIIP Petition on February 12, 2013, and on February 20, 2013, filed an Answer, Formal Complaint, Notice of Intervention, and Public Statement in response to the DSIC Petition. A Petition to Intervene was filed by Pennsylvania Independent Oil and Gas Association ("PIOGA") on February 19, 2013.

Peoples TWP filed a letter on March 22, 2013, explaining that it was delaying filing an updated DSIC rate (due 10 days prior to the DSIC effective date), because the Commission had not yet approved the DSIC Petition and, therefore, the DSIC could not go into effect on April 1, 2013, as requested.

On April 8, 2013, Peoples TWP filed a letter seeking to clarify certain statements that had been made in its Long Term Infrastructure Improvement Plan ("LTIIP") concerning the recovery of incremental plant equipment costs.

The Commission entered an Order dated May 23, 2013, *inter alia*, approving the LTIIP Petition, approving the DSIC Petition subject to modifications consistent with the Order, and referring certain DSIC-related issues to the Office of Administrative Law Judge ("OALJ") for hearing and Recommended Decision.

The specific issues that have been assigned to the OALJ for litigation included: (1) DSIC-recovery of costs related to customer-owned service lines, reliability improvements, special meter technology, information technology support, and vehicles, tools and equipment; (2) impact of accumulated deferred income taxes associated with DSIC investments; and (3) calculation of the state income tax component of the DSIC revenue requirement.

Specifically, the OSBA was concerned with the following issues:

1. Whether the eligible property included in Peoples TWP's proposed DSIC, including but not necessarily limited to customer-owned service lines, reliability improvements, special meter technology (including that related to reducing unaccounted-for gas rates), information technology support, and vehicles, tools and equipment, is consistent with that permitted by Act 11 of 2012; and,

2. Whether the DSIC should apply to all customers that currently pay less than 100% of Peoples TWP's full tariff rate for delivery service.

Prior to the scheduled evidentiary hearings, the parties successfully negotiated a Settlement of the issues in this proceeding. The parties agreed to waive cross-examination of witnesses, both with respect to the settled issues and the issues reserved for litigation. A hearing was held on November 12, 2013, for the limited purpose of admitting Testimony and accompanying exhibits into the record.

The Stipulation adequately addressed the issues of concern to the OSBA with respect to the Company's DSIC rate calculation, which were identified in its filings. As a result, the OSBA concluded that the Stipulation is in the best interests of Peoples TWP's Small C&I customers.

The Stipulation adequately addressed the OSBA's concerns with respect to application of the DSIC to customers that currently pay less than 100% of the Company's full tariff rate for delivery service ("Competitive Customers"). Peoples TWP agreed to modify the language in its surcharge tariff related to the application of the DSIC to Competitive Customers to address the OSBA's concerns about customers who pay flexed or discounted rates.

The Stipulation further acknowledged Peoples' "intention to apply the DSIC to current competitive customers if contractually eligible, and to negotiate with competitive customers to attempt to include the DSIC in the future, when flexed or negotiated rate contracts come up for renewal."

The Stipulation also adequately addresses the OSBA's concerns with respect to Peoples TWP's proposal to include costs relating to information technology hardware and software that support Special Metering Technology ("AMR"). Peoples TWP has agreed to withdraw its proposal to include costs pertaining to information technology hardware and software that support AMR. While the Company has reserved the right to present a future claim to include AMR technology support costs should the Company actually install the technology, other parties have reserved the right to oppose such a claim, if made.

On April 1, 2014, the ALJs issued a Recommended Decision approving the settlement stipulation. On August 1, 2014, the Commission issued an order approving the Recommended Decision. On September 22, 2014, the OCA filed an appeal to the Commonwealth Court relating to the treatment of state income taxes in the DSIC. To date, that case has not been scheduled for argument.

Columbia Gas of Pennsylvania Distribution System Improvement Charge [Docket No. R-2013-2338282]

On December 7, 2012, Columbia Gas of Pennsylvania ("Columbia" or "the Company") filed a Petition for Approval of its Long-Term Infrastructure Improvement Plan ("LTIIP"), at Docket No. P-2012-2338282. Subsequently, as part of that plan, Columbia filed a Petition for Approval of its Distribution System Improvement Charge ("DSIC"), at a separate docket, which was consolidated with the LTIIP docket.

On March 14, the Commission entered an Order authorizing Columbia to begin to collect the DSIC, subject to refund, and identified four issues to which litigation would be limited. Those issues are: DSIC-recovery of costs related to customer owned service lines; impact of accumulated deferred income taxes associated with DSIC investments; calculation of state income tax component of the DSIC revenue requirement; and return on equity.

The parties to the proceeding agreed that the authorized return on equity of 9.7% would not be a subject of litigation, further limiting the issues in dispute.

The issues in this proceeding were primarily those referred to by the ALJ in the Commission's March 14 Order, namely 1) DSIC-recovery of costs related to customer owned service lines; 2) impact of accumulated deferred income taxes associated with DSIC investments; 3) calculation of state income tax component of the DSIC revenue requirement; and 4) return on equity, to the extent not resolved by the Commission's Order.

These are basically revenue requirement issues, where the OSBA's interests run together with those of OCA. Issues specific to small business customers, namely how the DSIC is applied across rate classes, are already resolved in the Commission's DSIC model tariff.

The parties filed Briefs and Reply Briefs in October and November, 2013. The OSBA did not file a Brief. The Commission issued the ALJ's Recommended Decision on March 6, 2014. Exceptions were filed by Columbia, OCA and Pennsylvania State University. The issues raised in those Exceptions did not impact OSBA's small business customers; therefore, OSBA did not file Replies to those Exceptions.

In an Order entered May 22, 2014, the Commission denied the Exceptions filed by Columbia, OCA and Penn State, adopting the ALJ's Recommended Decision, and approved Columbia's DSIC.

Equitable Gas Company, LLC Distribution System Improvement Charge [Docket No. P-2013-2342745]

On January 11, 2013, Equitable filed a Petition for Approval of its Long Term Infrastructure Improvement Plan ("LTIIP") with the Commission. On January 29, 2013, the Company filed its Petition for Approval of a Distribution System Improvement Charge ("DSIC").

The Commission entered an Order dated July 16, 2013, *inter alia*, approving the LTIIP Petition consistent with the Order, approving the DSIC Petition consistent with the Order, and referring three DSIC-related issues to be litigated.

The OSBA requested that an additional issue be addressed in this proceeding. Specifically, the OSBA was concerned with whether Equitable's DSIC should apply to all customers that currently pay less than 100% of the Company's full tariff rate for delivery service. At the Prehearing Conference, given the limited nature of the additional issue to be addressed and in the interests of judicial economy, the OSBA's request was granted.

