

# RULES AND REGULATIONS

## Title 31—INSURANCE

### INSURANCE DEPARTMENT

#### [31 PA. CODE CH. 3]

#### Allocation of Joint Expenses

The Insurance Department (Department) by this order deletes Chapter 3 (relating to allocation of joint expenses) to read as set forth at 30 Pa.B. 5019 (September 30, 2000). The chapter applied to property and casualty insurers, the State Workmen's Insurance Fund and title insurers. The chapter prescribed accounting rules for allocation of joint expenses in financial statements.

#### *Purpose*

The purpose of this rulemaking is to delete Chapter 3 to eliminate obsolete, unnecessary regulations. The regulations were initially adopted October 21, 1949, and last amended July 7, 1970, under the authority of the act of May 9, 1949 (P. L. 1025, No. 289) (40 P. S. §§ 1261—1264) (act). Specifically, sections 1 and 2 of the act (40 P. S. §§ 1261 and 1262) require property and casualty insurers, the State Workmen's Insurance Fund and title insurers to maintain uniform classifications of accounts and records as may be prescribed by the Insurance Commissioner (Commissioner) and, in addition, to file reports in a form determined by the Commissioner. The regulations were adopted to prescribe uniform accounting rules for the allocation of joint expenses in financial reports filed with the Commissioner. Joint expenses are expenses shared among members of a group of entities.

Section 320(a) of The Insurance Company Law of 1921 (40 P. S. § 443(a)) requires insurers to file annual financial statements and, as amended by the act of December 18, 1992 (P. L. 792, No. 176), states in pertinent part:

(a)(1) Every stock and mutual insurance company, association, and exchange, doing business in this Commonwealth, shall annually, on or before the first day of March, file in the office of the Insurance Commissioner and with the National Association of Insurance Commissioners a statement which shall exhibit its financial condition on the thirty-first day of December of the previous year[. . .] The Insurance Commissioner shall require each insurance company, association and exchange to report its financial condition on the statement convention blanks, in such form as adopted by the National Association of Insurance Commissioners[. . .] and may make such changes, from time to time, in the form of the same as shall seem best adapted to elicit from them a true exhibit of their financial condition.

(2) Unless otherwise provided by law, regulation or order of the Insurance Commissioner, each insurance company, association and exchange shall adhere to the annual or quarterly statement instructions and the accounting practices and procedures manuals prescribed by the National Association of Insurance Commissioners[. . .]

Under the authority of the act and section 320 of The Insurance Company Law of 1921, the Commissioner has determined that the annual statement instructions and the accounting practices and procedures manual (manual) prescribed by the National Association of Insurance Commissioners (NAIC) sufficiently address the allocation of

joint expenses. Specifically, Statement of Statutory Accounting Principles No. 70 in the manual establishes statutory accounting principles for the apportionment of shared expenses and refers to the applicable annual statement instructions. The regulations codified in Chapter 3 in no manner enhance the NAIC instructions and manual. In addition, §§ 3.4(a) and 3.6 (relating to records required; and other applicable instructions) refer to requirements in Chapter 9 that have been deleted effective August 8, 1998. Therefore, the regulations are outdated and are no longer needed.

#### *Statutory Authority*

This final-form rulemaking is adopted under the authority of sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P. S. §§ 66, 186, 411 and 412), the act and section 320 of The Insurance Company Law of 1921.

#### *Comments*

Notice of the proposed rulemaking was published at 30 Pa.B. 5019 with a 30-day public comment period.

No comments were received from the standing committees. The Insurance Federation of Pennsylvania, Inc., commented in support of the proposed rulemaking to delete the regulations. On November 30, 2000, the Independent Regulatory Review Commission (IRRC) notified the Department that IRRC had no objections, comments or suggestions to offer on the proposed rulemaking.

#### *Fiscal Impact*

The deletion of the regulations has no fiscal impact on State government, the general public, political subdivisions or the private sector.

#### *Paperwork*

The deletion of the regulations will impose no additional paperwork requirements on the Department or insurers.

#### *Persons Regulated*

The deletion of the regulations affects property and casualty insurers, the State Workmen's Insurance Fund and title insurers.

#### *Contact Person*

Questions or comments regarding this final-form rulemaking may be addressed in writing to Peter J. Salvatore, Regulatory Coordinator, Insurance Department, Office of Special Projects, 1326 Strawberry Square, Harrisburg, PA 17120, (717) 787-4429. Questions and comments may also be e-mailed to psalvatore@state.pa.us or faxed to (717) 705-3873.

#### *Regulatory Review*

Under section 5(a) of the Regulatory Review Act (71 P. S. § 745.5(a)), on September 21, 2000, the Department submitted a copy of the proposed rulemaking to IRRC and to the Chairpersons of the Senate Committee on Banking and Insurance and the House Committee on Insurance. In addition to the submitted rulemaking, the Department has provided IRRC and the Committees with a copy of a detailed Regulatory Analysis Form prepared by the agency in compliance with Executive Order 1996-1, "Regulatory Review and Promulgation."

In compliance with section 5(c) of the Regulatory Review Act, the Department also provided IRRC and the

Committees with copies of the comments received. A copy of that material is available to the public upon request.

Under section 5.1(d) of the Regulatory Review Act (71 P. S. § 745.5a(d)), this final-form rulemaking was deemed approved by the Senate and House Committees on March 14, 2001. IRRC met on March 22, 2001, and the proposal was deemed approved in accordance with section 5(g) of the Regulatory Review Act.

*Findings*

The Commissioner finds that:

(1) Public notice of intention to adopt this rulemaking as amended by this order has been given under sections 201 and 202 of the act of July 31, 1968 (P. L. 769, No. 240) (45 P. S. §§ 1201 and 1202) and the regulations thereunder, 1 Pa. Code §§ 7.1 and 7.2.

(2) The adoption of this rulemaking in the manner provided in this order is necessary and appropriate for the administration and enforcement of the authorizing statutes.

*Order*

The Commissioner, acting under the authorizing statutes, orders that:

(a) The regulations of the Department, 31 Pa. Code Chapter 3, are amended by deleting §§ 3.1—3.6 to read as set forth at 30 Pa.B. 5019.

(b) The Commissioner shall submit this order and 30 Pa.B. 5019 to the Office of General Counsel and Office of Attorney General for approval as to form and legality as required by law.

(c) The Commissioner shall certify this order and 30 Pa.B. 5019 and deposit them with the Legislative Reference Bureau as required by law.

(d) This order shall take effect upon publication in the *Pennsylvania Bulletin*.

M. DIANE KOKEN,  
*Insurance Commissioner*

*(Editor's Note: For the text of the order of the Independent Regulatory Review Commission relating to this document, see 31 Pa.B. 1925 (April 7, 2001).)*

**Fiscal Note:** Fiscal Note 11-201 remains valid for the final adoption of the subject regulations.

[Pa.B. Doc. No. 01-635. Filed for public inspection April 13, 2001, 9:00 a.m.]

