Keystone Connection

Utility News in Pennsylvania

A newsletter published by the Pennsylvania Public Utility Commission regarding utility news in the telecommunications, energy, transportation and water markets.

Autumn 2009

Act 129's Energy Efficiency and Conservation Plans

Act 129 of 2008 expanded the PUC's oversight responsibilities and imposed new requirements with the overall goal of reducing electricity consumption and demand. The Commission is implementing the Act in phases that address electric distribution company (EDC) responsibilities to implement energy efficiency and conservation programs; smart meter technology; time-of-use rates; real-time pricing plans; default service procurement; market misconduct; alternative energy sources; and cost recovery.

As required by Act 129, the seven largest Pennsylvania EDCs – Allegheny Power Co.; Duquesne Light Co.; Metropolitan Edison Co.; PECO Energy Co.; Pennsylvania Electric Co.; Pennsylvania Power Co. and PPL Electric Utilities Corp. – filed energy efficiency and conservation plans (EE&C) in July 2009, detailing how they intend to achieve consumption and peak demand reductions.

The EE&C plans were to be designed to help the EDCs meet established electricity consumption reduction targets of 1 percent by May 31, 2011, and 3 percent by May 31, 2013. The EDCs also are required to meet a 4.5 percent reduction in peak demand, the top 100 hours of highest demand, by May 31, 2013.

In creating the EE&C program guidelines, the Commission recognized a "one-size-fits-all" approach would not work. The PUC's program standards provided each EDC with the ability to tailor its plan to its service territory and for all consumers regardless of income. At two public meetings in October, the Commission adopted the seven EE&C plans. The PUC will monitor each EDC plan implementation to ensure the programs are cost-effective and achieving the intended results.

In general, the EDC plans for residential consumers include:

- Residential EnergyStar and high efficiency appliance programs that provide rebates to customers for the purchase of certain energy efficiency appliances;
- Residential compact fluorescent lighting (CFL) rewards programs that provide rebates and point of sale discounts for the purchase and installation of CFLs;
- Residential HVAC efficiency programs that encourage consumers to purchase a high efficiency central air conditioner or heat pump;
- Residential home performance programs that provide for home audits and rebates toward implementing audit recommendations; and
- Low-income home audit and appliance and air conditioner replacement programs.

Many of these programs include subsidies from the EDC to encourage the use and employment of the energy efficiency measures.

PPL has the **E-Power Wise Program** for low-income customers. This program will serve approximately

Act 129 EE&C Plans Continued on Page 2.

Connecting in Pennsylvania

Welcome to the **Special Edition** of *Keystone Connection*. This issue is devoted to only electric issues, due to the impending expiration of rate caps in PPL's service territory and the high volume of electric-related activities over the past several months.

By using the Docket Number or links referenced in some articles, readers may search on the PUC's website to find additional information related to the articles.

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

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EE&C Plans

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7,200 low-income customer participants who meet the eligibility of 150 percent of the federal poverty level. It includes energy-efficiency education and low cost energy-efficiency measures for self installation, and an Energy Home Savings Kit that may include two CFLs and a low-flow showerhead.

PECO is offering a **Whole Home Performance Program**. Home energy audits are targeted to single family homes – however, all residential customers can participate. The customer would pay for on-site audits and be given recommendations on savings, cost estimates, and referrals. Homeowner recommendations may include upgrading to low-flow faucets and showerheads, and using heater blankets and CFLs. Cash rebates will be available for measures identified in the energy audit that are implemented by the homeowner.

Allegheny Power has a **Residential Energy Star and High Efficiency Appliance Program**. Mail-in rebates and point-of-sale rebates will be available for high efficiency appliance purchases that meet or exceed Energy Star standards. Customers need to turn in their old appliances, including clothes washers, dryers, dishwashers, refrigerators, programmable thermostats, room air conditioners and freezers. The program begins January 2010 and continues through May 2013.

Duquesne's Residential Schools Energy Pledge Program will provide education to students in grades Kindergarten through fifth grade, in approximately 162 primary schools in Duquesne's service territory. Through this program, students learn about energy efficiency, participate in a school fundraising drive and help their families to implement energy saving measures at home. Major program elements include:

- A kick-off assembly for the students;
- Hands-on classroom lessons linking scientific concepts with practical applications;
- Families signing a pledge to install energy efficiency measures contained in an energy saving toolkit;
- A graphic display at the school showing the number of pledge forms returned to the school by students and progress towards school fundraising and energy savings; and
- Schools receiving energy efficiency incentive funds for the pledges returned.

