

Prepared Testimony of

Stephen M. DeFrank

Chairman, Pennsylvania Public Utility Commission

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Pennsylvania Public Utility Commission

400 North Street

Harrisburg, Pennsylvania 17120

Telephone (717) 787-4301

<http://www.puc.pa.gov>

Introduction

Good morning, Chairman Harris, Chairman Struzzi, and members of the House Appropriations Committee. My name is Stephen DeFrank, and I have the honor of serving as Chairman of the Pennsylvania Public Utility Commission (PUC or Commission). I am joined today by my fellow Commissioners - Vice Chair Kimberly Barrow, Commissioner Kathryn Zerfuss and Commissioner John Coleman. Commissioner Ralph Yanora is unable to attend today's hearing.

It is an honor to discuss the work of our Commission and the dedicated professionals who serve this Commonwealth every day. At the core of our mission, the PUC is responsible for ensuring that essential utility services remain safe, reliable, and affordable for Pennsylvania's residents and businesses. We oversee more than 8,400 entities providing electricity, natural gas, water, wastewater, telecommunications, and transportation services, as well as pipeline safety and public highway-railroad crossings.

Every Pennsylvanian - every home, every business, every community—depends on the services regulated by the PUC. The electricity that lights our homes and powers our industries. The natural gas that warms our families and fuels manufacturing. The water we drink and the wastewater systems that protect public health. The telecommunications networks that keep us connected. The transportation services that move people and products across the state. These are not abstract concerns—these are fundamental services that affect every aspect of life and economic activity in Pennsylvania.

We are fortunate to have some of the most experienced and respected regulatory professionals in the country working for the PUC. Our engineers, economists, attorneys, and industry specialists do not see this work as just a job – it is a mission. It is a professional and personal commitment to public service.

Over the past year, the Commission has taken on a record number of utility rate cases, advanced major consumer protections, enhanced oversight of infrastructure projects, and addressed critical issues like broadband deployment, cybersecurity, and resource adequacy for Pennsylvania's energy grid. Our dedicated staff has handled an unprecedented workload, reviewed thousands of filings, conducted public hearings, resolved consumer complaints, and remained proactive in keeping Pennsylvania's utility systems secure and effective.

Our staff work long hours, often under intense deadlines, because they understand the critical nature of what they do. Whether ensuring that power lines and pipelines are safe, protecting consumers from unfair practices, resolving disputes over broadband deployment, or investigating service failures, their work matters – not just to this Commission, but to every Pennsylvanian.

And our work here in Pennsylvania is not just impactful within our borders. The PUC is widely recognized as a national leader in utility regulation. Other states and federal agencies look to Pennsylvania as a model for best practices in consumer protection, market oversight, and infrastructure safety. The policies we shape and the enforcement actions we take continue to set a high standard across the country.

This morning, I look forward to discussing the Commission's budget request for Fiscal Year 2025-26. This request seeks to maximize our agency's resources and enhance our capabilities in all areas in protecting and serving Pennsylvania's residents – including needed infrastructure modernization, new public safety initiatives, and added measures that ensure affordability and promote competition in utility markets.

Executive Summary

- Budget and Workforce

For Fiscal Year 2025-26, the PUC is requesting \$103,131,000, including \$7,739,000 in federal funds that support motor carrier, rail safety, and pipeline safety activities. The state's share of this budget – \$95,392,000 – comes entirely from assessments on regulated utilities, rather than from the state General Fund. These assessments ensure that those benefiting from regulation bear the costs, not Pennsylvania's taxpayers.

This funding supports a workforce of 526 employees across 13 bureaus and offices, all focused on regulatory oversight, safety enforcement, consumer protection, and infrastructure investment. The Commission's current complement of 526 employees has remained stable despite a growing workload, and efforts continue to reallocate vacancies based on the operational needs of the PUC's offices and bureaus.

The Commission is headquartered in Harrisburg with regional offices in Philadelphia, Pittsburgh, Harmorville, and Scranton. PUC staff is spread among 13 offices and bureaus reporting to the Executive Director and Deputy Executive Director, including Legislative Affairs, Secretary, Administration, Special Assistants, Technical Utility Services, Investigation and Enforcement, Audits, Law, Administrative Law Judge (OALJ), Consumer Services (BCS), Cybersecurity (OCCO), Competitive Market Oversight (OCMO), and Communications.

- Consumer Protection and Affordability

One of the most important roles of the PUC is ensuring that utility services remain affordable and accessible, particularly for low-income households. In 2024, we took significant steps towards protecting consumers, achieving efficiencies in utility assistance programs, and strengthening public outreach.

- Utility Assistance and Affordability
 - In response to the expiration of Chapter 14 consumer protection provisions, the PUC adopted a Statement of Policy to maintain essential safeguards, including winter shut-off moratoriums, medical certification exemptions, and structured payment arrangements.
 - The PUC worked with the Pennsylvania Department of Human Services to streamline enrollment in assistance programs, allowing LIHEAP recipients to share their eligibility information directly with utilities.
 - Several major utilities expanded their Customer Assistance Programs (CAPs), offering arrearage forgiveness, discounted rates, and hardship grants to struggling consumers.
- Consumer Engagement and Education

- The PUC handled over 112,000 consumer calls and resolved 74,000 customer inquiries, ensuring rapid assistance for those facing billing disputes or service issues.
- Our Be Utility Wise education program and outreach at events like the Pennsylvania Farm Show helped inform thousands of Pennsylvanians about energy efficiency, shopping for electricity and gas, and financial assistance programs.
- Rate Cases
 - The PUC managed a historic volume of rate case filings in 2024, with more than 31 utilities filing for rate increases.
 - Rate cases are one of the primary ways in which the PUC can economically protect ratepayers while ensuring that state utility service remains safe and reliable.

- **Public Safety and Enforcement**

Beyond reliability, the PUC has a critical role in ensuring public safety across multiple sectors.

- Railroad Safety – The PUC inspected over 8,800 public highway-railroad crossings, worked to enhance rail worker safety, and partnered with the Federal Railroad Administration to reduce accidents.
- Motor Carrier Safety – Over 3,500 roadside inspections were conducted to enforce commercial vehicle safety regulations, protecting Pennsylvania’s roads and highways.
- Damage Prevention – The PUC’s Damage Prevention Committee reviewed 753 excavation safety cases, issuing training mandates and fines to prevent dangerous strikes of utility infrastructure.

- **Reliability and Infrastructure Investment**

Ensuring reliable electric, gas, water, and telecommunications service requires continuous investment in aging infrastructure and a proactive regulatory approach.

- Electric Grid Reliability
 - The Commission recently held a Technical Conference on Resource Adequacy which brought together utilities, grid operators, and energy experts to discuss challenges posed by increasing energy demand, new large load sources such as data centers, retiring power plants, and the rise of intermittent renewable resources.
 - Pennsylvania experienced 49 major outage events in 2023, driven largely by extreme weather and vegetation-related disruptions. The PUC has urged utilities to improve tree-trimming practices and harden grid infrastructure.
- Pipeline Safety and Gas Infrastructure

- The PUC is accelerating the replacement of high-risk pipelines, including cast iron, bare steel, and first-generation plastic gas lines, which pose safety and reliability concerns.
- The Operation Blue Flame emergency exercise tested Pennsylvania’s response to a major wintertime gas disruption, reinforcing the need for interagency coordination and emergency preparedness.

- **Cybersecurity and Emergency Preparedness**

With increasing cyber threats targeting critical infrastructure, the PUC has expanded oversight and preparedness measures.

- All utilities are required to file an annual cybersecurity self-certification, verifying their cybersecurity, emergency response, and business continuity plans.
- The PUC is reviewing existing cyber regulations to ensure they align with modern security threats, including cloud-based vulnerabilities and AI-driven risks.
- The PA Black Sky Steering Committee partnered with the federal Cybersecurity and Infrastructure Security Agency and Homeland Security to conduct a statewide cybersecurity exercise testing Pennsylvania’s response to a large-scale disaster.