After Testimony was served, the OSBA actively participated in the negotiations that led to the Settlement of the issue raised by the OSBA with respect to the application of the DSIC to competitive customers. The Settlement precludes Equitable from automatically waiving the DSIC for all competitive customers. Rather, it requires Equitable to make every effort to collect the DSIC from competitive customers, thereby preventing an unnecessary shift of DSIC revenue responsibility from competitive service to non-competitive service customers. However, Equitable retains the flexibility to reduce or eliminate the DSIC surcharge for competitive customers when reasonably necessary to induce them to remain Equitable customers and not take advantage of other economically viable competitive options. As a result, the OSBA concluded that the Settlement is in the best interests of Equitable's Small C&I customers.

The parties submitted a joint stipulation on January 22, 2014, with respect to the issue of concern to the OSBA. A Recommended Decision was issued on July 30, 2014 approving the Partial Settlement without modification. On October 2, 2014, the Commission issued an Order adopting the Recommended Decision and approving the Partial Settlement.

Peoples Natural Gas Company LLC Distribution System Improvement Charge [Docket No. P-2013-2344596]

On January 23, 2013, Peoples Natural Gas Company, LLC ("Peoples" or "the Company") filed a Petition for Approval of its Long Term Infrastructure

Improvement Plan ("LTIIP") with the Commission. Peoples filed its Petition for Approval of a Distribution System Improvement Charge ("DSIC") on January 31, 2013.

The Commission entered an Order dated May 23, 2013, *inter alia*, approving the LTIIP Petition, approving the DSIC Petition subject to modifications consistent with the Order, and referring three DSIC-related issues for litigation.

The OSBA requested that limited additional issues be addressed in this proceeding. Specifically, the OSBA was concerned with: (1) whether the eligible property included in Peoples' proposed DSIC is consistent with that permitted by Act 11 of 2012; (2) whether the DSIC should apply to all customers that currently pay less than 100% of Peoples' full tariff rate for delivery service; and (3) whether the Company's proposal to include certain unaccounted for gas ("UFG") related expenditures in its DSIC calculation is appropriate. The OSBA's request was granted.

After the parties served their respective Testimony, the OSBA actively participated in the negotiations that led to a Settlement of the majority of the issues in the proceeding, including those issues of concern to the OSBA. Thus the OSBA concluded that the Settlement is in the best interests of Peoples' Small C&I customers.

Consistent with the OSBA's position, the Settlement provides for exclusion from the DSIC rate calculation of Peoples' commitment to increase its annual expenditures on its gathering facilities (UFG-related) by $3.8 million, which was contained in the Settlement of Peoples' 2012 base rate case. Furthermore, the Settlement precludes Peoples from automatically waiving the DSIC for all competitive customers. Rather, it requires Peoples to make every effort to collect the DSIC from competitive customers, thereby preventing an unnecessary shift of DSIC revenue responsibility from competitive service to non-competitive service customers. However, Peoples retains the flexibility to reduce or eliminate the DSIC surcharge for competitive customers when reasonably necessary to induce them to remain Peoples customers and not take advantage of other economically viable competitive options.

The parties submitted a Partial Stipulation of certain issues on December 12, 2013, which addressed all of the OSBA's concerns.

On August 21, 2014, the Commission issued an opinion and order approving the Partial Settlement and adopting the Recommended Decision with respect to the litigated issues.

4. Service Expansion Tariff Pilot Riders

Columbia Gas of Pennsylvania Pilot Rider New Area Service
[Docket No. R-2014-2407345]

Columbia Gas of Pennsylvania, Inc. ("Columbia" or "Company") filed Supplement No. 210 to Tariff Gas-Pa. P.U.C. No. 9 on February 26, 2014. The proposed Pilot Rider New Area Service ("Rider NAS"), would provide the Company with an alternative approach for residential customers and developers to pay the upfront deposit charged by Columbia to extend its facilities to provide natural gas service.

The OSBA filed a Complaint, and the matter was assigned to an ALJ for hearings and a Decision. On July 9, 2014, an Evidentiary Hearing was held. The parties submitted Briefs, and the ALJ issued a Recommended Decision. Columbia and OCA filed Exceptions and Reply Exceptions to the Recommended Decision, while I&E filed Reply Exceptions only.

In the Company's current tariff, when a new customer desires service, Columbia conducts an economic evaluation that compares the incremental cost of attaching that customer with the distribution revenues the new customer will provide. If the present value of the distribution revenues is insufficient to cover the incremental investment costs, the Company requires an upfront contribution from the new customer. This contribution is designed to protect existing customers from being economically harmed by the new customer.

In the Rider NAS filing, Columbia deemed that this upfront cash contribution requirement could discourage customers from switching to natural gas, and so offered Rider NAS as an alternative approach for achieving the same ends.

The essence of Rider NAS is that the Company will replace the upfront contribution with a series of fixed monthly payments spread over a 20-year period, much like a home mortgage. Like a home mortgage, the payments must reflect both principal and interest costs. As conceived by the Company, the "interest" payments will reflect the Company's weighted average cost of capital, including both debt and equity costs.

The OSBA did not contest the Company's decision to exclude small business customers from eligibility in this program, agreeing with Columbia that it would be premature to extend this program to non-residential customers at this time. The OSBA's focus in this proceeding was to ensure that small business

customers did not absorb costs or risks associated with the program, as they will not benefit from it.

The Commission entered its Opinion and Order in the case on October 23, 2014, granting the Exceptions of Columbia and denying those of OCA. The Order approved Columbia's Rider NAS with modifications, most of which were focused on notice to consumers of the terms and conditions of Rider NAS and the payment obligations which accompany the provision of gas service to these new customers.

Petition of PECO Energy Company for Approval of Three Proposals to Increase Access to Natural Gas Service
[Docket No. P-2014-2451772]

PECO Energy Company ("PECO") filed a Petition with the Commission on November 6, 2014 requesting that the Commission approve three proposals designed to increase PECO's customers' access to natural gas service.

The OSBA intervened in this matter on December 2, 2014, in order to protect the interests of PECO's small business customers. Specifically, the OSBA is concentrating on whether the proposed program would be revenue neutral to existing ratepayers, whether the program should be extended to non-residential customers, and whether the costs of the programs are reasonable.

At the time of this writing, this matter is in the early stages of litigation with hearings scheduled for May 2015.