**INSURANCE DEPARTMENT**  
**[31 PA. CODE CH. 11]**  
**Miscellaneous Provisions**

The Insurance Department (Department) by this order amends Chapter 11 (relating to miscellaneous provisions) to read as set forth at 30 Pa.B. 5020 (September 30, 2000). Except as otherwise provided, Chapter 11 applies to property and casualty insurance companies, associations, exchanges and employees' mutual liability associations and organizations, including the State Workmen's Insurance Fund; Chapter 11 does not apply to title insurance. The final-form regulations clarify charges made by the Department in filing or certifying records; and prescribe accounting rules for reporting electronic data processing equipment, allocating commission on

sliding scale or guaranteed profit reinsurance contracts, and classifying and allocating salvage and subrogation recovery expenses.

*Purpose*

The purpose of these final-form regulations is to update Chapter 11 by eliminating obsolete and unnecessary provisions and by updating and clarifying the scope of the accounting rules in the final-form regulations.

Sections 1 and 2 of the act of May 9, 1949 (P. L. 1025, No. 289) (act) (40 P. S. §§ 1261 and 1262) require property and casualty insurers, the State Workmen's Insurance Fund and title insurers to maintain uniform classifications of accounts and records as may be prescribed by the Insurance Commissioner (Commissioner) and, in addition, to file reports in a form determined by the Commissioner. Further, section 320(a) of The Insurance Company Law of 1921 (40 P. S. § 443(a)), as amended by the act of December 18, 1992 (P. L. 792, No. 176), states in pertinent part:

(a)(1) Every stock and mutual insurance company, association, and exchange, doing business in this Commonwealth, shall annually, on or before the first day of March, file in the office of the Insurance Commissioner and with the National Association of Insurance Commissioners a statement which shall exhibit its financial condition on the thirty-first day of December of the previous year [ . . . ] The Insurance Commissioner shall require each insurance company, association and exchange to report its financial condition on the statement convention blanks, in such form as adopted by the National Association of Insurance Commissioners [ . . . ] and may make such changes, from time to time, in the form of the same as shall seem best adapted to elicit from them a true exhibit of their financial condition.

(2) Unless otherwise provided by law, regulation or order of the Insurance Commissioner, each insurance company, association and exchange shall adhere to the annual or quarterly statement instructions and the accounting practices and procedures manuals prescribed by the National Association of Insurance Commissioners [ . . . ]

Under the authority of the act and section 320 of The Insurance Company Law of 1921, the Commissioner has determined that the annual statement instructions and the accounting practices and procedures manual (manual) prescribed by the National Association of Insurance Commissioners (NAIC) sufficiently address the reporting of electronic data processing equipment and software and commission on reinsurance contracts for all insurers subject to the act and section 320 of The Insurance Company Law of 1921. Specifically, Statements of Statutory Accounting Principles Nos. 16, 61 and 62 in the NAIC manual establish statutory accounting principles for electronic data processing equipment and software and commission on reinsurance contracts. Sections 11.4—11.6 (relating to reporting of computer or data processing equipment; "sliding scale" or "guaranteed profit" contracts; example of "sliding scale" and "guaranteed profit" contract) in no manner enhance the NAIC instructions and manual. Therefore, §§ 11.4—11.6 are outdated and are no longer needed.

The Commissioner has further determined that the accounting rules in § 11.7 (relating to salvage and subrogation recovery expenses) continue to be needed to supplement the NAIC instructions and manual. Section 11.7 provides specific guidance on the types of expenses

that shall be treated as salvage expense and on proper billing procedures when insurers use outside agencies to perform salvage activities. The NAIC instructions and manual do not include the accounting rules in § 11.7, and the Commissioner believes these rules are needed to provide adequate instructions for reporting salvage and subrogation recovery expenses. Therefore, § 11.7 is being retained in the final-form regulations.

Finally, because §§ 11.4—11.6 are being deleted and the accounting rules in § 11.7 apply only to property and casualty insurance, § 11.1 (relating to applicability) is being deleted and provisions relating to the authority and scope of § 11.7 are being included as new subsections (a) and (b) in § 11.7. These amendments will clarify the scope of the subsections in Chapter 11.

#### *Statutory Authority*

These final-form regulations are adopted under the authority of sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P. S. §§ 66, 186, 411 and 412), the act and section 320 of The Insurance Company Law of 1921.

#### *Comments*

Notice of the proposed rulemaking was published at 30 Pa.B. 5020 with a 30-day public comment period.

No comments were received from the standing committees. The Insurance Federation of Pennsylvania, Inc., commented in support of the proposed rulemaking. On November 30, 2000, the Independent Regulatory Review Commission (IRRC) notified the Department that IRRC had no objections, comments or suggestions to offer on the proposed regulations.

#### *Fiscal Impact*

The final-form regulations have no fiscal impact on State government, the general public, political subdivisions or the private sector.

#### *Paperwork*

The final-form regulations will impose no additional paperwork requirements on the Department or affected insurers.

#### *Persons Regulated*

The final-form regulations affect stock and mutual insurance companies, associations and exchanges required to file financial statements with the Commissioner.

#### *Contact Person*

Questions or comments regarding the final-form regulations may be addressed in writing to Peter J. Salvatore, Regulatory Coordinator, Insurance Department, Office of Special Projects, 1326 Strawberry Square, Harrisburg, PA 17120, (717) 787-4429. Questions and comments may also be e-mailed to psalvatore@state.pa.us or faxed to (717) 705-3873.

#### *Regulatory Review*

Under section 5(a) of the Regulatory Review Act (71 P. S. § 745.5(a)), on September 21, 2000, the Department submitted a copy of the notice of proposed rulemaking to IRRC and to the Chairpersons of the Senate Committee on Banking and Insurance and the House Committee on Insurance for review and comment.

Under section 5(c) of the Regulatory Review Act, IRRC and the Committees were provided with copies of the comments received during the public comment period. A copy of that material is available to the public upon request.

Under section 5.1(d) of the Regulatory Review Act (71 P. S. § 745.5a(d)), on March 14, 2001, these final-form regulations were deemed approved by the House and Senate Committees. Under section 5(g) of the Regulatory Review Act, IRRC met on March 22, 2001, and the final-form regulations were deemed approved.

#### *Findings*

The Commissioner finds that:

(1) Public notice of intention to adopt these final-form regulations by this order has been given under sections 201 and 202 of the act of July 31, 1968 (P. L. 769, No. 240) (45 P. S. §§ 1201 and 1202) and the regulations thereunder, 1 Pa. Code §§ 7.1 and 7.2.

(2) The adoption of these final-form regulations in the manner provided in this order is necessary and appropriate for the administration and enforcement of the authorizing statutes.

#### *Order*

The Commissioner, acting under the authorizing statutes, orders that:

(1) The regulations of the Department, 31 Pa. Code, Chapter 11, are amended by deleting §§ 11.1, and 11.4—11.6 and amending § 11.7 to read as set forth at 30 Pa.B. 5020.