- **Telecommunications and Broadband**

The PUC is working to eliminate barriers to broadband expansion and hold providers accountable for service quality.

- The Commission reviewed annual rate filings made by every incumbent local exchange carrier pursuant to Chapter 30 of the Public Utility Code to ensure that rates for basic local exchange services remain just and reasonable and consistent with law.
- In 2024, the PUC adopted new pole attachment regulations, ensuring that broadband providers can access utility poles faster and more efficiently.
- The PUC reached a \$100 million settlement with Frontier Communications to resolve widespread service complaints, requiring infrastructure investments, customer refunds, and stronger maintenance practices.
- The Commission is actively reviewing Verizon’s proposed acquisition of Frontier Communications, ensuring that consumer protections and service standards remain in place.

PUC Overview and Mission

As stated earlier, the Commission regulates more than 8,400 entities, including in-state services for electricity; natural gas; telecommunications and broadband (availability and speed in accordance with Pennsylvania statutory standards); water and wastewater collection and disposal; steam; transportation of passengers and property by motor carrier, truck, taxicab and transportation network companies

(TNCs); pipeline transportation of natural gas and hazardous materials; and public highway-railroad crossings.

The supervision and regulation of these public utilities in Pennsylvania includes establishing just and reasonable rates; providing for adequate, efficient, safe service and facilities; conducting audits, inspections and investigations; providing consumer services; and ensuring the enforcement of, and compliance with, public utility law and regulations.

The PUC is requesting \$103,131,000 for the 2025-26 budget year, which includes \$7,739,000 in potential Federal Funds, used to regulate motor carrier, rail safety and pipeline safety activities. The increase in requested state funds is largely driven by contractual salary and benefit increases. Of the total amount requested, the state's share is \$95,392,000. The Commission receives its state funding from the assessments of jurisdictional public utilities based on their reported revenues from intrastate operations and the Commission's costs to regulate the various utility groups.

In addition, the PUC assesses natural gas and hazardous liquids pipeline operators under Act 127 of 2011 and collects fees from Electric Generation Suppliers and Natural Gas Suppliers for the PUC's oversight of these entities under Act 155 of 2014. The Commission also receives \$1,000,000 for the duties related to administering Act 13 (The Unconventional Gas Well Impact Fee Law). A small portion of the Commission's funding is received from various fees charged by the Commission.

As the Commission continues its focus on ensuring safe, reliable, and reasonably priced utility services, it is also essential to recognize that the landscape of utility regulation is evolving, demanding a forward-thinking approach to regulation and operations. To meet these challenges, the PUC has embarked on *PAPUC Forward*, a five-year strategic plan designed to enhance the agency's effectiveness, modernize operations, and strengthen our workforce. This initiative serves as a critical framework for how the Commission's dedicated employees will continue fulfilling our mission in the years ahead.

PAPUC Forward is a comprehensive operational strategy that reflects input from agency staff, Commissioners, and external stakeholders. The plan is built around five key strategic focus areas:

- **People & Culture** – Investing in staff development and recruitment to ensure the PUC maintains a skilled workforce capable of addressing Pennsylvania's evolving utility landscape.
- **Project Management Capability** – Establishing a structured framework to enhance project execution, increase efficiency, and support strategic initiatives.
- **Process & Operational Excellence** – Implementing an "Innovation Engine" to drive efficiency and effectiveness; standardize and evolve operations for common and consistent execution; and refine the Commission's operating model and roles and responsibilities.
- **Technology Modernization** – Upgrading systems and tools to equip staff with the resources needed for effective oversight, consumer protection, and regulatory compliance.
- **Communication** – Enhancing transparency and outreach to both internal and external stakeholders, streamlining consumer education efforts, and strengthening engagement with Pennsylvania's ratepayers.

Each of these focus areas is directly tied to the work performed by the Commission's employees, demonstrating the agency's commitment to improving services while maximizing operational efficiency. Whether it is modernizing technology to enhance regulatory oversight, fostering a workplace culture that attracts and retains top-tier talent, or streamlining processes to improve response times for consumer inquiries, *PAPUC Forward* ensures that every aspect of the Commission's work is aligned with best practices in state utility regulation.

As the PUC presents its budget request for the 2025-26 fiscal year, *PAPUC Forward* provides a roadmap for how the Commission will use its resources to strengthen oversight, improve consumer protection, and enhance operational efficiency. This plan reflects our ongoing commitment to anticipating and addressing Pennsylvania's rapidly evolving utility needs, ensuring that our regulatory efforts remain proactive, effective, and responsive to the public interest.

Driven by an ever-growing list of cases before the Commission during 2024, PUC staff handled a record-breaking volume of work with outstanding results. More than 32,000 filings were received in 2024, including an unprecedented 31 individual rate cases, compared to the typical seven to nine rate cases per year, along with a record number of formal rate complaints.

In response to this increased number of cases and filings, Commission's staff responded with exceptional efficiency:

- Nearly 12,000 documents were served by the Secretary's Bureau.
- 675 evidentiary hearings and 75 public input hearings were conducted by the Office of Administrative Law Judge (OALJ) and 282 cases were resolved by mediation.
- 862 Orders and Final Orders were served, along with 417 Initial and Recommended Decisions from OALJ and 6,553 Secretarial Letters and other documents.

Consumer inquiries and complaints also received a high degree of attention during 2024, with the Bureau of Consumer Services answering more than 112,000 calls and resolving over 74,000 customer inquiries – reducing open winter moratorium cases to the lowest level in a decade.

The Law Bureau regularly represented the Commission in an average of 45 open state and federal court appeals. Ninety-five percent of proceedings concluded with decisions resulting in the courts' affirmation of the Commission's opinions or other positive outcomes in support of the Commission's position.

The Bureau of Audits released 21 reports covering 52 years of adjustment clauses and one special audit covering three years. In addition, the team reviewed and approved approximately 341 adjustment clause filings.

The PUC's Safety Divisions conducted more than 3,000 electric and pipeline safety inspections and responded to 153 electric safety investigations and 16 pipeline-related incidents. The Rail Safety Section completed 1,270 inspections and addressed 73 reported incidents involving trains and vehicles or pedestrians. The Motor Carrier Safety Section conducted 533 safety fitness reviews on carriers, more than 2,690 federal New Entrant Safety Audits and more than 3,500 roadside inspections of commercial motor vehicles.

The Commission's continued efforts to encourage electronic filing (eFiling) aid the speedy processing of documents, with approximately 60% of all filings now being submitted electronically – 21,270 eFilings, compared to 9,573 filings submitted by mail.

One-hundred sixty-three Right to Know requests were received in 2024 and 13 appeals were defended before the Pennsylvania Office of Open Records (OOR), with the OOR consistently citing the strength of the affidavits submitted by Commission employees and the extensive effort of Commission staff to conduct a "good faith" search to every RTK request.

Additionally, the Commission continues to enhance access to historical records by digitizing older microfilm and paper materials, with more than 10 million pages of information now available online to the public.

Consumer Protection & Assistance Programs

One of the PUC's most fundamental responsibilities is ensuring that Pennsylvania utility consumers – households, businesses, and communities – have fair and reasonable access to essential services, with clear safeguards in place to prevent undue hardship, especially for the most vulnerable populations.

In December 2024, as the statutory provisions of Chapter 14 of the Public Utility Code approached expiration, the PUC took decisive action to provide continuity and stability for consumers by adopting a Statement of Policy to reaffirm essential consumer safeguards. This proactive step ensured consistency concerning key protections—including winter shut-off moratoriums, structured payment arrangements, medical certification exemptions, and protections for victims of domestic violence.

As lawmakers deliberate the future of Chapter 14 in 2025, the PUC shares the legislature's concern for ensuring that utility-related consumer protections are both effective and sustainable. The Commission's decision to maintain these safeguards was guided by two key priorities: preventing service disruptions for vulnerable consumers and ensuring consistency in the regulatory framework governing utility billing, collections, and dispute resolution.