The **FirstEnergy Companies of Met-Ed, Penelec and Penn Power** have **Demand Side Response** programs for residential/small commercial customers. There is a central A/C load reduction program with a $50 sign-up incentive and a $10 per month bill rebate during summer months for customers with direct load control. If pool pump or electric water heater controls are added, the incentive rises to $15 per month. There is also a commercial and industrial demand response program for conservation service providers (CSPs) and the other for EDCs.

Act 129 Updates

Statewide Evaluator Audit Plan

Under Act 129, the Public Utility Commission must evaluate the impact of the seven Pennsylvania electric distribution companies' (EDCs) energy efficiency and conservation (EE&C) programs. The evaluation will measure such things as energy savings and demand reductions, and the cost-effectiveness of the energy efficiency and conservation programs. Following the issue of a Request for Proposal, the PUC hired the consulting firm, GDS, to assist in carrying out this mandate. The first step in evaluating the programs is for GDS, in consultation with the Commission and the EDCs, to develop an Audit Plan.

The Audit Plan was approved on Dec. 1, 2009. It contains detailed expectations for EDC evaluation, measurement and verification protocols and plans, as well as the potential audit activities to be conducted by the statewide evaluation team. The Audit Plan addresses the following:

1. EDC EE&C program plans and impact evaluation expectations;
2. Clarifications of the Technical Reference Manual (TRM) for program year on and plans of developing and implementing annual updates for program years two and beyond;
3. The role of a created Technical Working Group (TWG) to update and clarify the TRM;
4. EDC gross energy and demand impact evaluations with M&V plan guidelines based on specified M&V and sampling protocols;
5. EDC process evaluations with guidelines for creating and conducting surveys;
6. EDC cost-effectiveness evaluations with guidelines for following the Total Resource Cost (TRC) test as it is described in the TRC Order of June 2009;
7. Data tracking and reporting guidelines; and
8. Deadlines for evaluation activities, audit activities, and reporting.

***Act 129 Updates** Continued on Page 3.*

Act 129 Updates

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Smart Meter Plans

Act 129's smart meter provisions require each EDC with at least 100,000 customers to submit, for Commission approval, a smart meter technology procurement and installation plan. Allegheny Power, Duquesne, FirstEnergy, PECO and PPL filed their respective plans with the Commission in compliance with the Act. The plans were assigned to the ALJ for technical conferences in October and evidentiary hearings as necessary in November. A recommended decision is due no later than Jan. 29, 2010. In general, the plans discuss proposed timelines and costs for system-wide deployment of smart meters and associated infrastructure such as meter data management systems, IT investments and networks. The EDCs anticipate spending over $1 billion for these new systems.

On-Bill Financing

On-bill Financing is a method which can encourage customers to modify their homes and businesses to become more energy efficient. It is simply a means by which customers can obtain financing from a utility for a project and repay that financing as they make payments on their utility bills. On-bill Financing can be used for any non-basic utility charge, but most of the existing programs focus on energy efficiency projects. The typical model for this kind of program enables a customer to obtain utility financing at zero interest with a stated term for repayment. Some programs use the utility as a conduit for loaning funds from other sources dedicated to energy efficiency.

One interesting model provides that loan repayment can be made from energy cost savings. In this type of program, customers work within utility program designs, upgrade the efficiency of HVAC systems, lighting, and/or insulation and obtain loans to pay for the upgrades. The energy savings realized from the upgrades are used to pay back the loan, so the monthly utility bill remains the same as it was before the upgrades. When the loan is paid off, the customer's utility bill is then reduced by the amount of the loan payment and the savings go right to the customer. Several studies suggest that tying loan repayment to the utility bill system results in an extraordinarily low default rate for these types of loans.

The Commission has directed its Retail Markets Working Group to examine On-bill Financing and whether these types of programs can be adopted in Pennsylvania. Several other jurisdictions have programs now operating or under consideration. The Retail Markets Working Group will examine those programs to develop best practices which can be applied in PUC service territories.

TRC/Net-to-Gross Stakeholder Process

As a follow-up to the Commission's Total Resource Cost (TRC) Test order entered on June 23, 2009, at Docket No. M-2009-2108601, the Commission plans to conduct a stakeholder process beginning in January 2010. The Commission will issue a Secretarial Letter announcing the start of the process and how interested parties can participate. While the TRC order addressed several issues, one issue that is identified for follow up is the Net-to-Gross adjustments to energy savings for the Act 129 programs. The Commission welcomes the participation of any party who is interested in TRC issues and the Net-to-Gross issue in particular.