(2) The Commissioner shall submit this order and 30 Pa.B. 5020 to the Office of General Counsel and Office of Attorney General for approval as to form and legality as required by law

(3) The Commissioner shall certify this order and 30 Pa.B. 5020 and deposit them with the Legislative Reference Bureau as required by law.

(4) This order shall take effect upon publication in the *Pennsylvania Bulletin*.

M. DIANE KOKEN,  
*Insurance Commissioner*

*(Editor's Note:* For the text of the order of the Independent Regulatory Review Commission relating to this document, see 31 Pa.B. 1925 (April 7, 2001).

**Fiscal Note:** Fiscal Note 11-202 remain valid for the final adoption of the subject regulations.

[Pa.B. Doc. No. 01-636. Filed for public inspection April 13, 2001, 9:00 a.m.]

## INSURANCE DEPARTMENT

### [31 PA. CODE CH. 147]

#### Annual Audited Insurers' Financial Report Required

The Insurance Department (Department) by this order amends Chapter 147 (relating to annual audited insurers' financial report required) to read as set forth in Annex A. The regulations require insurers to have annual audits of their year-end financial statements conducted by independent certified public accountants.

#### *Purpose*

The purpose of this rulemaking is to update Chapter 147, commonly referred to as the CPA Audit Rule, to reflect current statutory accounting practices and procedures adopted by the National Association of Insurance Commissioners (NAIC). The regulations prescribe require-

ments for annual audits of financial statements filed by insurers with the Department. The regulations were adopted in 1979 and last amended November 11, 1995. The regulations are based on a model regulation adopted by the NAIC and are included in the NAIC's state accreditation standards for regulation of the financial solvency of the insurance industry. The Commonwealth is currently accredited by the NAIC for compliance with the financial regulation standards. In 1998, the NAIC revised the model regulation to make it consistent with the NAIC's codified *Accounting Practices and Procedures Manual* (manual) effective January 1, 2001. Insurers subject to these regulations have been advised by Department Notice Nos. 1998-04 and 2000-02 that they will be required to adhere to the manual in preparing financial statements to be filed with the Department. This rulemaking will update the regulations to be consistent with the manual and the 1998 revisions to the NAIC model regulation.

This rulemaking amends § 147.4 (relating to contents of annual audited financial report) to address technical issues involving disclosures required in audit reports to be filed under the requirements of the manual.

Section 147.4(2) currently requires the notes to financial statements in annual audited financial reports to include notes required by generally accepted accounting principles (GAAP). Because the Statements of Statutory Accounting Principles (SSAPs) contained in the manual now address all types of required disclosures, the reference to GAAP is no longer needed and has been replaced with a reference to the manual. Section 147.4(2)(i) has been further amended to clarify that the notes shall include a reconciliation of any differences between the audited financial statement and the annual financial statement that the insurer has filed with the Department. Finally, § 147.4(2)(ii) has been deleted because a summary of the ownership and relationships of the insurer and all affiliated companies is required under SSAP No. 1 (relating to disclosure of accounting policies, risks and uncertainties, and other disclosures) in the manual. This amendment will eliminate potentially confusing inconsistencies between the regulations and the manual.

#### *Statutory Authority*

This final-form rulemaking is adopted under the authority of sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P. S. §§ 66, 186, 411 and 412) relating to the general rulemaking authority of the Department; section 320 of The Insurance Company Law of 1921 (40 P. S. § 443) relating to the authority of the Commissioner to require insurers to file statements concerning their affairs and financial condition; section 1605(a)(3)(ii) of The Insurance Company Law of 1921 (40 P. S. § 1605(a)(3)(ii)); sections 205 and 206 of The Pennsylvania Fair Plan Act (40 P. S. §§ 1600.205 and 1600.206); 40 Pa.C.S. §§ 6125, 6331 and 6701; sections 11 and 14 of the Health Maintenance Organization Act (40 P. S. §§ 1561 and 1564); section 630 of the act of May 17, 1921 (P. L. 682, No. 284) (40 P. S. § 764a); sections 7 and 25 of the Continuing Care Provider Registration and Disclosure Act (40 P. S. §§ 3207 and 3225); and section 602 of the Fraternal Benefit Societies Code (40 P. S. § 1142.602) which, respectively, relate to the specific regulatory and rulemaking authority of the Department regarding financial reporting by surplus lines insurers, the Pennsylvania Fair Plan, hospital plan corporations, health services plan corporations, health maintenance organizations, preferred provider organizations; and continuing care providers and fraternal benefit societies.

#### *Comments*

Notice of the proposed rulemaking was published at 30 Pa.B. 5023 (September 30, 2000) with a 30-day public comment period.

No comments were received from the standing committees. The Insurance Federation of Pennsylvania, Inc., commented in support of the proposed rulemaking. The Independent Regulatory Review Commission (IRRC) submitted its comments and recommendations to the Department on November 30, 2000.

IRRC recommended that the phrase "and other applicable laws and regulations" in § 147.4(b)(2) be deleted or clarified. Section 147.4(b)(2) requires an annual audited financial report to include a reconciliation of differences, if any, between the audited statutory financial statements and the annual statements already on file with the Department. A reference to the specific laws and regulations that require the filing of annual statements with the Department is not needed to understand the meaning and intent of § 147.4(b)(2). Therefore, the Department has responded to IRRC's comment by deleting the phrase "under section 320 of The Insurance Company Law of 1921 (40 P. S. § 443) and other applicable laws and regulations" in this final-form rulemaking.

#### *Fiscal Impact*

The final-form rulemaking has no fiscal impact on State government, the general public, political subdivisions or the private sector.

#### *Paperwork*

The final-form rulemaking would impose no additional paperwork requirements on the Department or affected insurers.

#### *Persons Regulated*

The final-form rulemaking applies to insurance companies, other insurer entities and continuing care providers licensed to transact business in this Commonwealth and the independent certified public accountants retained by those insurers to conduct annual audits.

#### *Contact Person*

Questions or comments regarding this final-form rulemaking may be addressed in writing to Peter J. Salvatore, Regulatory Coordinator, Insurance Department, Office of Special Projects, 1326 Strawberry Square, Harrisburg, PA 17120, (717) 787-4429. Questions and comments may also be e-mailed to [psalvatore@state.pa.us](mailto:psalvatore@state.pa.us) or faxed to (717) 705-3873.

#### *Regulatory Review*

Under section 5(a) of the Regulatory Review Act (71 P. S. § 745.5(a)), on September 21, 2000, the Department submitted a copy of this proposed rulemaking to IRRC and to the Chairpersons of the Senate Committee on Banking and Insurance and the House Committee on Insurance. In addition to the submitted proposed rulemaking, the Department has provided IRRC and the Committees with a copy of a detailed Regulatory Analysis Form prepared by the Department in compliance with Executive Order 1996-1, "Regulatory Review and Promulgation."

In compliance with section 5(c) of the Regulatory Review, the Department also provided IRRC and the Committees with copies of the comments received. A copy of that material is available to the public upon request.