These protections are not just policies – they represent the work of PUC staff in every division, from consumer services' representatives who handle thousands of customer inquiries, to legal and enforcement teams that ensure utilities comply with regulations, to regulatory analysts who assess affordability trends and program effectiveness. The PUC's workforce plays a vital role in protecting utility customers and ensuring fairness in the marketplace.

As the Commission continues its dialogue with the General Assembly in the coming months, we stand ready to collaborate on solutions that uphold Pennsylvania's strong tradition of consumer protections while addressing the evolving needs of the Commonwealth.

Continuing on the topic of consumer assistance, as part of a collaborative project with the Pennsylvania Department of Human Services (DHS) aimed at reducing barriers for at-risk households, consumers applying for heating assistance from the Low Income Home Energy Assistance Program (LIHEAP) are asked if they would like to share LIHEAP income and household information with public utilities who receive the LIHEAP grant. The LIHEAP data sharing is designed to allow low-income consumers to enroll or recertify in energy public utility universal service programs without having to submit a new

application or proof of income-eligibility to the public utility. All major EDCs and NGDCs have signed this agreement.

Consumer complaints make up a large volume of incoming daily calls to the PUC. During the past year, BCS handled 118,141 consumer contacts and 77,013 total complaints, which is a slightly smaller figure than in 2023. The majority of the complaint volume to BCS in 2024 were requests for payment arrangements, with just over 44,000 requests opened.

In addition to addressing in-bound inquiries, the Commission is dedicated to education and outreach. The PUC's consumer educators reached hundreds of front-line community partners and utility customers through many in-person and virtual educational events, including the PUC's annual Be Utility Wise and Be Wise consumer-education conferences. The Be Utility Wise program champions the cause of energy insecurity, striving to enhance consumer understanding of various utility issues, including affordability, reliability, comfort, transportation, infrastructure, and health. PUC consumer educators have finalized plans for a Be Utility Wise (BUW) Human Services Conference, scheduled for mid-March in Philadelphia.

Consumer education was also showcased by the PUC's presence at the annual Pennsylvania Farm Show in early-January 2025. Building on the theme for the 2025 Farm Show, "Powering Pennsylvania," the PUC's booth used an interactive energy education trivia game to present educational materials to consumers, along with the distribution of energy shopping materials highlighting the PUC's PAPowerSwitch and PAGasSwitch websites. More than 50 PUC staff volunteered for the week, including Commissioners, Executive Director Berrier, Bureau Directors, Communications, BCS and other Bureau staff. We also highlighted electric safety by participating in an electric safety event with PPL, the Pennsylvania Department of Agriculture and the Pennsylvania Emergency Management Agency (PEMA).

Advancing Universal Service

Ensuring that low-income households have access to essential utility services remains a core priority of the Commission, and significant steps have been taken to improve the coordination, accessibility, and effectiveness of universal service programs across the Commonwealth. These efforts are designed to streamline enrollment, enhance consumer protections, and ensure that vulnerable Pennsylvanians can maintain essential utility services.

As part of its ongoing statewide review of universal service programs, the PUC established the Universal Service Working Group (USWG) in August 2023, bringing together utilities, consumer advocates, and other stakeholders to identify ways to enhance program coordination and reduce barriers to enrollment. The USWG subgroups explored key aspects of universal service improvement, including:

- Developing a Common Application Form (CAF) – A standardized application that would simplify the enrollment process for eligible consumers.
- Creating a Universal Service Website – A centralized online resource to assist customers in understanding and applying for assistance programs.
- Preparing for LIHEAP Data Sharing – Facilitating the automatic enrollment of eligible low-income households in utility assistance programs using federal LIHEAP recipient data.

The Commission has acted swiftly to implement several of the USWG's recommendations, further improving the effectiveness of Pennsylvania's universal service programs.

On June 13, 2024, the PUC issued an Order requiring utilities to confirm their participation in LIHEAP data sharing and to outline how they plan to use this information for enrolling eligible customers. All major electric and natural gas utilities have committed to participating in LIHEAP data sharing, a step that will reduce enrollment barriers and ensure more eligible households receive assistance.

On August 22, 2024, the PUC issued an Order adopting a slightly modified version of the CAF and encouraged utilities to use it to simplify and standardize the application process for low-income assistance programs—and on November 21, 2024, Pittsburgh Water became the first water utility to adopt the CAF, marking an important expansion of universal service coordination beyond energy utilities.

The Commission has continued discussions on the development of a statewide website, which would serve as a one-stop resource for consumers seeking assistance programs.

The Commission’s work on universal service program improvements builds upon a broad commitment to affordability, access, and consumer protection. These recent actions demonstrate how collaboration between utilities, advocates, and state agencies can lead to tangible improvements that help Pennsylvanians stay connected to essential services.

As these initiatives move forward, the PUC will continue working with the General Assembly, stakeholders, and regulated utilities to advance policies that ensure low-income customers have a clear and efficient path to assistance while strengthening transparency, accessibility, and program accountability.

Utility Terminations

With the end of Pennsylvania’s seasonal winter termination moratorium approaching (March 31, 2025), the Commission is once again emphasizing the importance of direct communication between consumers and utilities to discuss options that can help households remain connected to utility services.

At this point, the best action any consumer with a past-due bill can take is to call their public utility’s customer service hotline and ask for information about their customer assistance programs designed to make energy bills more affordable. Utilities understand the assistance programs available in their communities for income-qualified consumers—including utility-run Customer Assistance Programs, national programs like LIHEAP and various hardship fund programs operated by utilities and nonprofit organizations.

Utilities also can help enroll consumers in assistance programs, guide them to other available resources and discuss new payment plan options to address overdue balances and help consumers move forward. Each major utility has a team of representatives trained to help consumers explore the many options that may be available and connect those families with the necessary resources. If a consumer is unable to resolve an issue or obtain needed information from the utility, they may contact BCS toll free at 1-800-692-7380.

Additionally, the PUC notes that consumers may also contact Pennsylvania’s “211” system (Dial 211 or visit www.pa211.org) for information and resources in their communities to help with utilities, housing, food, employment and more. If, after calling the utility, consumers are not satisfied with the assistance

provided, they can contact BCS.

Historic Volume of Rate Case Filings in 2024

During 2024, the Commission experienced an unprecedented volume of rate case activity, with 31 individual rate cases filed by utilities across the water, wastewater, electric, and natural gas sectors. This record number of filings – combined with associated complaints filed by consumers and stakeholders – resulted in an extraordinary workload for Commission staff across multiple bureaus.

Unlike other regulatory proceedings, utilities – not the PUC – control the timing of rate case filings, and statutory requirements impose a strict timeframe for the Commission to thoroughly investigate each case, evaluate the justifications for proposed rate increases, and determine fair and reasonable rates for consumers. Each filing must be carefully analyzed within a tight review window, requiring detailed financial and operational assessments, public input hearings, and legal proceedings before a final decision is reached. In 2024, our staff supported 54 public input hearings on rate cases across the state.

While each utility had unique factors driving its rate request, common themes across the filings included:

- Aging infrastructure and the need for capital investments to maintain and improve service reliability.
- Increased operating costs, including fuel, materials, and labor expenses.
- Increased interest rates.
- Utility programs aimed at enhancing system resiliency, meeting environmental and safety regulations, and expanding affordability initiatives for low-income consumers.

Despite the complexity and volume of these cases, the PUC’s decisions overwhelmingly resulted in significantly lower rate increases than originally requested by utilities. These decisions also included:

- Mandates for improved service reliability and infrastructure investments to ensure safe and dependable utility service for Pennsylvania residents and businesses.
- Enhancements to affordability programs, ensuring that low-income customers receive additional support to manage utility costs.
- New consumer protections and operational improvements to hold utilities accountable for responsive and high-quality service.