Working Group Formed to Identify Standardized Data for Low-Income Households

Act 129 requires each EDC plan to include specific energy efficiency measures for households at or below 150 percent of the federal poverty guidelines. The number of programs available to low-income customers must be proportionate to those households' share of the total energy usage in the service territory.

Because usage data showing how much energy is consumed by low-income households was not readily available, the Commission used substitute data to review the EDCs' plans for compliance with this requirement.

To avoid using substitute data in the future, the PUC has convened a working group to identify the standardized data to be used to determine the proper proportion of energy efficiency measures for low-income households. The working group is comprised of representatives of the EDCs, consumer advocates, community-based organizations and other interested parties.

The initial meeting will be held on Jan. 6, 2010 at 1:30 p.m. in Executive Chambers, Commonwealth Keystone Building in Harrisburg, and will be chaired by PUC staff. The group is charged with providing its recommendations to the Commission by Feb. 16, 2010.

Fuel Switching

In addressing the EDCs' EE&C Plans, the Commission approved some fuel switching programs but directed the Fuel Switching Working Group to provide recommendations by March 31, 2010, as to the appropriate treatment of such programs under Act 129 and whether revisions to the Technical Reference Manual or Total Resource Cost Test are warranted. The Working Group will convene at 10 a.m. on Jan. 6, 2010, in Executive Chambers, Commonwealth Keystone Building, Harrisburg. A staff letter dated Dec. 10, is available on the PUC's website at Docket Number M-00051865 with details on how to participate.

PPL Retail Electric Market

At its Aug. 6, 2009, public meeting, the Commission finalized measures designed to remove barriers to a competitive retail electric market in the PPL service territory. The Commission adopted a number of measures it had earlier tentatively approved which were intended to achieve a fully competitive retail market in the PPL service territory when PPL's rate caps expire on Dec. 31, 2009.

The PUC directed changes to certain standards, rules and operational protocols in order to make the retail market more viable for electric generation suppliers (EGSs) that wish to offer retail generation service to PPL customers. PPL is one of the largest electric distribution companies (EDCs) in the Commonwealth. The Commission felt it was important that PPL's market contain competitive alternatives, that its customers are aware of these competitive alternatives and that no barriers exist to prevent EGS entry into the market. It made these adjustments public in a tentative order issued in May, allowing interested parties to file comments.

In finalizing the measure after reviewing the comments, the Commission recognized that each EDC is unique and may require different operating directives. The Commission stated it does not believe a one-size-fits-all approach will work in removing the barriers to competition and anticipates that the directives will serve as the starting point in proceedings regarding other companies.

The Commission directives address customer information databases, data access through standardized EDI transactions for post validation, estimation and editing (VEE) data, which, among other items, provide necessary customer account information such as interval usage, transmission and capacity peak load contribution, and meter read cycle information, bill ready and rate ready options, timely EDI (electronic data interchange) testing, customer awareness and education programs, commitments to a process for development of a uniform supplier tariff, and the creation of an ombudsman at PPL for supplier issues. The Commission also directed PPL to expand its purchase of receivables program whereby it buys accounts due from EGSs.

The Commission also directed that issues such as customer referral programs, provisions for billing services not covered by purchase of receivables programs, and customer shopping education efforts by EDCs and the Commission be referred to the Retail Market Working Group for further consideration.

Flashcut Estimates

The Commission released the latest quarterly comparison of current market prices for electricity with capped rates now paid by consumers on October 14. While the new figures reflect market prices that are just moderately higher than present rates, they still validate the importance of current and future steps to mitigate potentially significant electricity rate increases.

The Commission notes that while energy prices remain lower, wholesale market prices – which are made up of two major components (capacity and energy) – are just slightly higher than the July estimate.

The PUC notes that in most cases lower market prices could translate into smaller percentage increases for customers if rate caps were to expire today. While this trend is a positive development, the PUC emphasizes that market prices are subject to constant change and that there are no guarantees that the market prices will continue to fall. The prices may stabilize or trend upward in the future.

Therefore, the PUC will not be complacent about continuing its actions to mitigate potential rate increases. For customers, energy conservation and efficiency are still recommended long-term strategies that should provide benefits regardless of where market prices trend in the future.

Since its peak in July 2008, at 7.66 cents/kWh, the PJM 12-month future price has fallen to 4.64 cents, used in the October estimates.