This final-form regulation was deemed approved by the Senate and House Committees on March 14, 2001, in

accordance with section 5.1(d) of the Regulatory Review Act (71 P. S. § 745.5a(d)). IRRC met on March 22, 2001, and approved the final-form regulation in accordance with section 5.1(e) of the Regulatory Review Act.

#### Findings

The Commissioner finds that:

(1) Public notice of intention to adopt this rulemaking as amended by this order has been given under sections 201 and 202 of the act of July 31, 1968 (P. L. 769, No. 240) (45 P. S. §§ 1201 and 1202), and the regulations thereunder, 1 Pa. Code §§ 7.1 and 7.2.

(2) The adoption of this rulemaking in the manner provided in this order is necessary and appropriate for the administration and enforcement of the authorizing statutes.

#### Order

The Commissioner, acting under the authorizing statutes, orders that:

(a) The regulations of the Department, 31 Pa. Code Chapter 147, are amended by amending § 147.4 to read as set forth in Annex A.

(b) The Commissioner shall submit this order and Annex A to the Office of General Counsel and Office of Attorney General for approval as to form and legality as required by law.

(c) The Commissioner shall certify this order and Annex A and deposit them with the Legislative Reference Bureau as required by law.

(d) This order shall take effect upon publication in the *Pennsylvania Bulletin*.

M. DIANE KOKEN,  
Insurance Commissioner

*(Editor's Note: For the text of the order of the Independent Regulatory Review Commission relating to this document see 31 Pa.B. 1925 (April 7, 2001).)*

**Fiscal Note:** Fiscal Note 11-203 remains valid for the final adoption of the subject regulation.

### Annex A

## TITLE 31. INSURANCE

### PART VIII. MISCELLANEOUS PROVISIONS

#### CHAPTER 147. ANNUAL AUDITED INSURERS' FINANCIAL REPORT REQUIRED

##### § 147.4. Contents of annual audited financial report.

(a) The annual audited financial report shall reflect the financial condition of the insurer as of the end of the most recent calendar year and the results of its operations, cash flows and changes in capital and surplus for the year then ended in conformity with statutory accounting practices prescribed, or otherwise permitted, by the Department. Statutory accounting practices are those practices and procedures prescribed by the *Accounting Practices and Procedures Manuals* published by the National Association of Insurance Commissioners, or as otherwise prescribed or provided by specific statutes, regulations, orders or rulings of the Commonwealth or the Department.

(b) The annual audited financial report shall, at a minimum, include the following:

(1) Financial statements that present in a comparable manner, as of the end of the current and the preceding calendar year, the financial condition of the insurer, including the following:

(i) Balance sheet reporting admitted assets, liabilities, capital and surplus.

(ii) Statement of operations.

(iii) Statement of cash flows.

(iv) Statement of changes in capital and surplus.

(2) Notes to financial statements. These notes shall be those required by the appropriate National Association of Insurance Commissioners Annual Statement Instructions and *Accounting Practices and Procedures Manual*. The notes shall include a reconciliation of differences, if any, between the audited statutory financial statements and the annual statements filed with the Department, with a written description of the nature of these differences, particularly with respect to surplus or stockholder equity and the results of operations. The insurer shall file an amendment to its annual statement with the Department, the National Association of Insurance Commissioners and other states in which the insurer is licensed, to reflect differences between the audited statutory financial statement and the annual statement filed with the Department within 60 days of the filing date of the audited financial report. The Commissioner may require amendments to financial statements to be filed with the Department and the National Association of Insurance Commissioners on diskettes or other electronic information storage devices acceptable to the Commissioner.

(3) The report of an independent certified public accountant prepared in compliance with this chapter, including notification of adverse financial condition, report on significant deficiencies in internal controls and letter of qualifications of the independent certified public accountant.

(c) The financial statements included in the audited financial report shall be prepared in a form and using language and groupings substantially the same as the relevant sections of the annual statement of the insurer filed with the Department, and the financial statements shall be comparative, presenting the amounts as of December 31 of the current year and the amounts as of the immediately preceding December 31. In the first year in which an insurer is required to file an audited financial report, the comparative data may be omitted if sufficient detail is made available to the Department upon request. An account which represents less than 5% of the insurer's admitted assets may be aggregated for reporting purposes, except that all invested asset accounts shall be separately reported.

(d) If an error is discovered after a report is filed, the accountant shall withdraw the report and issue a corrected report within 30 days of discovery of the error. To the extent that the error requires an amendment to the insurer's annual financial statement filed with the Department, the insurer shall file an amendment under subsection (b)(2).

[Pa.B. Doc. No. 01-637. Filed for public inspection April 13, 2001, 9:00 a.m.]

# Title 52—PUBLIC UTILITIES

## PENNSYLVANIA PUBLIC UTILITY COMMISSION

[52 PA.CODE CH. 62]

[L-00000149]

### Customer Information Disclosure Requirements for Natural Gas Distribution Companies and Natural Gas Suppliers

The Pennsylvania Public Utility Commission (Commission) on November 29, 2000, adopted a final rulemaking order establishing regulations governing information provided on customer bills. The contact persons are Ahmed Kalolo, Bureau of Conservation, Economics and Energy Planning, (717) 787-2139 and Lawrence F. Barth, Law Bureau, (717) 772-8579.

#### Executive Summary

On June 22, 1999, Governor Tom Ridge signed into law the Natural Gas Choice and Competition Act, 66 Pa.C.S. §§ 2201—2212 (act). The act revised 66 Pa.C.S. (relating to Public Utility Code) (code), so that the natural gas industry would be restructured so as to allow the retail sale of natural gas in an open market. In short, individual customers would be able to choose from independent suppliers of gas who would not necessarily be affiliated with the local gas utility.

In enacting this legislation, the General Assembly made it clear that information provided on customer bills and released to other parties should continue to be a matter for Commission oversight. See sections 2205(c)(2) and 2206(c) of the act (relating to duties of natural gas distribution companies; and consumer protections and customer service). To fulfill this obligation, the Commission convened a working group to develop suggestions which would assist the Commission in this area. Based upon the product of that group and upon our experience in the restructuring of the electric industry, we issued interim customer information guidelines.<sup>1</sup> These final-form regulations are intended to supplant the Interim Guidelines and govern the provision of customer information in the retail natural gas industry.

For retail natural gas users to enjoy the potential benefits available through competition, they not only must be able to compare prices, but to understand the terms of their natural gas service and, where possible, to compare the terms and conditions of service offered by different providers. The regulations will ensure that, to the greatest extent possible, these terms and conditions of service will be provided in a uniform fashion across this Commonwealth so as to ensure a smooth transition to full retail choice through the implementation of uniform Statewide procedures.

#### Regulatory Review

Under section 5(a) of the Regulatory Review Act (71 P.S. § 745.5(a)), on May 11, 2000, the Commission submitted a copy of the notice of proposed rulemaking, published at 30 Pa.B. 2605 (May 27, 2000), to the Independent Regulatory Review Commission (IRRC) and to the Chairpersons of the House and Senate Committee for review and comment.

