The PUC Ratemaking Process and the Role of Consumers

Regulation

In order to provide economical and efficient service to a community, the state grants electric distribution, natural gas distribution, steam heat, water and wastewater companies the right to provide their service within a specified geographic area. History shows and economics dictate that the construction of distribution facilities by multiple utilities in the same location would be extremely costly and disruptive to communities. The utility is regulated by state government to assure fair rates for safe and adequate service.

Competition is permitted in the supply of electricity and natural gas. Charges for the supply of electricity and natural gas by licensed competitors are not regulated and are based on market prices. Many electric utilities are operating under negotiated generation rate caps for supply services. The prices for the delivery through the distribution system of electric and natural gas continue to be regulated by the PUC.

Competition also is permitted for long-distance and local telephone service. Most local telephone companies operate under a price stability formula that limits their ability to seek rate increases based on the rate of inflation and other factors. The rates for competitive local exchange carriers that are competing against the incumbent local telephone companies also require PUC approval.

Filing for a Rate Increase

When a regulated utility seeks a base rate increase, it must file a request with the PUC that shows the proposed new rates and effective date, and must prove that the increase is needed. The utility also must notify customers at least 60 days in advance. The notice must include the amount of the proposed rate increase, the proposed effective date, and how much more the consumer can expect to pay.

How the PUC Sets Rates

The ratemaking process ensures the lowest reasonable rate for consumers while maintaining the financial stability of utilities. Under the law, the utility is entitled to recovery of its reasonably incurred expenses and a fair return on its investment. The PUC evaluates each utility's request for a rate increase based on those criteria.

How Long It Takes

By operation of law, the rate request is suspended for up to seven months if the PUC does not act before the proposed effective date for the rate increase for electric, natural gas, steam heat, water and wastewater companies. The PUC uses that time to investigate and determine what if any of the requested increase is justified.

During the investigation, hearings are held before an Administrative Law Judge (ALJ) at which the evidence in support of the rate increase is examined and expert witnesses testify. In addition, consumers are offered an opportunity to voice their opinions and give testimony. Briefs may be submitted by the formal parties. A recommendation to the PUC is made by the ALJ. Finally, the matter is brought before the PUC Commissioners for a vote and final decision.

Together with the 60-day notice period, the rate increase process takes about nine months.

Hearings and Recommendations

When the PUC investigates a rate increase, it is assigned to an ALJ, who is an attorney with experience in administrative law. The ALJ presides at formal hearings, which are open to the public and conducted like a formal court proceeding.

At the formal hearing, the company, the PUC's Bureau of Investigation and Enforcement (I&E) and other parties such as the state's Office of Consumer Advocate and Office of Small Business Advocate present their cases and are subject to cross-examination. I&E reviews the company's records and their request and presents its view on what is in the public interest.

Individual consumers may become formal parties by filling out a formal complaint form. Consumers may speak for themselves, or an attorney may represent individual consumers or groups of consumers. Consumers also can have their say informally by writing or calling the PUC or completing the objection/comment form. Consumers also may testify at public input hearings. By providing testimony, consumers place their views in the official record on the case. Public input hearings are conducted by the ALJ in the utility's service territory. Consumer testimony becomes part of the record on which the PUC will base its decision.

After weighing the evidence and hearing the arguments, the ALJ writes a recommended decision addressing each issue in the case within the limits set by law. The recommended decision may approve, disapprove or modify the original request. Parties may file exceptions to the judge's decision and reply exceptions. Sometimes, rate cases are resolved after all of the parties reach a settlement on the issues. The entire matter is then sent to the Commissioners for a vote at a public meeting.

Final Order

The Commissioners make the final decision, authorizing rates that: (1) permit revenues that allow the company to meet its reasonable expenses, pay interest on its debt and provide a fair return to stockholders so it will continue to attract investment; and (2) assign the proper rate for residential, commercial and industrial customers that reflects the cost of service. The Order has the weight of law unless the PUC changes it in response to a petition for reconsideration, or it is successfully challenged in court.

Consumer Role

Consumers must pay for the service they use, which includes a share of the reasonable cost of utility company expenses such as operating and maintenance expenses, administrative expenses, depreciation and taxes. While the ratemaking process is complex, consumers have the right to be informed about the process, receive an explanation of their utility bills, have their complaints addressed in a prompt and fair manner, and receive continuous utility service if payment responsibilities are met.

Consumers have a right to participate in the ratemaking process and can do so by filling out an informal complaint form or completing the Commission's objection/comment form. Both can be found in the online forms section at www.puc.state.pa.us. They also can file a formal complaint.

Public Input Hearings

By attending a public input hearing and providing comments, consumers place their views in the official record of the case. Consumer testimony becomes part of the record on which the PUC will base its decision.

Consumer Action

Consumers can contact the PUC with their views on the rate increase by writing letters, completing an online complaint form or calling the consumer complaint hotline. Comments received are placed in the Commission's public file on the case. Consumers can contact the PUC by:

Letter: Pennsylvania Public Utility Commission
Bureau of Consumer Services
P.O. Box 3265
Harrisburg, PA 17105

Phone: 1-800-692-7380

Also, by filing an "Objection or Comment to Proposed Rate Increase Form," consumers can officially register their objections and comments to a proposed rate increase, which will be placed in the document folder of the case for review by the presiding officer, the parties to the case and the Commission staff.

Request online form: www.puc.pa.gov
Click on "Filing & Resources" at the top of the page, then click on "File Complaints" to learn more.

Formal Complaints

The formal complaint process involves a legal proceeding before a PUC administrative law judge, similar to a trial. This means that you and the utility must present facts on the issues raised in your complaint to an ALJ. Consumers also must be prepared to participate in pre-hearing conferences and hearings, respond to questions from the utility, file a written brief to summarize your position and comply with the Commission's procedural rules.

The Commission rules attempt to maximize the opportunity for the public to file formal complaints and allow consumers some form of limited participation in complex multi-party proceedings. The obligations related to fully participating in a complex case may be daunting for most consumers, but those consumers should still have every opportunity to participate at whatever level they feel comfortable.

The status of a consumer complaint in the case does not affect the consumer's ability to testify at the public input hearings scheduled in the case. The testimony presented at public input hearings may be used by the parties to support their positions.

For further information, contact the Public Utility Commission:

Write	Call	Visit our website
PA Public Utility Commission Bureau of Consumer Services P.O. Box 3265 Harrisburg, PA 17105-3265	1-800-692-7380 For people with speech or hearing loss, dial 7-1-1 (Telecommunications Relay Service)	www.puc.pa.gov

PENNSYLVANIA PUC
PUBLIC UTILITY COMMISSION

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