This would translate into a decrease in the average rate increases from 73.1 percent down to an expected average increase of 18 percent. The Commission intends to post quarterly updates on the PUC website, with the next update planned for early in 2010.

These prices are not a projection of market prices when the rate caps expire. The data only provides a rough idea of what prices would be like if rate caps were lifted today, and electric utility prices rose to current market prices for the next 12 months.

Actual default service prices may be higher or lower, depending on the magnitude of market prices when default service supply is actually acquired. Default service prices also will be less volatile than the market prices, since the PUC's default service regulations and policy statement require default service supply to be acquired over a number of months and years, instead of on one day.

Expiring Rate Caps

The 1997 Electricity Generation Choice and Competition Act provides the framework that allows all retail electric customers to have direct access to competitive suppliers of electricity. The law also permitted the EDCs to recover "stranded costs," that were the existing investments in infrastructure which may have become uneconomic and unrecoverable in a competitive environment.

In exchange for the ability to recover those costs and in order to ease the transition to competitive markets, electric rates – which consist of generation, transmission and distribution – were capped at the 1996 level. The caps on transmission and distribution rates all have expired. As determined by litigated proceedings, all utility rate caps will expire by Jan. 1, 2011.

Company	Generation Rate Cap Status	% of PA Ratepayers
Citizens Electric Co.	Expired	0.1
Duquesne Light Co.	Expired	10.6
Pennsylvania Power Co.	Expired	2.8
Pike County Light & Power Co.	Expired	0.1
UGI Utilities Inc.	Expired	1.1
Wellsboro Electric Co.	Expired	0.1
PPL Electric Utilities Inc.	Dec. 31, 2009	24.6
Metropolitan-Edison Co.	Dec. 31, 2010	9.5
Pennsylvania Electric Co.	Dec. 31, 2010	10.6
PECO Energy Co.	Dec. 31, 2010	27.8
West Penn Power Co.	Dec. 31, 2010	12.7

The PUC expects that customers may see an increase in their bills after the expiration of the remaining generation rate caps. While Pennsylvania consumers' rates have been capped, the market prices for electricity have risen. The magnitude of those increases will depend upon market prices when the EDC acquires its power.

Consumer Educators Reach Out to Pennsylvania Consumers

The PUC's consumer educators spend much of their time in the field at events educating consumers throughout the state about utility issues. At these events, low-income programs are discussed, as well as energy efficiency and conservation measures, and other energy topics.

Additionally, each year the PUC's consumer educators host "Be Utility Wise" events in separate areas of the state, where representatives from various health and human service organizations convene to learn about utility issues. This year, the Holiday Inn Pittsburgh Airport was the site for the 2009 Be Utility Wise: Enhance Your Toolbox Part 2 program. The event, which is a networking and informational opportunity for human service providers, took place on Oct. 9. The program offered information on utility universal service and government programs, as well as energy saving resources such as Act 129 and energy efficiency programs.

The Berks County Social Service event Be Wise was held on Oct. 29, at the Glad Tidings Church, in West Lawn. The event was comprised of representatives from local utilities, government and community agencies. Both events were free to attend and helped to educate the importance of conservation and information on assistance programs.

Another annual event hosted by the PUC's consumer educators is the Central Pennsylvania Aging Consortium Energy & Aging Forum, which was held at the Radisson Penn Harris Hotel and Convention Center in Camp Hill on Dec. 14. At this event a panel of experts provided information about the expiration of electric generation rate caps, electric and gas customer assistance programs, LIHEAP, energy and water conservation tips, utility choice and other programs to help seniors and their families.

Time of Use Plans

Act 129 requires that electric distribution companies with more than 100,000 customers file Time-of-Use (TOU) plans by Jan. 1, 2010, or the expiration of its generation rate caps, whichever is later. On July 31, 2009, PPL Electric Utilities Corporation submitted its TOU plan that is designed to encourage default service customers to shift their electricity usage from on-peak to off-peak periods.

PPL has reported that when its rate caps come off in January 2010, its generation rates will increase approximately 30 percent. In an effort to enable residential and small commercial and industrial customers to mitigate the impact of the planned increase, PPL is offering different TOU rates for electricity used during on and off-peak hours (with fall, winter and spring season peak times of 5 to 7 p.m. and summer peak hours between 1 and 6 p.m.).

A public input hearing was held on Nov. 5, to allow the public to submit recommendations or raise concerns with the plan. Evidentiary hearings were held on Nov. 9, with interested parties submitting main briefs on Nov. 18 and reply briefs on Nov. 24, 2009. On Dec. 14, a recommended decision was issued, and final disposition is required by Jan. 31, 2010.