Peoples/Peoples-Equitable/Peoples TWP [Docket Nos. R-2014-2429606, R-2014-2429610, R-2014-2429613]

On June 26, 2014, Peoples Natural Gas Company, LLC ("Peoples"), Peoples Natural Gas Company, LLC – Equitable Division ("Peoples-Equitable"), and Peoples TWP LLC ("Peoples TWP") (together, the "Companies") each filed supplements to their respective tariffs proposing a five-year pilot program entitled Service Expansion Tariff ("SET"). The tariff proposals, if approved by the Commission, would provide customers with an alternative to paying the upfront lump sum Contribution in Aid of Construction ("CIAC") that the Companies charge for facilities' extensions to provide natural gas service. Under the tariff proposals, customers would have the option to make monthly payments over a period of up to twenty years in lieu of a one-time upfront CIAC payment.

The OSBA filed a Formal Complaint in each of the above-captioned proceedings on July 16, 2014. The OSBA submitted Direct, Rebuttal, and

Surrebuttal Testimony and took an active role in Settlement discussions which ultimately led to a resolution of all issues in this proceeding.

The OSBA determined that the Settlement was in the best interest of the Companies' small business customers because it was consistent with our recommendations with respect to rejecting proposals for on-bill financing for house lines and appliances and calculation of the CIAC. Although the Settlement did not adopt the OSBA's recommendations regarding revenue neutrality with respect to existing ratepayers, it is consistent with Commission precedent and ensures that even though there may be subsidization by general ratepayers of the costs of SET expansion projects, at least there will not be inter-class subsidization as between costs for residential and commercial SET expansion projects.

A Joint Petition for Settlement of All Issues was submitted to the ALJ on January 9, 2015.

At the time of this writing, this matter is pending before the ALJ.

5. Miscellaneous

Petition for Generic Investigation or Rulemaking Regarding "Gas-On-Gas" Competition Between Jurisdictional Natural Gas Distribution Companies [Docket No. P-2011-2277868]

Generic Investigation Regarding Gas-on-Gas Competition Between Jurisdictional Natural Gas Distribution Companies [Docket No. I-2012-2320323]

On December 8, 2011, the OSBA, the Commission's Bureau of Investigation and Enforcement ("I&E"), Office of Consumer Advocate ("OCA"), Peoples TWP LLC ("TWP"), and Peoples Natural Gas Company ("Peoples") (together, the "Joint Petitioners") filed with the Commission a Joint Petition requesting that the Commission institute an investigation or rulemaking to address distribution base rate discounting among natural gas distribution companies ("NGDCs") with overlapping service territories, often referred to as "gas-on-gas competition."

The Joint Petition arose out of the Settlement of Peoples' base rate proceeding at Docket No. R-2010-2201702 ("Peoples Settlement"). In the Peoples Settlement, Peoples, I&E, the OCA, and the OSBA agreed that issues related to gas-on-gas competition should be resolved by requesting a generic proceeding rather than in Peoples' base rate case.

At the time of the Peoples Settlement, other NGDCs had also agreed that gas-on-gas competition issues should be uniformly resolved on a state-wide basis; specifically, Equitable Gas Company LLC ("Equitable") in the Settlement of its 2008 base rate proceeding at Docket No. R-2008-2029325, Columbia Gas of Pennsylvania, Inc. ("Columbia") in the Settlement of its base rate proceeding at Docket No. 2010-2215623, and in the Settlement of the acquisition of T.W. Phillips Gas and Oil Co. ("PTWP") at Docket No. A-2010-2210326.

At the Initial Prehearing Conference on August 31, 2012, the parties disagreed about the appropriate scope of the proceeding. The participating NGDCs argued that the Secretarial Letter had greatly limited the scope from that requested in the Joint Petition. They argued that this proceeding should not deal with the question of whether gas-on-gas competition should be permitted to continue, but rather only how flexed revenues should be treated for ratemaking purposes. The OSBA and the OCA, in contrast, argued that the Secretarial Letter did not intend to limit the scope of the proceeding from that requested in the Joint Petition.

After the parties submitted comments with regard to the proper scope of the investigation, an Order was issued on December 11, 2012, agreeing with the OSBA that the Commission's intention was to initiate a fully litigated proceeding, specifically to determine the full impact of flexing distribution rates, to determine if this competition should be allowed to continue, and if so, how that should be fairly applied.

The OSBA and its experts have opposed "gas-on-gas competition" as currently defined for over 20 years because it is not really competition at all, but rather an inequitable form of price discrimination where price differences are set based solely on whether a customer is legally entitled to be served by a different NGDC and not the cost to serve that customer. It results in captive ratepayers subsidizing discounted rates offered to ratepayers that happen to be fortunate enough to live in overlapping service territories.

The OSBA believes that this price discrimination should be eliminated as quickly as is practicable. However, the OSBA recognizes that this policy has been in place for many years, that many customers have entered into contracts for discounted rates, and that both NGDCs and "competitive" customers likely entered into flex rate agreements in good faith. The OSBA therefore supports a reasonable transition away from gas-on-gas price discrimination, *i.e.*, phasing out existing discount agreements followed by competition by NGDCs on full tariff rates.

The OSBA conducted discovery and submitted Testimony, a Main Brief, and a Reply Brief. A Recommended Decision was issued on June 24, 2014,

which was consistent with the OSBA's arguments. Exceptions and Reply Exceptions to the RD have been submitted.

At the time of this writing, this matter is pending before the Commission.

C. Telephone Industry Highlights

1. PCO and PSI/SPI Filings

Chapter 30 provides for automatic revenue and rate increases for those incumbent local exchange carriers ("ILECs") that have a Commission-approved Alternative Regulation and Network Modernization Plan ("Chapter 30 Plan") in exchange for a commitment to accelerated broadband deployment. A company's Chapter 30 Plan will include a price stability mechanism ("PSM"). That PSM sets forth formulas that calculate the allowable increase or decrease in rates for noncompetitive services based on the annual change in the Gross Domestic Product Price Index. The PSM will also contain special provisions for protected services and addresses revenue neutral adjustments to the rates of noncompetitive services. The PSM set forth in a company's Chapter 30 Plan is a complete substitution of the rate base/rate of return regulation. Furthermore, noncompetitive services are defined as regulated services or business activities that have not been determined or declared to be competitive.

ILECs submit these Chapter 30 rate filings on an annual basis. Because PSMs vary among ILECs, some filings are called Price Change Opportunity ("PCO") filings, while others are called Price Stability Index and Service Price Index ("PSI/SPI") filings. Regardless of the title, the OSBA reviews each ILEC filing to confirm that the PSM formulas are correctly followed, and that no rate changes violate the just and reasonable standard.