Under section 5(c) of the Regulatory Review Act, IRRC and the Committees were provided with copies of the

comments received during the public comment period, as well as other documents when requested. In preparing these final-form regulations, the Commission has considered the comments from IRRC, the Committees and the public.

Under section 5.1(d) of the Regulatory Review Act (71 P.S. § 745.5a(d)), on February 21, 2001, these final-form regulations were deemed approved by the House and Senate Committees. Under section 5.1(e) of the Regulatory Review Act, IRRC met on March 8, 2001, and approved the final-form regulations.

Public Meeting held  
November 29, 2000

*Commissioners Present:* Robert K. Bloom, Vice Chairperson; Nora Mead Brownell; Aaron Wilson, Jr.; Terrance J. Fitzpatrick

#### Final Rulemaking Order

##### By the Commission:

On March 2, 2000, we adopted a proposed rulemaking order establishing customer information disclosure requirements for the natural gas industry in this Commonwealth. The order was entered on March 6, 2000, at Docket No. L-00000149. The regulations, which are required under sections 2205(c) and 2206(c) of the act, were undertaken as part of the implementation duties performed by the Commission under the act. Signed into law on June 22, 1999, by Governor Tom Ridge, the act revised the code by adding Chapter 22 (relating to natural gas competition) restructuring the natural gas utility industry.

By this final-form rulemaking order, we adopt regulations which require each natural gas supplier (NGS) to furnish adequate and accurate information that enables consumers to make informed choices regarding the purchase of all natural gas services offered by that provider. In general, our regulations mandate that all information shall be provided to customers in an understandable format that allows them to compare prices and services on a uniform basis. This is consistent with our policy statement in § 69.251 (relating to plain language—statement of policy) regarding the use of plain language in all written communications with consumers. Moreover, by this final rulemaking order, we direct that all natural gas providers strictly adhere to that policy statement.

To facilitate the establishment of interim requirements prior to the promulgation of regulations, we proposed a set of interim requirements regarding customer information disclosure. On October 20, 1999, after receiving and considering written comments, we adopted these interim guidelines.<sup>2</sup> Through this order and the final-form regulations in Annex A, we are adopting permanent regulations to supplant the interim guidelines. These final-form regulations will govern the provision of customer information in the retail natural gas industry.

The proposed regulations in Docket No. L-00000149 were published for comment in 30 Pa.B. 2605, with a 45-day comment period established. Written comments were provided by IRRC, the Office of Consumer Advocate (OCA), Community Legal Services, Inc. (CLS), CNG Retail Services Corporation (CNGR), the Consumer Advisory Council (CAC), the Pennsylvania Gas Association (PGA) and Lawrence G. Spielvogel, Inc. Discussions about the proposed rulemaking also occurred during meetings with IRRC.

<sup>1</sup> *Interim Customer Information Disclosure Requirements for Natural Gas Distribution Companies and Natural Gas Suppliers*, Docket No. M-00991249F0005, Order (Entered October 20, 1999).

<sup>2</sup> *Interim Customer Information Disclosure Requirements for Natural Gas Distribution Companies and Natural Gas Suppliers*, Docket No. M-00991249F0005, Order (Entered October 20, 1999).

Following review and consideration of the comments and discussions, the Commission has developed final-form regulations. The overall objective of these final-form regulations, of assuring that consumers have accurate and adequate information to meaningfully participate in a competitive market for natural gas, has not changed. However, in response to the persuasive comments of several interested parties, we have revised certain language in an effort to clarify many of the requirements. Each change is discussed in more detail.

Through these final-form regulations, we have attempted to achieve a balance between the need for customer information and the development of competition in the retail natural gas industry. In doing so, we recognize that the varied forms of customer communications, such as billing, disclosure statements, customer choice of supplier, products and prices, customer relations, licensing requirements and distribution services, are interrelated and are important aspects of customer information disclosure requirements.

It should also be noted that the Commission reserves the right to waive any or all requirements of these regulations upon petition by an affected party under § 5.43 (relating to petitions for issuance, amendment, waiver or repeal of regulations).

#### § 62.72. Definitions

##### 1. Definition of Disclosure Statement

###### a. Position of the Parties

The CLS and IRRC state it is confusing to use the two different terms "consumer contract" and "disclosure statement" as if they are interchangeable throughout the final-form regulations. IRRC suggests that we use the term disclosure statement and define it in § 62.72.

###### b. Resolution

We agree that it is better to settle on the use of a single term, disclosure statement, and that we should use that term consistently throughout these final-form regulations. We will delete the term consumer contract in § 62.72 and we will add the term disclosure statement and define it to indicate that it is a consumer contract.

##### 2. Definition of Historical Billing Data

###### a. Position of the Parties

The PGA recommends that we modify the definition of "historical billing data" to delete dollar amounts billed, and to change the term to "historical usage data." The PGA questions the value to customers of the dollar amounts billed, an issue in § 62.76 (relating to request for information), and the sensitivity of small business customers to the release of data containing dollar amounts billed, an issue in § 62.78 (relating to privacy of customer information). The PGA makes a reference to electric industry data transfer (EDI) proceedings to support its position.

###### b. Resolution

The PGA raises two separate issues. First, we are not convinced that the dollar amount billed has no value to the customer in § 62.76. A combination of usage data and the dollar amounts billed allows the customer to calculate a cost per unit of usage and the annual amount billed. In addition, the dollar amounts billed are likely to be more meaningful to a customer than the usage amounts and just as helpful when shopping for natural gas supply.

Second, we believe that the PGA does not have a clear understanding of the privacy issue in § 62.78. The re-

lease of private information in these final-form regulations contain somewhat different private information than the private information contained in the enrollment process. In the enrollment process, the Commission gives the customer the ability to restrict the release of load data (usage data) to suppliers. However, once a customer chooses a supplier, the load data is automatically released to the supplier. The enrollment process does not address the release of data to third parties. That is where these final-form regulations come into play.

We use the term historical billing data so that we can combine load data and dollar amounts billed into a single piece of private information and this is consistent with our regulations for the electric industry. We see no relevance to the EDI proceedings for the electric industry. Since customers may be sensitive about the release of usage data and billed data to third parties, we believe it is necessary to provide them with the ability to restrict the release of the information.

#### 3. Definitions of NGDC, NGS, Natural Gas Distribution Service, Natural Gas Supply Services and Retail Gas Customer

##### a. Position of the Parties

IRRC and the PGA suggest that we should revise our definition for NGS to be consistent with the definition in the act and IRRC further suggests the same for the definitions of "NGDC—natural gas distribution service," "NGS—natural gas supply services" and "retail gas customer."

##### b. Resolution

We agree with IRRC and the PGA and we will revise the definitions to reflect the definitions in the act.

#### 4. Definition of Nonbasic Services

##### a. Position of the Parties

IRRC asks that we consider including some examples of nonbasic services in the definition.

##### b. Resolution

We will accommodate IRRC and we will add two examples of nonbasic services: gas line repair program and gas appliance warranty program.