The Commission’s work in 2024 reflects its ongoing commitment to balancing the financial needs of utilities with the interests of Pennsylvania consumers, ensuring that rates remain just and reasonable while promoting reliability, affordability, and long-term sustainability in the state’s utility sector.

Utility Audits & Financial Accountability

During the past year, the PUC Financial Audits team released 23 reports covering 71 years’ worth of adjustment clauses and reviewed and approved approximately 362 adjustment clause filings.

Management Audit staff released four Management Audits and two Management Efficiency Investigation reports in Calendar Year 2024.

Recommendations included in the Management Audits & Management Efficiency Investigations identified \$3.13 million in projected annual savings and \$4 million in one-time savings by identifying efficiencies for utilities, including potential improvements in operations, service reliability and safety programs.

Utility Reliability Challenges & System Resilience

Ensuring resilient and reliable utility service is a top priority for the Commission. As extreme weather events become more frequent, and as the state's energy infrastructure ages, proactive planning, system modernization, and emergency preparedness are critical to safeguarding Pennsylvania's electric, natural gas, water, and communications systems. The Commission continues to advance robust initiatives to improve system reliability, strengthen emergency response efforts, and enhance coordination among utilities, state agencies, and local governments.

The PUC's latest Electric Service Reliability Report highlights several key challenges facing Pennsylvania's electric distribution companies (EDCs), including:

- An increase in reportable outage events, rising from 42 in 2022 to 49 in 2023, primarily due to severe storms.
- Vegetation-related outages remaining the leading cause of service disruptions, as weakened and dead trees – particularly those affected by infestations like the Emerald Ash Borer – continue to pose a major threat to grid reliability.

While advanced grid technologies such as automated smart reclosers and self-healing grid systems have helped reduce the total number of consumers affected by outages, those who do lose power often experience longer restoration times due to the complexity of modern distribution systems.

Recognizing these challenges, the PUC has emphasized the importance of infrastructure investments and enhanced vegetation management to reduce outage impacts. Nine of Pennsylvania's 11 EDCs have active Long-Term Infrastructure Improvement Plans (LTIIPs) aimed at upgrading aging equipment, replacing poles and transformers, and enhancing system resilience. However, the Commission has noted that vegetation management is not currently an eligible category under LTIIP funding, creating hurdles for utilities working to mitigate tree-related outages.

A recent rate case settlement with FirstEnergy, which serves consumers across Pennsylvania, further reinforces our focus on system reliability. The settlement includes commitments to:

- Reduce the frequency and duration of service outages.
- Conduct undergrounding feasibility studies to identify where placing lines underground could improve reliability.
- Perform annual audits of customer service, billing, and outage response performance.

As Pennsylvania’s energy landscape evolves, collaborative efforts between utilities, regulators, and policymakers will remain essential to ensuring a more resilient and reliable electric grid.

In addition to ensuring day-to-day service reliability, the PUC has placed significant emphasis on large-scale emergency preparedness to prepare for and mitigate catastrophic service disruptions. The Commission leads and participates in statewide emergency exercises, bringing together utilities, state agencies, and first responders to develop and test response plans for extreme outage scenarios.

The Pennsylvania Black Sky Steering Committee (BSSC) – a collaborative effort among the PUC, PEMA, the Governor’s Office of Homeland Security, and critical infrastructure operators – focuses on planning for prolonged, widespread power outages that could result from cyberattacks, extreme weather, or coordinated physical attacks on critical infrastructure.

- In May 2024, the BSSC held a statewide meeting to review long-term resilience goals and coordinate response strategies across Pennsylvania’s energy, water, communications, and transportation sectors.
- In December 2024, the BSSC partnered with the U.S. Cybersecurity and Infrastructure Security Agency (CISA) to conduct a Black Sky Communications Exercise, simulating a major natural disaster that disrupts conventional communications systems. This exercise helped identify weaknesses in primary, alternate, contingency, and emergency communications and refine response strategies for utilities and government agencies.

By engaging in ongoing Black Sky preparedness initiatives, Pennsylvania is better equipped to handle large-scale utility disruptions, ensuring that utilities and emergency responders can communicate effectively and restore services as quickly as possible in the event of a major catastrophe.

The reliability of Pennsylvania’s natural gas system is critical, particularly during cold weather months when heating demand is highest. In May 2024, the PUC partnered with UGI and federal, state, and local emergency management agencies to conduct the sixth annual “Operation Blue Flame” natural gas emergency exercise. The 2024 Operation Blue Flame exercise simulated:

- An explosion on a major natural gas transmission line in Ohio, which resulted in a widespread natural gas service disruption across Southern Pennsylvania.
- Cold weather conditions, exacerbating the impact of the outage and creating a mass care and public health emergency.
- Coordination between government agencies and utilities to develop response strategies, establish sheltering plans, and address infrastructure repair needs.

The exercise highlighted the importance of interagency coordination and identified areas where response planning can be improved, reinforcing the critical need for emergency preparedness measures to protect consumers and ensure continuity of service.

The PUC remains committed to ensuring strong system reliability and emergency preparedness across Pennsylvania’s electric, natural gas, and water utility sectors. By working to address vegetation-related outages, strengthening grid resilience, enforcing reliability standards, and enhancing emergency

response coordination, the Commission is working to ensure that Pennsylvania’s utility infrastructure can withstand modern challenges and recover quickly from disruptions.

The PUC will continue working with state and federal partners, utility companies, and local governments to advance emergency preparedness, infrastructure investment, and regulatory oversight—ensuring that Pennsylvanians receive safe, reliable, and resilient utility service in the face of evolving threats and challenges.

Pipeline & Natural Gas Safety

Ensuring the safe and reliable delivery of natural gas is one of the PUC’s most critical responsibilities, and the Commission remains steadfast in its commitment to proactively identifying and addressing risks within Pennsylvania’s natural gas infrastructure. Through a series of strategic initiatives, the PUC is advancing policies that accelerate the replacement of aging pipelines, enhance regulatory oversight, and implement groundbreaking safety measures to protect the public.

A major focus of the Commission’s work continues to be the replacement of high-risk cast iron and unprotected bare steel pipelines, which remain among the most significant contributors to gas leaks and safety concerns. As of last year, Pennsylvania’s natural gas distribution operators maintained 1,903 miles of cast iron and wrought iron pipeline and 4,914 miles of bare steel pipeline, with an additional 156,830 bare steel service lines providing gas to homes and businesses. While significant progress has been made in reducing these risks, the PUC continues to push for the full replacement of these materials to eliminate preventable gas leaks, improve reliability, and enhance public safety.

Last year alone, Pennsylvania natural gas utilities removed approximately 128.4 miles of cast iron pipe and 356.9 miles of bare steel pipe from service. The PUC estimates that full replacement of these materials will cost between \$13 billion and \$16 billion, a necessary investment to prevent safety hazards and ensure system integrity.

The Commission continues to support and oversee utility-led replacement programs and advocates for the use of the Distribution System Improvement Charge (DSIC) to accelerate the timeline of this critical infrastructure work while balancing cost impacts on ratepayers.

While significant progress has been made in replacing cast iron and bare steel, the PUC is also taking strong steps to address emerging safety risks associated with older plastic pipelines. First-generation plastic piping, installed between the 1960s and 1980s, has been found to be susceptible to brittle-like cracking, leading to an increased risk of leaks and failures. Recognizing the importance of preemptively addressing this issue, the Commission launched a new policy initiative in 2024 to propose the accelerated identification and removal of at-risk plastic pipe, including three primary components:

- **Comprehensive Data Collection:** The PUC has reissued a formal data request to all natural gas utilities, requiring full disclosure of first-generation plastic materials in their systems.
- **Expanding Replacement Plans:** The PUC proposes directing utilities to amend their current infrastructure replacement plans to include at-risk plastic materials under DSIC programs,

allowing for expedited removal and replacement.