The OSBA did not litigate any Chapter 30 rate filings in 2014, although the OSBA has litigated many such filings in recent years.

2. Access Charges

Verizon Pennsylvania Inc. Access Charges [Docket No. C-20027195]

This proceeding is the latest in a series of cases beginning with the 1999 Global Order at Docket Nos. P-00991648 and P-00991649, the 1999 Verizon North and Verizon Pennsylvania ("Verizon" or the "Company") Merger Order at Docket No. A-310200, and the 2002 Generic Access Charge Investigation at Docket No. M-00021596.

On March 21, 2002, AT&T filed a Complaint against Verizon North seeking to have that company's access charges reduced to the levels of Verizon Pennsylvania, as required by the Merger Order. AT&T's Complaint was docketed at C-20027195.

During litigation, Verizon and the OCA submitted a Settlement that limited the total local exchange rate increase that could be recovered from the Company's residential customers on a combined Verizon North and Verizon Pennsylvania basis. In addition, specific residential rate increases would be held to $1.00 per month or less. The Settlement provided for Verizon's business customers to pay the balance of the remaining local exchange rate increase, on a combined Verizon North and Verizon Pennsylvania basis.

The OSBA opposed the Verizon-OCA Settlement. The OSBA argued that Verizon did not meet its burden of proof because the Company failed to detail how business rates would be affected by the Verizon-OCA Settlement. However, in the October 31, 2003, Recommended Decision ("RD"), the Administrative Law Judge ("ALJ") recommended that the Verizon-OCA Settlement be approved because six of the seven parties that presented witnesses agreed with portions of the Settlement.

The OSBA filed Exceptions and Reply Exceptions to the RD.

On February 26, 2004, Verizon, the OCA, and the OSBA reached an agreement on the issues litigated by the OSBA. The Verizon-OCA-OSBA Settlement limited the specific business rate increase to less than $1 per business line per month, and provided that the average increase for business local exchange lines could not be greater than the average increase for residential local exchange lines.

On July 28, 2004, the Commission entered an Order that adopted the Verizon-OCA-OSBA Settlement. In addition, the Commission remanded the case to the Office of Administrative Law Judge for the further development of a record, and issuance of a Recommended Decision, on issues that were not decided in the July 28, 2004, Opinion and Order. The issues on remand include (but are not limited to) the consideration of specific access charge reduction proposals, the removal of implicit subsidies from access charges, and the reduction or elimination of the carrier charge.

On December 7, 2005, the ALJ issued an RD in the remand proceeding. Thereafter, the OSBA submitted Exceptions and Reply Exceptions in response to the RD. The OSBA and several other parties had argued that the Verizon Access Charge Remand case should be stayed, pending the outcome of the In re

Developing a Unified Intercarrier Compensation Regime, (FCC Rel.: March 3, 2005), CC Docket No.01-02, Further Notice of Proposed Rulemaking, FCC 05-33 ("Unified Intercarrier Compensation") proceeding at the Federal Communications Commission ("FCC"). Therefore, the OSBA excepted to the ALJ's recommendation against waiting for the Unified Intercarrier Compensation proceeding to conclude.

The ALJ had also recommended that Verizon's carrier charge be eliminated. The OSBA excepted to this recommendation, observing that the contribution of the interexchange carriers ("IXCs") to the cost of the local loop is already far below their appropriate share of those costs. Eliminating the carrier charge will simply exacerbate that problem. The ALJ also recommended reducing Verizon's other access charges to their interstate levels, to which the OSBA excepted for the same reasons it opposed elimination of the carrier charge. In addition, the OSBA excepted to the ALJ's recommendation that all access charge reductions occur over a very short time period.

If access charges are eliminated or reduced, Verizon will suffer a loss of revenues. Under Chapter 30, Verizon may seek to replace those lost revenues by requesting an increase in its local exchange rates. The ALJ recommended that Verizon's non-contract customers pay for the entire offsetting local exchange rate increases caused by Verizon's loss of access charge revenue, and that none of the increased rates be borne by Verizon's contract customers. The OSBA excepted to this recommendation as a violation of the express language of 66 Pa. C.S. § 3016(f)(1), which forbids requiring non-competitive services to subsidize competitive services.

In addition, the ALJ recommended that rate caps be placed upon Verizon's residential customers, so that any local exchange rate increase will be capped for residential customers, but not for business customers. There is no record evidence to support the ALJ's recommendation. The OSBA excepted this recommendation and argued that the matter of the proper allocation of any rate increase should be addressed in a further proceeding.

On January 8, 2007, the Commission ordered that this case be stayed, pending the outcome of the FCC's Unified Intercarrier Compensation proceeding or until January 8, 2008, whichever arrived first. The Commission expressed concern the FCC proceeding

might impact this case in significant and unpredictable ways, and concluded that coordinating its actions with those of the FCC would be the best way to proceed.

In the fall of 2007, Verizon and certain other parties petitioned the Commission to extend the stay, while several other parties opposed any additional stay. On September 12, 2008, the Commission entered an Order extending the stay until September 12, 2009, or until a final outcome in the FCC's Unified Intercarrier Compensation proceeding, whichever occurs first. Thereafter, the Commission further stayed the proceeding.

However, on May 11, 2010, the Commission entered an Order denying yet another Motion to Extend the Stay. The Commission ordered that this case be assigned to an ALJ for further proceedings and to update the record.

On December 8, 2010, a Prehearing Conference was held before an ALJ, and a new procedural schedule was set for this case. The OSBA served Direct, Rebuttal, and Surrebuttal Testimony. Evidentiary hearings were held before an ALJ in June 2011. The OSBA submitted both a Main Brief and a Reply Brief.

At the time of this writing, a Recommended Decision from the ALJ has not yet been issued.

On November 18, 2011, the Federal Communications Commission (FCC) released its extensive *USF/ICC Transformation Order* that had been adopted on October 27, 2011. The *Transformation Order* has been appealed, but it has not been stayed. In compliance with the *Transformation Order*, Verizon changed its terminating switched access rates so that they matched their equivalent federal counterpart levels as of July 2013.

On October 3, 2013, the Commission issued a Secretarial Letter asking the parties for their comments regarding how to proceed with this open investigation in light of Verizon's actions and the *Transformation Order*.

On October 23, 2013, the OSBA responded to the Secretarial Letter and recommended that the proceeding be held in abeyance until such time as the appeals of the *Transformation Order* are resolved.

At the time of this writing, the Commission has not issued an Order stating how the Verizon access charge investigation will proceed, or whether it will be terminated.