#### § 62.73. Standards and pricing practices for retail natural gas service

##### 1. Glossary of Gas Terms for the Consumer

###### a. Position of the Parties

IRRC and the PGA point out that the document that appears on the Commission's website is titled Glossary of Gas Terms for the Consumer and asks why it is not referenced in § 62.73(3) and (4).

###### b. Resolution

We intend to change the name of the Glossary of Gas Terms for the Consumer to the Consumer's Dictionary for Natural Gas Competition. We will revise our website after these regulations become final. Since the Common Natural Gas Competition Terms document contains many of the same terms used in the Glossary (Dictionary), and is part of this regulation, we must wait for this regulations to become final before we can rename (from Glossary to Dictionary) and revise the Dictionary.

2. *The Party Responsible for the Distribution of the Dictionary*

a. *Position of the Parties*

IRRC states that it is unclear whether the phone number and address to be provided in § 62.73(3) are the NGDC's or the Commission's.

b. *Resolution*

We will revise paragraph (3) to clearly indicate that it is the NGDC's phone number and address.

3. *Inclusion of a Cross-Reference to the Act for Consumer Education Programs*

a. *Position of the Parties*

To improve the clarity of § 62.73(4), IRRC asks that we include a cross reference to section 2206(d) of the act, which mandates consumer education programs.

b. *Resolution*

We agree with IRRC and we will add the cross-reference to section 2206(d) of the act.

§ 62.74 *Bill format for residential and small business customers*

1. *Definitions of Marketed Prices, Disclosure Statement Prices and Billed Prices*

a. *Position of the Parties*

IRRC and the PGA ask what the difference is between marketed prices, the agreed upon prices in the disclosure statement and billed prices. IRRC suggests that we use a single term if all three terms have the same meaning or define them if each has a different meaning.

b. *Resolution*

There are three types of customer information where an NGS discloses pricing to customers: marketing materials, the written disclosure statement and the customer bill. Typically, these disclosures are given to a customer in that order. We believe it is imperative that the prices reflected in each of these types of customer information be consistent with each other. When a customer responds to a marketing piece of customer information and accepts a price offer from an NGS, we expect the written disclosure statement to reflect the marketed price. We then expect the billed price to reflect both the marketed price and the agreed upon price in the written disclosure statement. If there is a difference in pricing among these three pieces of customer information, then there is reason to suspect fraudulent behavior on the part of the NGS.

Finally, we agree with IRRC's suggestion to define the terms. Marketed prices are the disclosed prices on NGS marketing customer information. Disclosure statement prices are the disclosed NGS prices in the written disclosure statement. Billed prices are the disclosed NGS prices on the customer bill. We will revise §§ 62.72, 62.74(a), 62.75(a) and 62.77(a) accordingly.

2. *Addition of Interstate Pipeline Transition Cost Surcharges as a Basic Charge*

a. *Position of the Parties*

The PGA recommends that we add "interstate transition cost surcharges" to the list of basic charges in § 62.74(b)(3) because it is a charge approved by FERC and currently is a line item appearing on many NGDC bills.

b. *Resolution*

We agree with the PGA and we will revise the regulation accordingly.

3. *Inclusion of Meter Readings*

a. *Position of the Parties*

Spielvogel stated that meter readings should be included in this section.

b. *Resolution*

We do not agree that this information should be added here and point out that beginning and ending meter readings are already required § 56.15(2) (relating to meter reading; estimated billing; ratepayer readings).

4. *EGS Contract Expiration Dates on Bills*

a. *Position of the Parties*

Spielvogel contends that the supplier part of the bill format should include the month and year of the contract expiration. This would give customers ready access to this information without having to go back to the original contract.

b. *Resolution*

We agree with Spielvogel that contract expiration date reminders are useful but we disagree with placing that information on customer bills. Contract expiration dates apply only to customers that have a fixed term agreement with their NGS. It is important to note that not all customers have fixed term agreements. We believe that the contract expiration date is a written disclosure statement issue and not a billing issue. Also, we contend that it is better to keep billing and contract issues separate from both a cost effective and customer confusion standpoint. Finally, we point out that NGSs must provide two advance notices of contract expiration at about 90 and 60 days prior to the expiration date. We believe that we have provided adequate disclosure of the contract expiration date to customers.

5. *Applicability of 52 Pa. Code § 56.15*

a. *Position of the Parties*

IRRC and the CLS argue that we should delete the phrase "to the extent they apply" because there is no billing situation that is not subject to § 56.15.

b. *Resolution*

While we agree that portions of § 56.15 apply to NGSs, we point out, as examples, that §§ 56.15 (5), (12) and (13) do not apply to NGSs. However, it appears that we have confused the parties with the language § 62.74(b)(5) and we realize that a clarification will be helpful. Thus, we will revise "to the extent they apply" to read as follows: "to the extent that § 56.15 is applicable."

6. *PUC Authority to Approve Bills*

a. *Position of the Parties*

The CAC opines that the Commission should have the authority to approve bill formats as part of the licensing process.

b. *Resolution*

We appreciate the comment from CAC but we believe that the current system of requiring a billing entity to go through a Commission bill review prior to issuing bills to customers is a system that is working effectively. In some instances, a bill review is completed at the time of licensing. The timing of the bill review largely depends on when the billing entity develops billing capability.



### 7. *Statewide Standard Pricing Unit*

#### a. *Position of the Parties*

While the CAC understands that it may not be practical to mandate a Statewide standard pricing unit in ccfs, Mcfs or Dekatherms, CAC is concerned about the potential confusion that this presents. For example, a customer may relocate from one NGDC territory to another and the NGDCs have different standard pricing units.

#### b. *Resolution*

We maintain that the most effective standard pricing unit policy is to follow the current standard pricing unit of the NGDC. This requires no change from the current industry practice and customers will not need additional education. However, the CAC raises a valid concern where customer relocation involves a change in the standard pricing unit of its new NGDC. We currently rely on the education campaign of the new NGDC to include a discussion of its standard pricing unit. Our experience with the NGDCs' consumer education efforts has shown that they have adequately addressed this issue and the NGDCs do a good job of reeducating a customer that moves into their territory.

### 8. *Price to Compare Bill Message or Bill Insert*

#### a. *Position of the Parties*

Given the frequent changes to the gas supply price, the OCA recommends that the NGDCs be required to send a price to compare letter to customers once per year. In addition, the NGDCs should include a bill message or bill insert whenever the NGDC's price to compare changes, regardless of the frequency of the change.

#### b. *Resolution*

The requirement for the NGDC to send an annual price to compare letter is outside the scope of these regulations and it is addressed at Docket No. M-00991249F0009, Procedures Applicable to Natural Gas Distribution Companies and Natural Gas Suppliers During the Transition to Full Retail Choice, and at Docket No. M-001326, Creation and Implementation of a Statewide Consumer Education Program for Natural Gas Competition.

§ 62.75. *Disclosure statement for residential and small business customers*

### 1. *Toll-Free Telephone Numbers for NGDCs and NGSs*

#### a. *Position of the Parties*

The CLS contends that the expense of toll calls from a customer to an NGS is a deterrent to the development of the free flow of information concerning the conditions of natural gas supply. The CLS recommends that the Commission require NGSs to offer toll-free phone access. The IRRC asks if we have considered requiring toll-free numbers as CLS suggests.