- **Mandatory Pipeline Replacement Plans for Smaller Utilities:** For natural gas utilities that do not currently have a DSIC in place, it is proposed that they be required to submit Pipeline Replacement Plans to the Commission for approval, ensuring that all high-risk materials—including plastic, cast iron, and bare steel—are prioritized based on safety concerns.

These efforts build on Pennsylvania’s strong track record of infrastructure modernization and reinforce the PUC’s role in ensuring safe, proactive management of natural gas distribution systems across the Commonwealth.

Beyond infrastructure replacement, the Commission is also exploring new technologies and public safety measures to further protect residents from potential gas hazards. In January 2025, the PUC approved a first-of-its-kind settlement with Philadelphia Gas Works (PGW), transforming lessons learned from a tragic 2019 house explosion into a pioneering public safety initiative. This groundbreaking settlement requires PGW to:

- **Launch a Residential Methane Detector Pilot Program** – PGW will spend \$800,000 to distribute methane detectors and alarms to interested customers, providing an early-warning system for gas leaks before they become catastrophic.
- **Accelerate Infrastructure Modernization** – PGW will seek up to \$125 million in federal funding to expedite the replacement of small-diameter cast iron mains, prioritizing high-risk areas for improvements.
- **Improve Risk Management Procedures** – PGW will enhance its underground infrastructure monitoring efforts, with stronger protocols for addressing pipe integrity risks, particularly where aging cast iron pipes may be compromised by external factors such as water or sewer failures.
- **Enhance Coordination with Key Stakeholders** – PGW will increase collaboration with the Philadelphia Water Department and local utility operators to ensure better communication and proactive response strategies for underground utility safety.

This initiative sets a precedent for proactive safety measures statewide, demonstrating that the Commission is not only enforcing regulatory compliance but also pioneering innovative solutions to improve public safety.

Through these coordinated infrastructure replacement efforts, policy-driven safety initiatives, and direct consumer protection measures, the PUC is taking clear and decisive action to modernize Pennsylvania’s natural gas distribution systems, enhance pipeline safety, and prevent future tragedies.

- By accelerating the removal of cast iron, bare steel, and first-generation plastic pipes, the PUC is eliminating high-risk materials and strengthening the integrity of Pennsylvania’s gas infrastructure.
- By leveraging DSIC programs and federal funding opportunities, the Commission is ensuring that infrastructure improvements can be made quickly and cost-effectively while maintaining

regulatory oversight.

- By introducing innovative safety programs like methane detectors, the PUC is proactively protecting consumers and reducing the likelihood of future gas-related incidents.

The Commission remains fully committed to working with the General Assembly, regulated utilities, and federal partners to continue improving public safety, modernizing infrastructure, and ensuring Pennsylvania residents have access to safe and reliable natural gas service. These efforts reflect the collective expertise and dedication of the PUC's staff, whose regulatory oversight and policy leadership drive meaningful improvements that benefit all Pennsylvanians.

Enhancing Damage Prevention Efforts

The Commission extends its sincere appreciation to the General Assembly for its leadership in renewing and strengthening the Pennsylvania One Call Law, which otherwise would have expired at the end of 2024. This action extends the protections of the PA One Call Law, ensuring the continued safety of workers, residents, and critical underground utility infrastructure across the Commonwealth.

Renewal of that important safety tool has reinforced Pennsylvania's commitment to prevent excavation-related utility damage. Additionally, it reinforces the work of the PUC's Damage Prevention Committee (DPC), which plays a vital role in enforcing excavation safety requirements and holding violators accountable through compliance measures and penalties.

Last year, the DPC reviewed 753 cases during 11 meetings, resulting in the approval of 3,158 violations for non-compliant excavation and facility protection practices. As a result, 739 underground facility owners, excavators, and project owners were directed to attend Act 50 training to improve compliance with Pennsylvania's One Call Law.

With thousands of underground utility hits reported each year, the PA One Call system remains one of the most effective tools for preventing service disruptions, costly repairs, and dangerous strikes of utility infrastructure. The Commission appreciates the General Assembly's dedication to ensuring that excavators, utility owners, and project managers adhere to the highest safety standards.

Railroad Safety & Crossing Oversight

As part of its broader mission to ensure the safety, reliability, and efficiency of Pennsylvania's transportation infrastructure, the PUC remains dedicated to advancing rail safety initiatives. With rail movements of commodities and intermodal shipments continuing to rise across the Commonwealth, the PUC's Rail Safety Section plays a critical role in protecting communities, rail workers, and the traveling public. Through targeted inspections, infrastructure oversight, and regulatory enforcement, the PUC works in partnership with the Federal Railroad Administration (FRA) and other stakeholders to reduce accidents and enhance operational safety.

The PUC currently maintains a complement of 10 highly trained railroad safety inspectors (RRSI) covering critical disciplines, including track integrity, operating practices, hazardous materials, motive power and equipment (MP&E), and signals & train control (S&TC). These inspectors conduct field assessments to

ensure railroads meet federal and state safety regulations, directly contributing to safer rail operations throughout the state.

The ability to maintain a fully staffed and experienced inspection team is essential to sustaining the Commission's ability to oversee rail operations and prevent accidents. The PUC remains committed to hiring and retaining qualified personnel, recognizing that a robust inspector workforce is key to ensuring the safety of Pennsylvania's growing rail network.

The Rail Safety Section actively worked to fill vacancies, although recruitment challenges persist due to salary competitiveness. We are working with the Administration to address this issue.

The PUC partners with the FRA under the National Inspection Plan (NIP) to identify safety "hot spots" and proactively direct inspection resources where they are needed most. By analyzing accident data and violation trends, inspectors can prioritize high-risk rail segments, leading to targeted enforcement actions that enhance safety.

- In recent years, train accidents in Pennsylvania have decreased by nearly 25%, demonstrating the success of data-driven safety efforts.
- The primary causes of train accidents remain human factors and defective track conditions. Common safety risks include improperly aligned switches, failure to apply brakes, obstructed track views, and fatigued personnel.
- The PUC's track safety inspectors collaborate with the FRA to conduct Automated Track Inspection Program (ATIP) reviews, using specialized FRA geometry cars to detect track irregularities before they result in accidents.

The PUC's participation in the Risk Reduction Plan (RRP) further underscores its commitment to accident prevention. This FRA-led initiative encourages railroads to develop stronger safety cultures, implement new technologies, and reduce workplace injuries. In Pennsylvania, the PUC Rail Safety Section has engaged in pilot projects aimed at improving rail worker safety protocols while maintaining strict compliance oversight.

Additionally, the PUC holds exclusive jurisdiction over the safety of Pennsylvania's public highway-rail crossings, overseeing approximately 8,800 crossings statewide. These crossings include:

- 1,700 below-grade crossings, where a railroad bridge passes over a public highway.
- 1,500 above-grade crossings, where a highway bridge crosses over a railroad.
- 5,600 at-grade crossings, where public highways directly intersect with rail lines.

The PUC's authority under Section 2702 of the Public Utility Code allows the Commission to determine how crossings are constructed, altered, or maintained to prevent accidents and enhance public safety. In 2024, the Rail Safety Section handled 172 proceedings related to crossing improvements, ensuring that vital safety enhancements were addressed in a timely manner.

Moreover, the PUC's railroad bridge inspection program continues to provide critical oversight of aging infrastructure. The Commission collaborates with PennDOT and railroad owners to monitor bridge conditions, address public complaints, and ensure compliance with federal bridge safety regulations.

Several century-old railroad and highway bridges remain under review for necessary maintenance or replacement, reinforcing the Commission's role in preventing infrastructure-related rail accidents.

Beyond inspections and enforcement, the PUC is committed to educating the public on railroad safety. Through its Operation Lifesaver partnership, the Commission raises awareness about the dangers of highway-rail crossings and railroad trespassing.

- In 2024, Pennsylvania recorded 71 train-related accidents, including:
 - 35 motor vehicle collisions, resulting in nine injuries and two fatalities at public rail crossings.
 - 36 pedestrian/trespasser incidents, leading to 24 fatalities and 12 injuries.