LIHEAP Programs

The current Low-Income Home Energy Assistance Program (LIHEAP) Cash Program started on Nov. 2, 2009 and will run through March 15, 2010. Cash benefits range from a minimum of $100 to a maximum of $1,000.

The 2010 LIHEAP Crisis Program starts on Jan. 4, and will run through March 15, 2010. Crisis benefits range from a minimum of $25 to a maximum of $400. There will be only one crisis benefit payment per household. Income eligibility is set at 150 percent of the federal poverty level. For a household size of one, the income limit is $16,245. Add $5,610 for each additional person in the household.

Management Audit of PPL Electric Utilities Corp.

On July 23, 2009, the PUC released a report on the Focused Management and Operations Audit of PPL Electric Utilities Corp. (PPL), at Docket No. D-2009-2102172. The report, issued by the Commission's Bureau of Audits, contained 23 recommendations and identified potential annual savings of up to $1.9 million and one-time savings of $9.8 million from their effective implementation.

In its implementation plan, PPL indicated that it accepted all 23 recommendations. The audit recommendations include:

- Reevaluating the feasibility of the current distribution line inspection program and consideration of expanding foot patrols to regions, circuits or areas that may benefit from a more aggressive approach based on a cost/benefit analysis;
- Striving to reduce the number of outages caused by equipment failure and non-trimming related tree outages in order to improve reliability indices;
- Developing a risk management program to effectively identify, assess and mitigate cyber risk to its Information Systems Infrastructure;
- Improving inventory cycle count accuracy, striving to optimize inventory levels, and increasing turnover to at least 3.0;
- Submitting for Commission review and approval an updated contract or agreement for each affiliate that PPL receives services from or provides services to, which should include information regarding the services to be received or performed and a description of the cost-allocation methodology that will be applied; and
- Completing efforts to develop, document and implement an effective ongoing succession plan for all PPL executives' management positions.

PPL reported that it has already implemented two of the recommendations and plans to complete implementation of the remaining recommendations by the first quarter of 2011. The Commission will conduct a follow-up on the company's implementation efforts during a future Management Efficiency Investigation.

2010 POLR Procurements

For 2010, there are currently nine Provider of Last Resort (POLR) auctions scheduled by the Commonwealth's electric distribution companies (EDCs). The EDCs conduct POLR auctions to procure power for their customers that choose not to shop for generation.

The FirstEnergy companies (Met-Ed and Penelec) have one auction scheduled in January, which is the first auction they will be holding. Also scheduled for January, Penn Power (also a FirstEnergy company) and PPL will each be conducting an auction. PECO Energy will be conducting two auctions, in May and September. Allegheny Power/West Penn has three auctions scheduled for 2010, January, May and October. Duquesne has an auction tentatively scheduled for either the third or fourth week of May.

The following are the dates as currently scheduled for each company:

- Met-Ed/Penelec – January 19
- PPL Electric – January 18
- Penn Power – January 26
- Allegheny Power/West Penn – January 18, May 17, and October 18
- PECO Energy – May 24 and September 20
- Duquesne Light – third or fourth week of May (tentative)

The above dates reflect the day when bids from electric generators/suppliers are due to the EDC. At the conclusion of each auction, the EDCs provide a report to the Commission with the results, which includes the number of bids, and the winning bidders. The Commission must approve the results before an EDC can accept the bids.

Office of Competitive Market Oversight

On Dec. 10, the Commission issued a Secretarial Letter to electric generation suppliers (EGSs) and default service providers (DSPs) announcing that the Office of Competitive Market Oversight (OCMO) has been expanded to serve as the Commission's electric retail choice ombudsman. OCMO will respond to questions from EGSs, monitor competitive market issues and facilitate informal dispute resolution between EGSs and DSPs. A conference call is planned for Dec. 18, at 9 a.m. Details on how to participate are included in the Secretarial Letter which is available on the website at Docket No. M-2009-2082042. By another Secretarial Letter issued the same day, the Commission clarified that entities providing independent marketing services under contracts with licensed EGSs need not obtain their own licenses.