#### b. *Resolution*

We agree that toll-free access to NGSs has a positive effect on customer participation in the gas market. We have not mandated toll-free access because NGSs are routinely offering toll-free access to customers. NGSs realize the benefits of providing toll-free access and competitive pressures have resulted in the widespread use of toll-free numbers.

### 2. *Ceiling Price in the Variable Pricing Option*

#### a. *Position of the Parties*

The PGA argues that in order to accommodate the possibility that there may not be a ceiling price in a variable pricing statement, we should add "as applicable" to the end of the text.

#### b. *Resolution*

The PGA points out that the requirement to disclose a ceiling price in a variable pricing offer may not be necessary. We agree with the PGA, however, we recognize that we must then expand the conditions of variability requirement to include disclosure of the prescribed method of variability. Therefore, the NGS must clearly disclose its prescribed methodology for price variability. This clarification will eliminate the potential for vague language in the conditions of variability requirement. This clarification will enable the customer to make a more informed decision when accepting a variable pricing offer.

### 3. *Inclusion of Right of Rescission in the Contract*

#### a. *Position of the Parties*

The CLS suggests that consumer contracts should include a description of the 3-business days right of rescission.

#### b. *Resolution*

We agree with CLS and we include the language in § 62.75(d)(1).

### 4. *Clarification of the Use of the Term "Written Disclosure" at § 62.75(d)(2)*

#### a. *Position of the Parties*

CLS recommends that we clarify that "written disclosure," in § 62.75(d)(2), refers to the "written disclosure statement." This is important because the receipt of the written disclosure statement triggers the 3 day right of rescission.

#### b. *Resolution*

We agree with CLS and we will add the word "statement" after "disclosure" to eliminate the potential for customer confusion.

### 5. *Bundled Pricing*

#### a. *Position of the Parties*

The CAC argues that bundled prices encompassing many different services deprives the consumer of the pricing information they need about individual services necessary to make informed decisions.

#### b. *Resolution*

We agree with the CAC and clarify that we already require that each basic and nonbasic service must be separately disclosed.

### 6. *Contract Status when a Customer Moves*

#### a. *Position of the Parties*

The CAC asks that we make it clear that the contract is automatically voided when a customer moves.

#### b. *Resolution*

We agree with CAC and we will revise the regulations by adding the following language in § 62.75 (c)(7), "When a customer moves from one location to another, even if the move is within an NGDC's service territory, the agreement is cancelled."

### 7. *Cessation of Service*

#### a. *Position of the Parties*

The OCA recommends that the Commission clearly state that a cessation of service to the customer, either at the expiration of the fixed term agreement or during the fixed term agreement, requires the 90-day and 60-day notices.

b. *Resolution*

The issue of cessation of service is addressed by the Commission at Docket No. M-00001343, Interim Guidelines regarding Notification by a Natural Gas Supplier of Operational Changes Affecting Customer Service and Contracts. Thus, § 62.75(g) does not apply to cessation of service by an EGS.

8. *Expiration Notices*

a. *Position of the Parties*

The CNGR points out that the 90-day and 60-day notice requirements for contract expiration only makes sense for agreements with a term greater than 3 months. If we agree with the CNGR, IRRC asks us to clarify if renewal notices apply to the short-term agreements that are less than 4 months in duration.

b. *Resolution*

We agree with the CNGR and will add language to the effect that this applies to contracts with a term greater than 3 months in length in the appropriate place in § 62.75(g)(1). We have not seen any agreements for less than 4 months proposed by suppliers. However, if a supplier had an agreement for less than 4 months, then these regulations would not apply. We do not feel the short term agreements warrant advance customer notices. We would carefully review such agreements and we would pay particular attention to any renewal and cancellation provisions.

9. *Clarification of the Meaning of the Term "Affirmatively Reselects"*

a. *Position of the Parties*

IRRC asks that we offer a clarification of what the term "affirmatively reselects" means in § 62.75(g)(2).

b. *Resolution*

Simply defined, the term "affirmatively reselects" means that the customer accepts the new offer of the NGS verbally, in writing or electronically. There are a number of ways for the customer to convey the acceptance of the new NGS offer that constitute an affirmative reselection. The following are examples of an affirmative reselection: The customer initiates a telephone call to the NGS and during the conversation the customer accepts the new offer, the NGS initiates a telephone call to the customer and during the conversation the customer accepts the new offer, the customer accepts the new offer by signing a document and returning it to the NGS, or the customer acknowledges the acceptance of the new offer electronically, perhaps by checking a box on a form on the NGS' web site.

We will add these examples to the regulation in the interest of clarity.

10. *Conversion from a Long Term to a Month-to-Month Agreement*

a. *Position of the Parties*

IRRC questions what occurs if an NGS wants to convert a long-term agreement to a month-to-month contract. IRRC also asks if the customer has to positively reselect this option or will the conversion occur if there is

no action on the part of the customer. IRRC recommends that we address this type of conversion in the regulations.

b. *Resolution*

We agree with IRRC that we have not adequately addressed the continuation of a fixed term agreement to a month-to-month agreement when the customer does not respond to the notice. We will add the following language to § 62.75(g)(2). "A fixed term agreement may be converted to a month-to-month agreement, either at the same terms and conditions or at revised terms and conditions, as long as the agreement converts from a fixed term to a month-to-month agreement and contains no cancellation penalties, in the event that the customer does not respond to the notice. A fixed term agreement may be converted to another fixed term agreement as long as the new agreement includes a customer initiated cancellation provision that allows the customer to cancel at any time for any reason and contains no cancellation penalties, in the event that the customer does not respond to the notice."

§ 62.76. *Request for information*

1. *Customer Requests for Energy Efficiency Information*

a. *Position of the Parties*

The PGA assumes that there is no gas counterpart to the "green power" disclosure in the electric industry and recommends that we eliminate the requirement for NGDCs to provide efficiency information to customers upon request. IRRC asks that we choose between the use of "efficiency information" and "information on energy efficiency" and provide a definition for the term we choose.

b. *Resolution*

We disagree with the PGA because the NGDCs' consumer education programs already provide customers with efficiency information upon request and we expect the NGDCs to simply continue current practices. We agree with IRRC and we will use the term "efficiency information" and define it as the existing NGDC efficiency information included in the NGDC's consumer education program.

§ 62.77. *Marketing/sales activities*

1. *Fixed and Tiered Pricing*

a. *Position of the Parties*

The CNGR suggests that we substitute the word "tiered" for the word "fixed" in § 62.77(b)(1) because there would be no need to require the NGS to illustrate fixed price charges at various usage levels since the price per unit will not change based on usage. IRRC asks us to clarify if this section applies to tiered pricing.

b. *Resolution*

The usage levels for the marketing table were determined by reviewing typical historical usage levels for both heating and nonheating customers of the NGDCs. The steps in usage levels are meant to allow a customer to find a close comparison to his individual usage level and corresponding price per standard pricing unit of the NGDC so that he can make an informed decision about the offer from the NGS. While we recognize that the table will show the same results under the common fixed price variation of fixed pricing, we believe that the intended benefit to the customer is significant enough to keep the requirement. In addition, since the tiered pricing varia-

tion is a fixed pricing variation, we do not need to restrict the applicability of this section to just the tiered pricing variation.