Rural Local Exchange Carriers Access Charges [Docket No. I-00040105]

On December 20, 2004, the Commission entered an Order instituting an investigation into whether there should be further intrastate access charge reductions and intraLATA toll rate reductions in the service territories of rural

incumbent local exchange carriers ("RLECs"). The investigation was instituted as a result of the Commission's prior Order entered July 15, 2003, at Docket No. M-00021596, which discussed implementing continuing access charge reform in Pennsylvania. The July 15, 2003, Order also provided that a rulemaking proceeding would be initiated no later than December 31, 2004, to address possible modifications to the Pennsylvania Universal Service Fund ("PAUSF") regulations.

The December 20, 2004, Order directed that the Office of Administrative Law Judge conduct a proceeding to develop a record and present a Recommended Decision on a variety of questions related to access charge reform.

The ALJ conducted two Prehearing Conferences in February and April 2005. On May 23, 2005, the OSBA and other parties filed a Motion to Defer this proceeding. Specifically, the parties requested a stay of the investigation because it would be unreasonable for the Commission to take action prior to the conclusion of the FCC's Unified Intercarrier Compensation proceeding. The FCC proceeding had the potential to impact directly, if not render moot, the universal service and access charge issues in the Commission's proceeding. On August 30, 2005, the Commission granted the Motion to Defer.

On August 30, 2006, certain parties petitioned the Commission to further stay this proceeding for another 12 months, or until the conclusion of the FCC's Unified Intercarrier Compensation proceeding, whichever arrived first. On November 15, 2006, the Commission granted that petition and further stayed this proceeding.

On April 24, 2008, the Commission entered an order that generally continued the stay of this proceeding, but reopened the investigation for the limited purpose of addressing whether the cap of $18.00 on residential monthly local exchange service rates, and any corresponding cap on business monthly local exchange service rates, should be raised. The OSBA filed Direct, Rebuttal, and Surrebuttal Testimony in the limited investigation.

In the Recommended Decision in the limited proceeding, the ALJ agreed with the OSBA that there are no caps on local exchange rate increases resulting from the annual price change opportunity ("PCO") filings made by the RLECs. The ALJ also agreed with the OSBA that the PAUSF should not be used to mitigate rate increases resulting from those annual PCO filings. Furthermore, the ALJ agreed with the OSBA that the PAUSF should be reformed to focus on low-income customers.

Several parties filed Exceptions to the ALJ's Recommended Decision in the limited proceeding. The OSBA filed Reply Exceptions on a number of issues. The Commission has not yet acted on the Recommended Decision or on the Exceptions thereto.

By Order entered August 5, 2009, the Commission also lifted the stay on the remainder of the access charge investigation it had ordered in 2004. In this second proceeding, the OSBA filed Direct, Rebuttal, and Surrebuttal Testimony. The OSBA also filed a Main Brief and a Reply Brief.

In the Recommended Decision in the second proceeding, the ALJ assigned the burden of proof to the RLECs, rather than to AT&T, which had filed the complaint. The OSBA excepted to this recommendation. In addition, the ALJ recommended the adoption of AT&T's proposal to reduce each RLEC's intrastate access rates to the level of that RLEC's interstate access rates. The OSBA did not except to the conclusion reached by the ALJ, but the OSBA did except to AT&T's methodology for calculating the reduction. Finally, the ALJ recommended what amounted to a new rate cap by creating an "affordability standard" for rates. The OSBA excepted to this recommendation, as there is no need for the Commission to treat all RLEC customers as low-income customers in need of assistance. The OSBA also filed Reply Exceptions.

On July 18, 2011, the Commission entered an Order in this proceeding. The Commission Order supported the arguments made by the OSBA throughout the long course of this proceeding. Access reductions were required, but required a contribution towards the cost of the RLEC's local loop through the use of a $2.50 carrier charge. Furthermore, the Commission clarified that there is no cap on residential rates, thus not requiring small business customers to be the "payors of last resort."

On August 2, 2011, AT&T filed a Petition for Reconsideration with the Commission. The OSBA filed an Answer opposing AT&T's Petition on August 12, 2011. At the time of this writing, the parties are awaiting a substantive decision by the Commission on the AT&T Petition.

On November 18, 2011, the Federal Communications Commission (FCC) released its extensive *USF/ICC Transformation Order* that had been adopted on October 27, 2011. The *Transformation Order* has been appealed, but it has not been stayed. In compliance with the *Transformation Order*, Verizon changed its terminating switched access rates so that they matched their equivalent federal counterpart levels as of July 2013.

At the time of this writing, the Commission has given no indication how it plans to proceed with the rural access charge investigation in light of the *Transformation Order*.

D. Water and Wastewater Highlights

1. Distribution Rates

Borough of Hanover – Hanover Municipal Water Works Base Rate Increase [Docket No. R-2014-2428304]

On July 11, 2014, the Borough of Hanover – Hanover Municipal Water Works ("Hanover" or the "Borough") filed Supplement No. 27 to its tariff, which proposed a $1,698,301 distribution rate increase, representing a 41% increase in annual revenues. The OSBA intervened on July 31, 2014.

The OSBA submitted direct and Rebuttal Testimony and was actively involved in Settlement discussions that led to a resolution of all issues prior to submittal of Surrebuttal Testimony.

The OSBA determined that the Settlement was in the best interest of the Borough's small business customers because it was consistent with our recommendations with respect to revenue allocation. The Settlement revenue allocation is similar to the outcomes suggested by the Borough and OSBA proposals, and is therefore consistent with the Borough's cost of service study, which the OSBA supports.

A Joint Petition for Settlement was submitted to the ALJ on December 30, 2014. The ALJ issued a Recommended Decision on January 30, 2015, approving the Settlement without modification. No Exceptions were filed.

At the time of this writing, this matter is pending before the Commission.

Columbia Water Company Base Rate Increase [Docket No. R-2013-2360798]

On April 25, 2013, Columbia Water Company ("Columbia") filed Supplement No 60 to Tariff Water – PA P.U.C. No 7, requesting an increase in annual base rate revenues of $773,210. The OSBA intervened in the proceeding on behalf of Columbia's small business customers.

In base rate cases, the OSBA typically looks at revenue allocation and rate design to make sure that customers taking service under a small business rate are

not being unfairly treated with respect to the allocation of additional revenues which the company has requested. It appeared to OSBA that there were no serious issues regarding revenue allocation in this proceeding, and consequently, the OSBA did not file Testimony in this case.

Overall, the parties participated in evidentiary hearings, including one public input hearing, and briefed the issues each party had identified. The OSBA did not file Briefs, having no issues to argue.

A Recommended Decision was issued by ALJ Dennis J. Buckley on November 21, 2013. Exceptions and Reply Exceptions were filed by the parties. The OSBA filed no Exceptions.