Default Service Plans

Jurisdictional electric distribution companies (EDC) are required to submit Default Service Plans with the Commission no later than 12 months prior to the conclusion of an approved generation rate cap or the expiration of an existing plan. A Default Service Plan must include a detailed explanation of the methodology and strategy the Default Service Provider intends to employ to acquire sufficient electricity in order to fulfill its obligation to acquire generated electricity at prevailing market prices for customers who have not selected an alternative source of supply. The Default Service Plans are required to be based on a least cost procurement strategy. In addition, the submitted Default Service Plan must demonstrate compliance with the alternative energy portfolio standards.

The Commission will issue an order as to whether the Default Service Plan complies with all the necessary requirements within seven months of the filing.

Recently filed plans include the approved Default Service programs of Metropolitan Edison Company and Pennsylvania Electric Company at Docket Nos. P-2009-2093053 and P-2009-2093054. In addition, the Joint Default Service Plan of Citizens' Electric Company and Wellsboro Electric Company at Docket Nos. P-2009-2110780 and P-2009-2110798 is currently under review awaiting a recommended decision by the presiding administrative law judge. Also, both Duquesne Electric Company and UGI Utilities, Inc. - Electric filed Default Service Plans at Docket Nos. P-2009-2135500 and P-2009-2135496. These filings are currently under review.

Feedback

PENNSYLVANIA PUC PUBLIC UTILITY COMMISSION

We welcome any feedback on the Pennsylvania PUC's quarterly newsletter, *Keystone Connection.*

Staff from the Office of Administrative Law Judge, Bureau of Audits, Bureau of Conservation, Economics and Energy Planning, Bureau of Consumer Services, Office of Communications, Bureau of Transportation and Safety, Office of Special Assistants, Bureau of Fixed Utility Services, Office of Trial Staff, and the Law Bureau all contribute and write articles for this publication.

For media inquiries or to share ideas, feel free to contact Cyndi Page of the Office of Communications at (717) 787-5722.

Susquehanna Roseland Transmission Line Update

In January 2009, PPL Electric Utilities filed applications: (1) for authorization to construct a new 500 kV transmission line approximately 101 miles in length through portions of Lackawanna, Luzerne, Monroe, Pike and Wayne Counties; and (2) for a determination that the proposed exercise of eminent domain over specific properties is necessary or proper for the service, accommodation, convenience or safety of the public; and a petition to construct a new substation in Blakely Borough, Lackawanna County to connect the line to the regional transmission system in that area. These filings were consolidated by Commission orders.

Notice of the applications was published in the *Pennsylvania Bulletin* on Jan. 17, 2009, 29 Pa.B. 3901. Four public input hearings were held on March 20, May 21, and July 2, 2009, along with two site views of the Delaware Water Gap National Recreation Area and the Saw Creek Estates.

Evidentiary hearings were held in Harrisburg on Sept. 1, 2, 4, 8, 9 and 10, 2009. On Nov. 13, 2009, the administrative law judge assigned to the case issued a recommended decision granting PPL's application for authorization to construct the new 500 kV transmission line subject to a series of conditions. The recommended decision also grants five of PPL's eminent domain applications, as well as PPL's petition to construct a building to shelter equipment at the 500-230 kV Substation in the Borough of Blakely, Lackawanna County. Exceptions and reply exceptions were due on Dec. 3 and 13, 2009, respectively.

PUC Receives Federal Stimulus Funds

In November, the PUC received $1.067 million in federal stimulus funds for job creation and training related to regulatory oversight of the electric industry. The funds must be spent over a four-year period.

The Department of Energy awarded these funds after announcing a grant opportunity in June aimed at providing assistance to state electricity regulators. The PUC expects to post positions in January for limited term or contract employees to handle inquiries and disputes regarding net metering, interconnection, renewable energy, energy efficiency, conservation and demand side response.

The PUC is complying with all state and federal reporting requirements. Those mandates are designed to ensure full accountability for the expenditure of federal stimulus funds.

Update on the TrAILCo Transmission Line

The Trans-Allegehny Interstate transmission line case was argued in Commonwealth Court on Dec. 7, 2009, after the Energy Commission Council filed a petition for review due to their objections to the PUC's approval of the company's application to construct the 1.2 mile high-voltage transmission line in Green County in Southwestern Pennsylvania.

The Commonwealth Court decision from the three judge panel is expected within two months. The Commonwealth Court case is docketed at No. 51 C.D. 2009.

Coopersburg Transmission Line Update

On Feb. 14, 2008, PPL Electric Utilities Corporation filed an Application for approval of the siting and reconstruction of the proposed Coopersburg #1 and #2 138/69 kV Tap in Upper Saucon Township, Lehigh County and Springfield and Richland Townships, Bucks County, Pennsylvania.

