

Report Highlights

Performance Audit of the Pennsylvania Public Utility Commission

House Resolution 2006-695 directed the LB&FC to conduct a performance audit of the Pennsylvania Public Utility Commission (PUC), with particular attention to the implementation status of recommendations from prior LB&FC reports in the areas of telecommunications, electric reliability, and taxis and limousines.

Findings and Recommendations:

- **The PUC has implemented virtually all the recommendations from recent LB&FC reports.** The report describes the status of prior recommendations regarding taxis and limos, electric reliability, and telecommunications.
- **With one exception (FirstEnergy), PA's electric distribution companies are meeting their reliability performance standards.** Recommendation: The PUC continue to monitor FirstEnergy's performance and seek corrective action if needed to bring them into compliance.
- **The PUC has made good progress in implementing the requirements of the Alternative Energy Portfolio Standards Act.**
- **The PUC has not yet promulgated final POLR regulations.** These regulations, which are critical to the orderly transition to market-based electric rates, are anticipated to be finalized by mid-2007.
- **The Office of Trial Staff still performs an important function.** PA is transitioning to market-based rates for electricity, natural gas, and telecommunications. Nevertheless, the OTS, which has downsized from 49 in 1990 to 22 in 2006, still serves an important role in advocating for the public interest in PUC rate cases.
- **PUC audits often generate savings for consumers, but small companies should be exempt from certain audits.** Rec: (1) The plant-in-service threshold for required management audits be increased from \$10M to \$20M; (2) the PUC refine its audit cost savings estimates; and (3) alternative audit procedures be used for water companies generating few DSIC revenues.
- **58% of PA access lines were broadband capable in 2004, substantially ahead of the aggregate goal of 45%.** More current statistics will not be available until FY 2007-08.
- **The PUC plays an important role in regulating water, but additional incentives may be needed to address PA's wastewater problems.** Rec: The PUC be given statutory authority to establish a program, similar to the DSIC program, for wastewater system improvements.
- **Rate regulation of household goods movers could be streamlined.** Rec: The PUC allow household movers to file rate schedules rather than undergo a formal rate review process.
- **The PUC's jurisdiction over propane gas, a growing residential energy source, is unclear.** Rec: Hearings be held to determine appropriate PUC regulation of propane and landfill gas distribution systems.
- **Compared to other states, PA's electric and telephone rates are below average; natural gas and water rates are above average.**
- **The PUC is generally doing a good job in resolving consumer complaints.** Consumers give the PUC good marks for how their complaints are handled, but the number of complaints requiring more than 60 days to resolve increased markedly in 2004 and 2005. Recently released 2006 figures show improvement.
- **Given its responsibilities, the size and cost of PA's PUC appears reasonable.** The PUC budget was \$47M in FY 2004-05. Costs in Florida and Michigan, two roughly comparable states, were only \$28M and \$25M respectively. Much of the difference is due to the commissions in these states not having rail, truck, or other transportation responsibilities.
- **PA courts have ruled that natural gas and electric generation suppliers are not public utilities, and are thereby exempt from PUC assessments.** Rec: The General Assembly consider amending the public utility code to allow such assessments.
- **The PUC does not have a long-range (e.g., five-year) plan.** Rec: The PUC should develop such a plan.