By Order entered January 23, 2014, the Commission approved Columbia's request for rate increase in the amount of $534,970. Columbia filed a compliance filing on February 6, 2014. Subsequently, the OCA filed a Petition for Reconsideration of the Commission's Order and Exceptions to Columbia's compliance filing, primarily on the basis of a disagreement over the application of income taxes to the increase granted by the Commission.

The Commission granted reconsideration, and, after hearing from OCA and Columbia, entered an Order on March 6, 2014, denying OCA's Petition for Reconsideration and denying OCA's Exceptions as being outside the scope of issues that can be raised as Exceptions to a compliance filing.

City of Bethlehem, Bureau of Water Base Rate Increase [Docket No R-2013-2390244]

On November 26, 2013, the City of Bethlehem – Bureau of Water filed Supplement 11 to Tariff Water – Pa. P.U.C. No. 6 ("Supplement No. 11") requesting an increase in total annual base revenues of $1,119,726 per year, or a 15% increase

On January 7, 2014, the OSBA filed a complaint against the proposed rate increase. The case was assigned to the ALJ for hearings and the issuance of a Recommended Decision. A Prehearing Conference was held on February 12, 2014. The parties served written direct, rebuttal and Surrebuttal Testimony, which was admitted into the record at a Hearing held on April 24, 2014.

The OSBA recommended that the Commission approve the City's proposed outside-City revenue allocation, and recommended that the City establish a separate Industrial consumption charge applicable to inside- and

outside-City customers in the City's next base rate proceeding, which will facilitate greater movement toward cost-based rates in future proceedings.

The OSBA participated in negotiations with the parties which led to the filing of the Joint Petition for Settlement ("Settlement"), to which the OSBA is a signatory. The following provisions were of particular significance to the OSBA in concluding that the Settlement is in the best interests of small business customers. First, under the original filing by the Water Bureau, jurisdictional customers were to get an increase of $1,119,726. The Settlement reduced the rate increase to $350,000 or approximately 31% of the amount initially requested by the City. The Commercial class of customers received a 4.1% increase, which is below the system average. Second, the City agreed to evaluate the reasonableness, feasibility, and need for a separate rate schedule for Industrial customers, including whether City records accurately categorize non-residential customers by class.

By resolving the foregoing issues of concern to the OSBA, the Settlement enabled the OSBA to conserve its resources and avoid the uncertainties inherent in fully litigating those issues. The Settlement was approved by the Commission by Order entered July 9, 2014.

City of Lancaster – Bureau of Water Base Rates Case
[Docket No. R-2014-2418872]

On June 6, 2014, the City of Lancaster – Bureau of Water (the "City") filed for a general rate increase in water rates totaling $6,548,300 per year. The OSBA filed a Complaint against the City's proposed rate increase on June 27, 2014. On July 9, 2014, the Commission entered an Order suspending the City's rate filing and remanding the proceeding to the Office of Administrative Law Judge for litigation. A Prehearing Conference was held on July 24, 2014.

The OSBA served direct Testimony in this proceeding. The OSBA argued for corrections to certain calculations in the City's cost of service study. The OSBA also argued for a specific revenue allocation if the City was awarded less than its requested revenue amount. Finally, the OSBA argued for rate structure relief for certain small business customers.

The parties to this proceeding were able to reach a settlement of all issues. On November 24, 2014, the parties submitted a Joint Petition for Settlement.

The OSBA submitted a statement in support of the Joint Petition. The Joint Petition essentially adopted the OSBA's arguments set forth in direct Testimony.

On December 19, 2014, the ALJ issued a Recommended Decision approving the Joint Petition for Settlement in its entirety.

On January 15, 2015, the Commission adopted the Recommended Decision and approved the Joint Petition for Settlement.

2. Distribution System Improvement Charge (DSIC)

Pennsylvania American Water Company – Wastewater Operations Distribution System Improvement Charge [Docket No. R-2014-2431005]

On July 3, 2014, Pennsylvania-American Water Company Wastewater Operations ("PAWC") filed a Petition for Approval of Long Term Infrastructure Improvement Plan and Approval to Establish and Implement a Distribution System Improvement Charge.

The OSBA intervened on July 23, 2014 in order to protect the interest of PAWC's small business customers and requested that the matter be referred to an ALJ for a full hearing and investigation.

The Commission issued an Order on December 4, 2014, approving PAWC's Long Term Infrastructure Improvement Plan and implementation of a Distribution System Improvement Charge. Only one issue, the applicability of the DSIC to two of PAWC's wastewater systems (Franklin and Koppel) was referred to the ALJ for hearing and preparation of a recommended decision.

On December 15, 2014, PAWC filed a compliance tariff which specified that the DSIC is applicable to the Coatesville, Claysville, Clean Treatment, Clarion, Pocono, Lehman Pike, Winona Lakes and Blue Mountain wastewater systems.

On January 28, 2015, a Prehearing Conference was held at which time the parties informed the ALJ that PAWC's December 15 compliance filing had resolved the issue remanded to the OALJ by specifying that the PAWC wastewater DSIC is not applicable to the Company's Franklin and Koppel wastewater systems.

A joint stipulation to that effect was submitted to the ALJ on February 13, 2015. At the time of this writing, this matter is pending before the ALJ.

E. Legislation

Section 9 of the Small Business Advocate Act, 73 P.S. § 399.49, requires the OSBA to make reports to the Governor and the General Assembly regarding matters within the OSBA's jurisdiction. The OSBA testified at a budget hearing before the House Appropriations Committees. The OSBA also responded to inquiries from individual legislators and legislative staff members.

Furthermore, the OSBA was an active participant in legislative hearings both in Harrisburg and other locations across the Commonwealth. During 2014, the Small Business Advocate provided Testimony before the House Consumer Affairs Committee, the Senate Consumer Protection and Professional Licensure Committee, and the House Appropriations Committee.

Written and oral Testimony was given by John Evans to the House Consumer Affairs Committee and the Senate Consumer Protection and Professional Licensure Committee regarding variable rate retail electric products. Many small business customers who shop for electricity and have a variable rate contract with electric generation suppliers ("EGSs") experienced large increases in their electric bills during the winter of 2014. The cause was the exponential increases in wholesale prices for hourly energy supply in the day ahead and real time markets in response to sustained cold temperatures in January 2014, also referred to as the polar vortex. Mr. Evans testified that more consumer education is necessary to teach customers about the difference between fixed and variable rate products. He also recommended increased disclosure requirements by EGSs about their retail products and reduced timeframes for retail electric customers to switch from one supplier to another.