On April 24, 2008, PPL Electric Utilities filed with the Commission a petition for building a shelter for its control equipment at the substation that PPL proposes to construct in the Springfield Township, Bucks County, Pennsylvania. On the same day, PPL filed seven eminent domain applications with the Commission. By order issued June 9, 2008, PPL's siting application, its petition and the seven eminent domain applications were consolidated into one proceeding.

Public input hearings and site views took place in July and August 2008, respectively. Evidentiary hearings were held on November 6, 7, and 10, in Philadelphia. On Feb. 10, 2009, an administrative law judge (ALJ) issued a recommended decision granting PPL's application for authorization to locate, construct, operate and maintain the proposed Coopersburg #1 and #2 138/69 kV Tap in Upper Saucon Township, Lehigh County and Springfield and Richland Townships, Bucks County Pennsylvania. In addition, the recommended decision granted PPL's petition for building a shelter for its control equipment at the substation that PPL proposes to construct in Springfield Township, Bucks County, as well as the seven applications of PPL for authority to exercise the power of eminent domain.

The parties filed timely exceptions and reply exceptions to the recommended decision. On July 24, 2009, the Commission entered a final opinion and order denying the exceptions and adopting the recommended decision.

Commissioners Educate Consumers about the Expiration of Rate Caps

In anticipation of PPL Electric's generation rate caps expiring on Dec. 31, 2009, the Commission has continued its push to educate consumers about the history of rate caps, the projected increase in prices once the caps are removed and the anticipated opportunities to shop for competitive generation suppliers. Reaching out to consumers about energy efficiency and conservation as a way to mitigate the projected price increases also has been a focus of the Commissioners' education efforts.

As part of the PUC's consumer outreach, Commissioners have attended various consumer education events in PPL's service territory. Additionally, in October, all five Commissioners attended an editorial board meeting with *The Patriot-News* to discuss rate caps and the issues surrounding them. In addition to the many local television interviews in the PPL territory about this topic in which the Commissioners participated, a letter to the editor was submitted to newspaper publications in an effort to reach PPL consumers. Also, as a result of the Retail Markets Working Group formed by the Commission, the PUC collaborated with PPL to draft and send a letter to all PPL customers. Several Commissioners also have made appearances on PCN-TV's Live Call-In program, WITF Radio Smart Talk, and other specialized media shows to address callers' concerns about rate caps.

PUC Promotes 'Prepare Now'

The Commission's focus for the seventh year of its "Prepare Now" outreach campaign is increasing consumer awareness on rising energy prices; exploring ways to reduce energy usage; educating consumers about the availability of low-income programs; and increasing awareness for safe home heating.

In October, the PUC sent a letter signed by all five PUC Commissioners to electric and natural gas utilities under the PUC's jurisdiction asking the utilities to join the PUC in reaching out and educating consumers. The letter contained specific suggestions as to how the utilities can help and urged the utilities to take extra steps to help consumers "Prepare Now" for the higher costs of winter heating. The utilities were asked to inform PUC Chairman James H. Cawley of any of the suggested actions they implement.

In addition to its "Prepare Now" campaign, the PUC also is actively participating in Gov. Rendell's annual Stay Warm PA campaign – "Turn Down. Seal Off. Save Up." Visit www.turnsealsave.org for more information.

Electric Supplier Licensing

Activity from June 20, 2009, to Dec. 18, 2009.