Rail safety education remains a critical component of accident prevention, and the PUC continues to collaborate with law enforcement, schools, and local governments to improve public awareness and encourage safer behaviors around rail lines.

Despite ongoing progress, rail safety challenges remain a priority for the Commission. Many of Pennsylvania's rail bridges and crossings require modernization to meet 21st-century safety standards. The PUC will work with state and federal partners to prioritize high-risk crossings and secure funding for critical infrastructure improvements.

The PUC remains steadfast in its mission to enhance rail safety across Pennsylvania, ensuring that train movements, rail infrastructure, and public crossings are managed with the highest standards of oversight and enforcement. This is a shared priority between the PUC and the General Assembly, as both entities work together to reduce accidents, improve safety regulations, and invest in the future of Pennsylvania's rail system.

Other Safety Issues

Beyond its critical oversight of rail and pipeline safety, the Commission remains fully committed to a comprehensive approach to public safety across multiple sectors, including electric infrastructure, damage prevention to underground utility facilities, and motor carrier enforcement. Through rigorous inspections, proactive enforcement, and strong collaboration with stakeholders, the PUC continues to protect residents, utility workers, and businesses from hazards that could disrupt services or put lives at risk.

The PUC's Safety Divisions conducted over 3,250 electric and pipeline safety field inspections last year, ensuring compliance with regulatory standards and identifying risks before they escalate into serious incidents. The Commission's Pipeline Safety Division responded to and completed 24 incident and complaint investigations, while the Electric Safety Division handled approximately 150 unplanned investigations involving utility infrastructure issues.

The Pipeline Safety Division conducted 106 inspections in 2024 related to mark-out verifications, ensuring that utility lines were properly identified before excavation. Additionally, the Division conducted 56 inspections of reported underground facility damage, which included investigating incidents of damaged gas lines and hazardous liquid pipelines.

By enforcing damage prevention requirements and conducting daily construction site inspections, the Commission plays a key role in reducing excavation-related damage to underground utilities, and preventing dangerous gas leaks, power outages, and service disruptions that could impact homes, businesses, and essential services.

The PUC's Motor Carrier Enforcement Division remains committed to ensuring the safety of commercial motor vehicles operating in Pennsylvania. Through targeted safety audits, compliance checks, and enforcement actions, the Commission works to prevent unsafe vehicles and unqualified operators from endangering Pennsylvania's roads.

- PUC inspectors completed 497 safety fitness reviews last year, evaluating the compliance of motor carriers with state and federal safety regulations.
- The Division conducted 2,750 federal New Entrant Safety Audits, ensuring that new motor carriers met the necessary safety requirements before operating in the Commonwealth.
- Over 3,500 roadside inspections were conducted, identifying safety violations, vehicle defects, and driver non-compliance that could pose risks to public safety.

Through these aggressive enforcement efforts, the PUC is improving roadway safety, reducing commercial vehicle-related accidents, and ensuring that motor carriers operate in compliance with Pennsylvania's safety laws.

Public safety remains one of the most critical shared priorities between the PUC and the General Assembly. As part of the Commission's broader mission, inspections, enforcement actions, and damage prevention initiatives all play a role in strengthening Pennsylvania's infrastructure, protecting consumers, and ensuring a safe and reliable utility network.

The PUC remains committed to working alongside lawmakers, industry stakeholders, and federal partners to expand safety initiatives, enhance regulatory oversight, and further reduce risks across Pennsylvania's energy, transportation, and utility sectors. Through continued investment in modernizing safety programs, enforcing compliance, and improving public education efforts, the Commission is ensuring the highest level of safety for residents, workers, and businesses across the Commonwealth.

Competitive Energy Markets & Resource Adequacy

The Commission continues to monitor and address critical issues in the state's electricity sector, ensuring that electricity remains reliable, competitive, and consumer friendly. The Commission is actively engaged in assessing resource adequacy, supporting the continued development of Pennsylvania's competitive electricity markets, and enforcing strict oversight of electric generation and natural gas suppliers to protect consumers from misleading or deceptive practices.

The issue of electric resource adequacy has gained increased attention following the July 2024 capacity auction conducted by PJM Interconnection (PJM) – the regional grid operator for Pennsylvania and much of the Mid-Atlantic and Midwest. The auction resulted in a nearly tenfold increase in capacity pricing for the 12-month period beginning June 2025. The primary drivers of these cost increases include:

- Projected electric load growth, particularly from data centers supporting artificial intelligence (AI) applications, which could account for 16% of total electricity demand by 2039—up from 4% today.
- Increased adoption of electric vehicles (EVs) and electrification of heating systems, adding to future demand growth.
- The retirement of traditional generation units and the growing use of intermittent renewable energy resources, which require a balanced mix of capacity solutions to maintain reliability.

Recognizing the potential challenges posed by these developments, the PUC hosted a Technical Conference on Resource Adequacy. Participants included utilities, generators, consumer advocates, and other experts. Key topics discussed included:

- Whether utilities should play a more direct role in securing new generation resources.
- The potential use of long-term power purchase agreements (PPAs) to support new generation development and grid stability.
- The need for large-load users, such as data centers, to provide their own backup generation rather than relying solely on the grid.
- The role of energy storage, demand response, and energy efficiency in balancing supply and demand.
- Regulatory and policy barriers that may slow new generation and transmission development, including lags in PJM’s process for interconnecting new generation resources, local permitting challenges, environmental policies, and supply chain constraints.

Following the conference, the PUC received 30 sets of formal comments and is currently reviewing input from stakeholders to determine next steps. The Commission remains committed to ensuring that Pennsylvania’s electric grid remains reliable and resilient in the face of an evolving market and technological landscape.

The Commission continues to closely monitor competitive market developments to ensure that Pennsylvania consumers benefit from fair pricing, transparency, and robust supplier competition.

The PUC remains vigilant in enforcing consumer protection rules to ensure that electric generation suppliers (EGSs) and natural gas suppliers (NGSs) engage in fair and transparent marketing practices.

In April of 2024, the Commission issued a Secretarial Letter reminding all suppliers of their obligations under 52 Pa. Code Chapter 111, which governs Marketing and Sales Practices for the Retail Residential Energy Market. This letter followed an increase in consumer complaints about misleading marketing tactics during periods of high electricity prices.

Key supplier requirements emphasized in the Commission’s guidance include:

- Full transparency when contacting potential customers, including clearly identifying the supplier and stating the purpose of the call.

- Prohibiting misleading statements such as “urgent matters concerning your electricity bill” or “discount/refund opportunities” that could confuse consumers.
- Strict compliance with state and federal “Do Not Call” list laws, which prohibit suppliers from contacting customers who have opted out of solicitation.

Additionally, the Commission continues its ongoing enforcement efforts through investigations and penalties against suppliers found to be violating Pennsylvania’s consumer protection rules.

As Pennsylvania’s electricity landscape continues to evolve, the PUC remains focused on ensuring resource adequacy through continued engagement with PJM, utilities, and stakeholders to address emerging grid reliability challenges; fostering a competitive electricity market that provides affordable and transparent options for consumers; and enforcing strict supplier oversight to ensure that Pennsylvanians are protected from deceptive marketing and unfair business practices.

The Commission looks forward to working with the General Assembly, industry partners, and consumer advocates to ensure that Pennsylvania’s electricity market remains reliable, competitive, and consumer friendly.

Telecommunications and Broadband Developments

The Commission PUC continues its work to expand broadband deployment, resolve telecommunications service issues, and oversee the evolving landscape of the industry. With increasing reliance on high-speed internet and reliable telephone service, particularly in rural and underserved areas, the Commission is taking proactive steps to ensure that infrastructure development moves forward efficiently, service standards are upheld, and consumer protections remain strong.