In addition, John Evans met with the Consumer Affairs Committee regarding proposed telecommunications legislation that would affect small businesses in a deregulated marketplace.

The Appropriations Testimony centered on the OSBA's annual budget request, which does not involve the expenditure of any Commonwealth funds. The OSBA's annual appearance at this hearing provides lawmakers with an opportunity to ask questions concerning the OSBA's general operations and policies.

F. List of Proceedings

1. 2014 Generic Proceedings

The OSBA participates before the Commission in numerous rulemaking and other proceedings which are not specific to a single utility. In most instances,

the OSBA files comments that advocate positions of particular importance to small business customers. The OSBA filed comments in 2014 in the following such proceedings:

Investigation of Pennsylvania's Retail Electricity Market: Joint Electric Distribution Company – Electric Generation Supplier Bill **(M-2014-2401345)** (March 6, 2014)

Rulemaking to Amend the Provisions of 52 Pa. Code Section 56.5 Pregulations Regarding Disclosure Statement for Residential and Small Business Customers Add Section 54.10 Regulations Regarding the Provision of Notices of Contract Renewal or Changes in Terms **(L-2014-2409385)** (March 21, 2014)

Proposed Rulemaking: Standards for Changing a Customer's Electricity Generation Supplier **(L-2014-2409383) (letter)** (March 25, 2014)

Review of Rules, Policies, and Consumer Education Measures Regarding Variable Rate Retail Electric Products **(M-2014-2406134)** (April 3, 2014)

Implementation of the Alternative Energy Portfolio Standards Act of 2004 **(L-2014-2404361)** (August 4, 2014)

Interim Guidelines for Eligible Customer Lists **(M-2010-2183412) –** (July 21, 2014 and August 5, 2014)

Advance Notice of Proposed Rulemaking for Revision of the Commission's Regulations on Automatic Adjustment Clauses Related to Electric Default Service **(L-2014-2421001)** (August 6, 2014)

2. 2014 PUC Cases

The OSBA participates in major rate increase cases before the Commission; the annual Gas Cost Rate cases for Pennsylvania's largest gas companies; and a number of other formal proceedings involving disputes over the kinds of services made available to, or the prices charged to, the small business customers of electric, gas, telephone, water, steam, and wastewater utilities. In addition to continuing to participate in cases carried over from preceding years, the OSBA entered its appearance in the following new proceedings in 2014:

Electric

Petition of Sunrise Energy, LLC for Clarification of Electric Distribution Company (EDC) Tariffs That Address Renewable Energy Net Metering (P-2013-2398185)

Pennsylvania Public Utility Commission v Pike County Light and Power Company (Electric) (R-2013-2397237)

Pennsylvania Public Utility Commission v. Citizens Electric Company of Lewisburg, PA (R-2014-2406399)

Pennsylvania Public Utility Commission v. Wellsboro Electric Company (R-2014-2408050), dated 3/10/14

Petition of Duquesne Light Company for Approval of Default Service Plan for the Period June 1, 2015 through May 31, 2017 (P-2014-2418242)

Petition of PECO Energy Company for Approval of its Default Service Program for the Period from June 1, 2015 Through May 31, 2017 (P-2014-2409362)

Utility Workers Union of America, *et al.*, v. FirstEnergy Solutions Corp. (P-2014-2415108)

Petition of West Penn Power Company Challenging an Initial Determination of Non-Compliance With Section 2806.1(c) of Act 129 (P-2014-2415521)

John R. Evans, Small Business Advocate, Petitioner v. FirstEnergy Solutions Corporation, Respondent (P-2014-2421556)

Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2015 through May 31, 2017 (P-2014-2417907)

Joint Default Service Plan for citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company for the Period June 1, 2015 Through May 31, 2018 (P-2014-2425024 and P-2014-2425245)

Petition of PPL Electric Utilities Corporation for a Declaratory Order to Resolve Uncertainty Whether Certain Applicants Qualify as a Customer Generator Eligible to Participate in Net Metering (P-2014-2420902)

Commonwealth of Pennsylvania, by Attorney General Kathleen G. Kane, Through the Bureau of Consumer Protection and Tanya J. McCloskey, Acting

Consumer Advocate, Complainants v. HIKO Energy, LLC, Respondent (C-2014-2427652)

Commonwealth of Pennsylvania, by Attorney General Kathleen G. Kane, Through the Bureau of Consumer Protection and Tanya J. McCloskey, Acting Consumer Advocate, Complainants v. Respond Power, LLC, Respondent (C-2014-2427659)

Commonwealth of Pennsylvania, by Attorney General Kathleen G. Kane, Through the Bureau of Consumer Protection and Tanya J. McCloskey, Acting Consumer Advocate, Complainants v. Blue Pilot Energy, LLC, Respondent (C-2014-2427655)

Commonwealth of Pennsylvania, by Attorney General Kathleen G. Kane, Through the Bureau of Consumer Protection and Tanya J. McCloskey, Acting Consumer Advocate, Complainants v. Energy Services Providers, Inc. d/b/a Pennsylvania Gas & Electric, Respondent (C-2014-2427656)

Commonwealth of Pennsylvania, by Attorney General Kathleen G. Kane, Through the Bureau of Consumer Protection and Tanya J. McCloskey, Acting Consumer Advocate, Complainants v. IDT Energy, Inc., Respondent (C-2014-2427657)

Pennsylvania Public Utility Commission v. Pennsylvania Power Company (R-2014-2428744)

Pennsylvania Public Utility Commission v. West Penn Power Company (R-2014-2428742)

Pennsylvania Public Utility Commission v. Pennsylvania Electric Company (R-2014-2428743)

Pennsylvania Public Utility Commission v. Metropolitan Edison Company (R-2014-2428745)

Joint Application of PPL Interstate Energy Company and PPL Electric Utilities Corporation for All of the Necessary Authority, Approvals, and Certificates of Public Convenience (1) for the Transfer of PPL Corporation's Ownership Interests in PPL Interstate Energy Company to Talen Energy Corporation, and Certain Post-Closing Transactions Associated therewith; (2) for the Transfer of Certain Property Interests Between PPL Electric Utilities Corporation and PPL Energy Supply, LLC and its Subsidiaries in Conjunction with the Transfer of All of the Interests of PPL Energy Supply, LLC and its Subsidiaries to Talen Energy

Corporation; (3) for any Modification or Amendment of Associated Affiliated Interest Agreements; and (4) for any Other Approvals Necessary to Complete the Contemplated Transactions (A-2014-2435752, A-2014-2435833)

Gas

Pennsylvania Public Utility Commission v Pike County Light and Power Company (Gas) (R-2013-2397353)