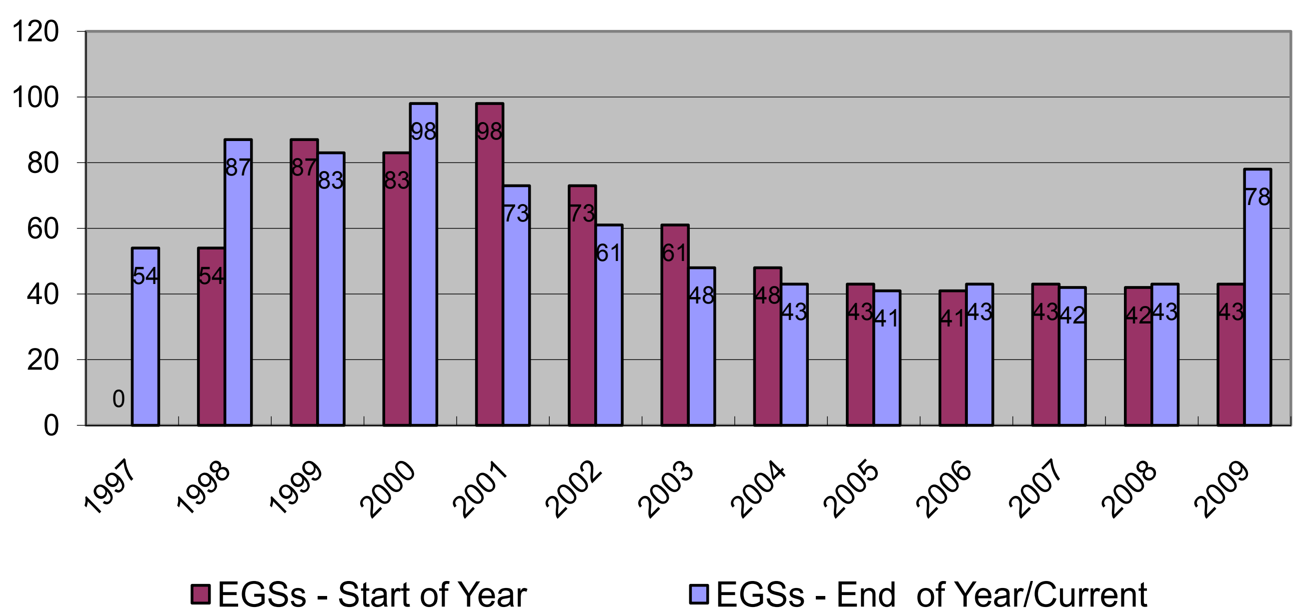
78 Active Licenses

0 licenses canceled

31 licenses approved

16 applications pending

Number of Licensed EGSs



PPL Electric Utilities' Competitive Bridge Plan

The purpose of PPL Electric Utilities Corporation's Competitive Bridge Plan (CBP), at Docket No. P-00062227, was to secure supply for PPL Electric's customers for the year 2010. PPL's customers were divided into three groups: residential, small commercial and industrial (small C&I) and large commercial and industrial (large C&I).

Under the CBP, there were six solicitations to procure supply for residential and small C&I customers, with two solicitations each in 2007, 2008 and 2009. Each solicitation had 10 tranches available for residential customers and seven tranches available for small C&I customers. A tranche is one of a number of related opportunities offered as part of the same transaction.

The maximum number of residential tranches that one supplier could win in any solicitation was eight tranches. Therefore, one supplier could theoretically win a total of 48 residential customer tranches (80 percent) in the CBP. The maximum number of small C&I customer tranches that one supplier could win in any solicitation was five tranches. Therefore, one supplier could theoretically win a total of 30 small C&I customer tranches (71 percent) in the CBP. In total, one supplier could theoretically win a total of 78 tranches (48 residential and 30 small C&I).

A summary of the results is as follows:

Prices

The results of the competitive solicitations resulted in an average price per kilowatt-hour of 9.948 cents for residential customers. The average residential customer bill will increase by 29.7 percent in 2010.

The results of the competitive solicitations resulted in an average price per kilowatt-hour of 10.053 cents for small and mid-size businesses. The average bill for small businesses will increase by 18.4 percent in 2010. The average bill for mid-size businesses will increase by 36.1 percent in 2010.

Supplier Breakdown

The tables show a breakdown of the number of tranches won by each winning supplier. Although it was possible for one supplier to win 48 residential customers tranches, the most any one supplier won was 19 tranches. It was also possible for one supplier to win 30 small C&I customer tranches. The maximum number any one supplier won was 11 tranches. If combining both groups together, the maximum number any one supplier won was 24 tranches out of the possible maximum of 78 tranches.

Small and Mid-Size Commercial & Industrial Customer Tranches (42)		
Supplier	Number of Tranches Won	Percent of Tranches Won
A	6	14.3
B	4	9.5
C	2	4.8
D	4	9.5
F	4	9.5
G	2	4.8
H	11	26.2
I	5	11.9
J	2	4.8
K	2	4.8

Residential Customer Tranches (60)		
Supplier	Number of Tranches Won	Percent of Tranches Won
A	4	6.7
B	9	15.0
C	2	3.3
D	5	8.3
E	3	5.0
F	7	11.7
G	1	1.7
H	10	16.7
I	19	31.7

Total Tranches (102)		
Supplier	Number of Tranches Won	Percent of Tranches Won
A	10	9.8
B	13	12.7
C	4	3.9
D	9	8.8
E	3	2.9
F	11	10.8
G	3	2.9
H	21	20.6
I	24	23.5
J	2	2.0