One of the major barriers to broadband expansion in Pennsylvania has been delays in securing access to utility poles—a key factor in deploying fiber-optic networks and other broadband infrastructure, particularly in rural areas. To address this issue, the PUC has adopted new federal pole attachment regulations designed to accelerate resolution of any disputes between broadband providers and pole owners.

The new regulations, approved by the Commission in September 2024, include two key provisions:

- Transparency in Pole Inspections – Pole owners must now share recent inspection reports with broadband providers seeking to attach to their poles. This measure reduces redundancy, avoids wasteful spending, and speeds up the deployment process.
- Accelerated Dispute Resolution – Under the new framework, disputes over pole attachments must be resolved more quickly, significantly cutting down the delays that previously stalled broadband expansion efforts.

Additionally, the PUC strongly encourages the use of its mediation unit as an alternative to formal complaints, helping to streamline pole attachment disputes. These actions reinforce Pennsylvania’s commitment to ensuring broadband expansion reaches unserved and underserved communities as quickly and efficiently as possible.

Reliable telephone and internet service remain a fundamental necessity for Pennsylvanians, and the PUC remains vigilant in enforcing service quality standards for telecommunications providers. In May 2024, the Commission approved a settlement agreement resolving a large-scale service complaint case against Frontier Communications, following a series of consumer complaints and public hearings regarding persistent service issues in its Pennsylvania service territory.

The settlement, negotiated with the Office of Consumer Advocate (OCA) and the Office of Small Business Advocate (OSBA), requires Frontier to implement several key improvements, including:

- Customer Credits & Refunds – Consumers affected by service failures will receive direct financial relief.
- \$100 Million in Infrastructure Investments – Frontier has committed to targeting its most troublesome wire centers and addressing aging infrastructure that contributed to repeated outages.
- Maintenance and Service Plans – The company must file detailed plans outlining its strategies for improving network reliability and responding to service issues more effectively.
- Enhanced Consumer Protections – Including a small business rate cap, a dedicated customer service hotline, and increased staffing in the Northern Tier region.

The complaint against Frontier case drew significant public attention, with hundreds of consumers testifying at public input hearings about service disruptions, difficulty reaching customer service, and prolonged outages. The settlement reflects the Commission’s ongoing efforts to hold providers accountable and ensure that Pennsylvanians receive reliable telecommunications services.

Following the resolution of the Frontier complaint case, the Commission is now closely reviewing the proposed acquisition of Frontier Communications by Verizon Communications. This significant transaction, which would transfer control of Frontier’s Pennsylvania operations to Verizon, has renewed consumer concerns about the company’s history of service issues and infrastructure challenges.

- The case is currently before the Office of Administrative Law Judge (OALJ), with public input hearings scheduled for February 2025.
- Initial public hearings have drawn large crowds, with customers voicing concerns about the previous complaint case against Frontier while also expressing hopes for potential improvements under Verizon’s ownership.
- The Commission is carefully evaluating the proposed transaction, ensuring that any potential transfer prioritizes consumer protection, network reliability, and compliance with service quality obligations.

As telecommunications technology continues to evolve, the PUC remains focused on ensuring that Pennsylvania consumers and businesses have access to high-quality, affordable, and reliable services. The Commission’s proactive efforts to accelerate broadband expansion, resolve service disputes, and provide regulatory oversight of major industry changes are critical to maintaining a competitive and consumer-friendly telecommunications market.

The PUC looks forward to continued collaboration with the General Assembly, industry stakeholders, and consumer advocates to ensure that Pennsylvania remains at the forefront of broadband expansion and telecommunications service improvements.

Water and Wastewater Issues

Water and wastewater service is an essential public need, and the Commission remains committed to ensuring safe, reliable, and affordable service for all Pennsylvanians. In recent years, the Commission has taken proactive steps to enhance regulatory oversight, promote infrastructure modernization, and improve affordability for consumers.

The acquisition of municipal water and wastewater systems by investor-owned utilities under Section 1329 of the Public Utility Code has been an area of growing interest across Pennsylvania. While these transactions can bring increased investment, operational expertise, and infrastructure improvements, they also require careful oversight to ensure that public interests are protected, and ratepayer impacts are fully considered.

In February 2024, the PUC introduced new procedural “guardrails” to enhance transparency, public awareness, and consistency in evaluating Section 1329 acquisition applications. These new procedural steps include:

- Requiring at least two public meetings before a sale agreement is finalized, ensuring that local residents have an opportunity to understand and provide input on proposed acquisitions.
- Mandatory disclosure of potential rate impacts, requiring sellers to provide formal notice to customers about how the transaction could affect their bills.
- Establishing uniform valuation guidelines, ensuring that appraisals used in the transaction process are consistent and objective.
- Developing a reasonableness review ratio, providing a standardized measure to assess whether the proposed acquisition price aligns with fair market values.

These changes reflect the Commission’s commitment to accountability in water and wastewater acquisitions and ensuring that ratepayers and local communities are fully informed when these transactions take place.

In addition to overseeing municipal system acquisitions, the PUC also plays a key role in addressing failing or financially distressed water utilities through Section 529 of the Public Utility Code. Section 529 enables the Commission to require a capable utility to acquire and improve a struggling water provider, ensuring that customers receive safe and reliable service.

Several ongoing Section 529 investigations highlight the Commission’s commitment to protecting customers of distressed systems:

- **Conneaut Lake Park Water Corporation (CLPWC)** – Following a rate case settlement in 2023, the PUC initiated a 529 investigation into whether CLPWC should be transferred to a better-equipped utility. The case is now proceeding through the settlement judge process, with Aqua Pennsylvania Inc. among the potential acquirers.

- **Rock Spring Water Company** – After years of regulatory violations, including water quality issues and noncompliance with DEP environmental orders, the PUC initiated a 529 proceeding in September 2024 to determine whether Rock Spring should be acquired by a larger, more capable provider.
- **Venango and Rhodes Water Utilities** – In August 2023, the Commission issued an Emergency Order placing Venango Water Company and other water systems owned by the Blaine Edwin Rhodes Estate under receivership with Aqua Pennsylvania Inc. As of October 2024, Aqua remains the receiver, while discussions continue on a long-term solution for these systems.

These cases underscore the Commission’s responsibility to intervene when small water systems fail, ensuring that customers receive safe, reliable, and properly managed service.

The PUC remains focused on ensuring the removal of lead service lines (LSLs) from Pennsylvania’s water systems. In March 2022, the Commission adopted new LSL replacement regulations, expanding utility responsibility for identifying and replacing these aging pipes. Since then, the Commission has actively worked to ensure that water utilities comply with these rules and implement replacement programs that protect public health.

Key actions during 2024 included:

- In May 2024, the PUC published an LSL replacement program petition template to assist smaller utilities in developing and submitting compliance plans.
- Implementation outreach efforts in June 2024 involved direct engagement with 62 utilities, ensuring they were aware of LSL replacement requirements.
- As of June 2024, seven major water utilities, including Pittsburgh Water and Sewer Authority and the City of Lancaster, have filed LSL replacement petitions, with additional filings expected as compliance deadlines approach.

By continuing to prioritize the removal of lead service lines, the Commission is helping to protect public health and ensure that Pennsylvania’s drinking water systems remain safe for future generations.

A growing concern in Pennsylvania’s water sector is the presence of per- and polyfluoroalkyl substances (PFAS) in drinking water. These synthetic “forever chemicals” are commonly used in industrial applications and firefighting foam and persist in the environment, posing significant health risks.

- In January 2023, the Pennsylvania Department of Environmental Protection (DEP) set maximum contaminant levels (MCLs) for PFOA and PFOS, requiring water utilities to implement treatment solutions.
- In April 2024, the U.S. Environmental Protection Agency (EPA) issued its final rule on PFAS limits, setting stricter federal standards that will increase compliance costs for utilities.
- Large utilities have begun installing treatment systems to address PFAS contamination, while smaller water providers may struggle due to the high capital costs of filtration and remediation.

The PUC continues to monitor the financial impact of these regulations and is working with DEP and the Small Water Task Force to assist small and mid-sized utilities in navigating compliance challenges.