Petition of UGI Central Penn Natural Gas, Inc. For Approval of a Distribution System Improvement Charge (P-2013-2398835)

Petition of UGI Central Penn Gas, Inc. for Approval of its Long Term Infrastructure Improvement Plan (P-2013-2398835)

Petition of UGI Utilities, Inc. – Gas for Approval of its Long Term Infrastructure Improvement Plan (P-2013-2398833)

Petition of UGI Penn Natural Gas, Inc. for Approval of a Distribution System Improvement Charge (P-2013-2397056)

Petition of UGI Penn Natural Gas, Inc. for Approval of its Long Term Infrastructure Improvement Plan (P-2013-2397056)

Pennsylvania Public Utility Commission v. Peoples TWP LLC (R-2014-2399598)

Pennsylvania Public Utility Commission v. National Fuel Gas Distribution Corporation (R-2014-2399610)

Pennsylvania Public Utility Commission v. Philadelphia Gas Works (R-2014-2404355)

Pennsylvania Public Utility Commission v. Peoples Natural Gas Company, LLC (R-2014-2403939)

Pennsylvania Public Utility Commission v. Peoples Natural Gas Company, LLC – Equitable Division (R-2014-2403935)

Supplement No. 210 to Tariff Gas – Pa PUC No. 9 of Columbia Gas of Pennsylvania, Inc. (R-2014-2407345)

Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc. (R-2014-2406274)

Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc. (R-2014-2408268)

Pennsylvania Public Utility Commission v. UGI Utilities, Inc. – Gas Division (R-2014-2420276)

Pennsylvania Public Utility Commission v. UGI Central Penn Gas, Inc. (R-2014-2420279)

Pennsylvania Public Utility Commission v. UGI Penn Natural Gas, Inc. (R-2014-2420273)

Pennsylvania Public Utility Commission v. PECO Energy Company (R-2014-2420283)

Peoples Natural Gas Company LLC – Equitable Division – Supplement No. 8 to Tariff Gas – Pa PUC No. 46 (R-2014-2429606)

Supplement No. 40 to Tariff Gas – Pa PUC No. 45 of Peoples Natural Gas Company LLC (R-2014-2429610)

Supplement No. 8 to Tariff Gas – Pa PUC No. 8 of Peoples TWP LLC (R-2014-2429613)

Petition of Peoples Natural Gas Company LLC and Peoples TWP LLC for Accounting and Regulatory Approvals and Approval of Related Tariff Revisions Associated With Implementation of Revised Long Term Infrastructure Plan (P-2014-2429346)

Petition of PECO Energy Company for Approval of Three Proposals Designed to Increase Access to Natural Gas Service (P-2014-2451772)

Water

Pennsylvania Public Utility Commission v. City of Bethlehem – Bureau of Water (R-2013-2390244)

Pennsylvania Public Utility Commission v. City of Lancaster – Bureau of Water (R-2014-2418872)

Petition of Pennsylvania-American Water Company Wastewater Operations for Approval of Long Term Infrastructure Improvement Plan and Approval to

Establish and Implement a Distribution System Improvement Charge (P-2014-2431005)

Pennsylvania Public Utility Commission v Borough of Hanover – Hanover Municipal Water Works (R-2014-2428304)

Steam

Pennsylvania Public Utility Commission v. Veolia Energy Philadelphia, Inc. (R-2013-2386293)

Telephone

Joint Application of Time Warner Cable Inc.; Time Warner Cable Information Services (Pennsylvania), LLC; Time Warner Cable Business LLC; and Comcast Corporation for Approval of the Transfer of Control of Time Warner Cable Information Services (Pennsylvania), LLC and Time Warner Cable Business LLC (A-2014-2416501 and A-2014-2416502)

3. 2014 Appellate Court Cases

Under the Small Business Advocate Act, the OSBA is authorized to appear before the appellate courts regarding matters under the PUC's jurisdiction. In addition to participating in cases begun in prior years, the OSBA appeared in the following new appellate court case in 2014:

Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania; The Tenant Union Representative Network; and Action Alliance of Senior Citizens of Greater Philadelphia, Petitioners v. Pennsylvania Public Utility Commission, Respondent
(445 CD 2014)

Tanya J. McCloskey, Acting Consumer Advocate, Petitioner v. Pennsylvania Public Utility Commission, Respondent (596 CD 2014)

Sunrise Energy, LLC, Petitioner v. Pennsylvania Public Utility Commission, Respondent (642 CD 2014)

Tanya J. McCloskey, Acting Consumer Advocate, Petitioner v. Pennsylvania Public Utility Commission, Respondent (1023 CD 2014)

Cavalier Telephone Mid-Atlantic, LLC, Petitioner v. Pennsylvania Public Utility Commission, Respondent (630 CD 2014)

V. THE OSBA'S WORKERS' COMPENSATION ACTIVITIES

The OSBA's workers' compensation duties involve a review and evaluation of, and the submission of comments on, the "loss cost" filings that are submitted to the Insurance Department each year by the Pennsylvania Compensation Rating Bureau ("PCRB") and the Coal Mine Compensation Rating Bureau of Pennsylvania ("CMCRB"). The "loss cost" portion of a workers' compensation premium reflects the cost of paying wages for employees whose injuries prevent them from working. The "loss cost" portion of the premium also reflects the cost of medical care for injured workers. Individual workers' compensation insurers are not permitted to begin using the filed "loss costs" until the Department has approved the respective bureau's filing.

A. PCRB Filing

After an independent analysis of the PCRB's filing for the year beginning April 1, 2014, the OSBA recommended an overall decrease of 12.0% in statewide industrial loss costs in lieu of the 5.35% decrease requested by the PCRB. Subsequently, the Department approved the PCRB's request.

B. CMCRB Filing

After an independent analysis of the CMCRB's filing for the year beginning April 1, 2014, the OSBA recommended an overall decrease of 7.9% in statewide loss costs in lieu of the 2.9% decrease requested by the CMCRB. Subsequently, the Department approved the CMCRB's request.

VI. OSBA STAFF

John R. Evans (03/25/13 to present), Small Business Advocate

Elizabeth Rose Triscari (5/2/11 to present), Deputy Small Business Advocate

Steven C. Gray (10/11/94 to present), Assistant Small Business Advocate

Sharon E. Webb (6/20/05 to present), Assistant Small Business Advocate

Daniel G. Asmus (11/21/05 to present), Assistant Small Business Advocate

Teresa Reed Wagner (12/22/14 to present), Executive Officer

Meska Lewis (1/21/13 to present), Legal Assistant