The Commission has seen growing participation in customer assistance programs (CAPs) for water and wastewater service, helping to ensure affordability for low-income households. While no law currently requires water utilities to offer universal service programs, many companies have voluntarily implemented assistance initiatives, often through rate case settlements.

Some of the most significant affordability programs include:

- Aqua Pennsylvania’s CAP – Offers arrearage forgiveness, discounts on fixed charges and consumption rates, and provided over \$2.8 million in discounts to 6,670 customers in 2024.
- PA American Water’s “Help to Others” Program – Provides tiered discounts on service charges and hardship fund assistance, benefiting over 28,000 water and wastewater customers.
- Pittsburgh Water & Sewer Authority’s “PGH2O Cares” Program – Features bill discounts, arrearage forgiveness, and private lead line replacement grants, with over \$550,000 in hardship grants disbursed in 2024.

The Commission continues to support and evaluate these affordability initiatives, working with utilities to expand consumer protections and ensure that all Pennsylvanians have access to clean and affordable water services.

We remain deeply committed to ensuring that Pennsylvania’s water and wastewater systems remain safe, sustainable, and accessible to all consumers. Whether through strengthened acquisition oversight, intervention in distressed utilities, lead service line replacement, PFAS compliance, or affordability programs, the Commission continues to proactively address challenges and protect public health.

The PUC looks forward to continued collaboration with the General Assembly, utilities, and consumer advocates to ensure that Pennsylvania’s water and wastewater infrastructure remains strong, well-regulated, and focused on serving the public good.

Cybersecurity & Infrastructure Protection

As cyber threats grow more sophisticated and frequent, ensuring the security and resilience of Pennsylvania’s utility systems has never been more critical. The Commission remains deeply engaged in efforts to protect the state’s electric, natural gas, water, wastewater, and telecommunications networks from cyberattacks that could disrupt essential services, threaten public safety, and undermine economic stability.

Throughout 2024, the Commission worked closely with utilities, state and federal agencies, and industry stakeholders to bolster cybersecurity preparedness. These efforts included regular assessments of utility security practices, collaboration with the Cybersecurity and Infrastructure Security Agency (CISA) and the Department of Homeland Security (DHS), and participation in national cybersecurity initiatives led by the National Association of Regulatory Utility Commissioners (NARUC). In particular, the PUC emphasized the need for small and mid-sized utilities—often operating with limited resources—to implement robust cybersecurity frameworks to protect themselves from emerging threats.

One of the Commission’s most important tools for ensuring utility preparedness is the Public Utility Security Planning & Readiness Self-Certification Checklist, an annual requirement for all jurisdictional

utilities. Each year, utilities must verify that they have four essential plans in place: a physical security plan, cybersecurity plan, emergency response plan, and business continuity plan. These documents are vital to ensure utilities are prepared to prevent and respond to threats that could impact the delivery of essential services. In December 2024, the PUC issued its annual reminder for utilities to submit their self-certifications, with a filing deadline set for February 28, 2025.

The self-certification process was originally established in response to House Resolution 361, which tasked the PUC and the Pennsylvania Emergency Management Agency with evaluating utility security protections. Since 2005, these regulations have been instrumental in strengthening Pennsylvania's critical infrastructure. Utilities that fail to submit their self-certifications may face delays in other regulatory matters, reinforcing the importance of compliance.

Recognizing that cybersecurity risks are evolving rapidly, the PUC has also launched a review of its existing cybersecurity regulations to ensure they remain effective in today's threat landscape. The Commission's current framework consists of two key regulatory categories: cyber-attack reporting and self-certification. Cyber-attack reporting requirements, established in 2011, were designed to create a more uniform approach for utilities to disclose security incidents. Meanwhile, the self-certification regulations first implemented in 2005 ensure that utilities maintain comprehensive security and emergency response plans.

Given the pace of technological change, the Commission is now evaluating whether these rules need to be updated to address modern cybersecurity challenges, including new attack methods, digital infrastructure vulnerabilities, and increasing reliance on cloud-based and artificial intelligence-driven systems. To guide this effort, the PUC is engaging with cybersecurity experts, utilities, and state and federal agencies to explore potential enhancements to reporting requirements, risk assessments, and response strategies. The goal is to ensure that Pennsylvania's regulatory framework is aligned with the latest best practices and is capable of addressing emerging cyber threats.

Cybersecurity awareness and education also remain central to the Commission's efforts. In October 2024, the PUC participated in National Cybersecurity Awareness Month, reinforcing the importance of proactive security measures for both utilities and consumers. The campaign, themed "Secure Our World," highlighted four key steps to strengthen online security: using a password manager, enabling multi-factor authentication, recognizing and reporting phishing attempts, and keeping software updated. By promoting these best practices, the Commission is helping to build a culture of cybersecurity awareness that extends beyond utility operations and into everyday digital interactions.

As cyber threats continue to evolve, the PUC remains steadfast in its commitment to protecting Pennsylvania's critical infrastructure. Through rigorous oversight, regulatory modernization, and proactive engagement with industry leaders and government partners, the Commission is working to ensure that utilities across the Commonwealth are resilient, prepared, and capable of safeguarding the essential services that millions of Pennsylvanians rely on every day.

Impact Fees from Natural Gas Drilling

Last year, the Commission successfully distributed more than \$179 million in natural gas drilling impact fees to local governments and agencies across Pennsylvania, with a total of over \$2.7 billion in collections and distributions over the past 13 years.

County and municipal governments directly affected by drilling will receive a total of \$100,302,825 for the 2023 reporting year. Additionally, \$63,791,090 will be transferred to the Marcellus Legacy Fund, which provides financial support for environmental, highway, water and sewer projects, rehabilitation of greenways and other projects throughout the state. Also, \$15,540,804 will be distributed to state agencies, as specified by Act 13.

The distributions for individual municipalities and other details regarding the impact fee distribution are available online, on the PUC's interactive Act 13 website, including specifics on funds collected and distributed for each year since 2011.

The next round of impact fee distribution, based on drilling activity reported for 2024 calendar year, will be finalized and announced by the PUC in June of this year. Those funds will be delivered to recipient county and municipal governments, the Legacy Fund, and other receiving agencies in early July 2025.

PUC's Role in National Utility Issues

Given the size and scope of Commission responsibilities, combined with the knowledge and skills of the Commission staff, Pennsylvania exercises a strong voice among regional, national and international utility regulators. We are heavily involved in the Mid-Atlantic Conference of Regulatory Utilities Commissioners (MACRUC), the Organization of PJM States Incorporated (OPSI), and NARUC. Additionally, staff and Commissioners are active in various MACRUC and NARUC committees.

The PUC continues Pennsylvania's long tradition of having a strong voice in national conversations about utility issues, with my recent appointment as chair of NARUC's Committee on Gas; Vice Chair Barrow serving as a member of the FERC-NARUC Federal and State Current Issues Collaborative and the NARUC Executive Board; Commissioner Zerfuss joining the NARUC Committee on Gas and the Subcommittee on Pipeline Safety and co-Vice Chairing the NARUC Natural Gas Resource Planning Task Force; Commissioner Coleman serving on the NARUC Committee on Telecommunications; and Commissioner Yanora Co-Vice Chairing NARUC's Committee on Water and serving as a member of the NARUC Committee on Critical Infrastructure.

Conclusion

As Pennsylvania's utility landscape continues to evolve, the PUC remains committed to proactive oversight, strong enforcement, and forward-thinking policy decisions. Our budget request for Fiscal Year 2025-26 reflects the Commission's ongoing efforts to modernize infrastructure, enhance consumer protections, ensure affordability, and strengthen emergency preparedness.

We look forward to working alongside the General Assembly, state agencies, and industry partners to ensure that Pennsylvania's utility systems remain resilient, responsive, and ready for the future.

Thank you for the opportunity to present this testimony. We are happy to answer any questions you may have.