## 2. *Cost of Marketing Table*

### a. *Position of the Parties*

The PGA contends that the required marketing table is potentially costly to NGSS.

### b. *Resolution*

We do not believe that the costs are burdensome to NGSS because our experience with the electric market did not result in any supplier complaints about the cost of the table. Also, the table provides useful information to customers for comparison purposes.

## 3. *Explanation of When the Marketing Table is Required*

### a. *Position of the Parties*

IRRC asks that we clarify when the NGS is required to issue the marketing table as required in § 62.77(b)(1) and (2), either in all marketing materials or just those marketing materials that include a written disclosure statement.

### b. *Resolution*

We clarify that the table is required only when the marketing materials contain a written disclosure statement and we will revise § 62.77(b) accordingly.

## 4. *Ceiling Price in a Variable Pricing option*

### a. *Position of the Parties*

The PGA questions the relevance of showing an average price for a variable pricing option in the marketing table and IRRC asks that we be consistent in our requirements in §§ 62.75(c)(2)(i) and 62.77(b)(2).

### b. *Resolution*

We agree with the PGA and IRRC and we believe that when we change § 62.77(b)(2) to be consistent with the change we previously agreed to make in § 62.75(c)(2)(ii), the issues that these parties raise will be resolved. Specifically, we will add that the marketing table should be done for both the starting price and the ceiling price, if the ceiling price is applicable. This will eliminate the need for the disclosure of an average price. We will revise § 62.77(b)(2) accordingly.

## 5. *Use of Equivalent Measures or Standard Pricing Unit of the NGDC*

### a. *Position of the Parties*

IRRC and the OCA contend that the marketing table that is required in § 62.77(b) should contain NGS prices according to the standard pricing unit of the NGDC and that we should modify this section accordingly.

### b. *Resolution*

We agree with the OCA and IRRC and we will modify the regulations to require that the marketing tables show prices in the standard pricing unit of the NGDC.

## 6. *Time Frame Applicable to the Marketing Table*

### a. *Position of the Parties*

IRRC asks if the marketing table in § 62.77(b)(2) reflects pricing for 1 month or several months. IRRC also asks if the price is for a particular date, as a limited time offer.

### b. *Resolution*

The marketing table at both § 62.77(b)(1) and (2) reflect the price for 1 month and we will revise these two sections accordingly. If the marketing table reflects pricing as a limited time offer, then the table should contain such a footnote. We will revise these sections to require a statement about a limited time offer, if applicable.

## § 62.78. *Privacy of customer information*

### 1. *Use of the Term "Convenient Method"*

#### a. *Position of the Parties*

The IRRC recommends that we should amend subsection (a) to specify that the customer must be given the option of restricting the release of private information consistent with subsection (b), which contains a list of the acceptable convenient methods.

#### b. *Resolution*

We agree with IRRC and we will revise subsection (a) consistent with IRRC's recommendation.

## § 62.79. *Complaint handling process*

### 1. *Toll-Free Phone Numbers*

#### a. *Position of the Parties*

The CLS requests that all NGDCs and NGSS provide toll-free numbers for all customers for whom telephone contact is a toll call. IRRC asks if we have considered the requirement.

#### b. *Resolution*

We have not required the use of toll-free numbers because all NGDCs and NGS appear to already be providing toll-free numbers to customers. The use of toll-free numbers is perceived as a good business practice in a competitive environment and competition has made the use of toll-free numbers commonplace.

### 2. *Use of the Term "Applicable Standards"*

#### a. *Position of the Parties*

The CLS contends that the use of the term "applicable standards" in § 62.79(2) creates uncertainty that Chapter 56, Subchapter F (relating to disputes; termination disputes; informal and formal complaints) might not apply to an NGS or an NGDC.

#### b. *Resolution*

We agree with the CLS that Chapter 56, Subchapter F applies to NGSS and NGDCs and we will revise this section accordingly.

## § 62.80. *Common natural gas competition terms*

### 1. *Definition of PUC*

#### a. *Position of Parties*

The CLS asks that we modify the definition of "PUC—Pennsylvania Public Utility Commission" to include a phrase about the regulation of distribution rates.

#### b. *Resolution*

We respectfully decline to change our current definition of "PUC—Pennsylvania Public Utility Commission" because we believe it is as simple as possible while covering the most important aspects of the PUC as a regulatory agency. We also note that all bills and written disclosure

statements for residential and small business customers will contain a sentence which says that distribution prices and charges are set by the PUC.

2. *Differences between Common Natural Gas Competition Terms and the Glossary of Gas Terms for the Consumer*

a. *Position of the Parties*

IRCC and the PGA point out that there are discrepancies in the definitions of 14 terms contained in the two Commission reference documents known as the Common Natural Gas Competition Terms and the Glossary of Gas Terms for the Consumer. The PGA asks us to eliminate these differences.

b. *Resolution*

We will change the name of the Glossary of Gas Terms for the Consumer to the Consumer's Dictionary for Natural Gas Competition consistent with § 62.73(3). Additionally, we shall conform the definitions in the Consumer's Dictionary to those appearing in § 62.80.

Accordingly, under sections 501, 1301, 1307 and 1501 of the code, and the Commonwealth Documents Law (45 P.S. § 1201 et seq.), and the regulations promulgated thereunder in 1 Pa. Code §§ 7.1–7.4, we propose to amend our regulations by adding §§ 62.71–62.80, to read as set forth in Annex A; *therefore*,

*It Is Ordered that:*

1. The Secretary shall submit this order and Annex A for review by the designated standing committees of the General Assembly, and for review by IRRC.

2. The Secretary shall submit this order and Annex A to the Office of the Attorney General for review as to form and legality.

3. The Secretary shall submit a copy of this order and Annex A to the Governor's Budget Office for review of fiscal impact.

4. The Secretary shall certify this order and Annex A and deposit them with the Legislative Reference Bureau for publication in the *Pennsylvania Bulletin*. This chapter shall become effective upon final publication in the *Pennsylvania Bulletin*.

5. The contact persons are Ahmed Kaloko, Director, Bureau of Conservation, Economics and Energy Planning (technical), (717) 787-2139, and Lawrence F. Barth (legal), (717) 772-8579. Alternate formats of this document are available to persons with disabilities and may be obtained by contacting Sherri DelBiondo, Regulatory Coordinator, Law Bureau, and (717) 772-4597.

6. A copy of this order and Annex A shall be served upon persons who filed comments, natural gas distribution companies subject to the act, licensed NGSs, the OTS and the Office of the Small Business Advocate.

JAMES J. MCNULTY,  
Secretary

(*Editor's Note:* For the text of the order of the Independent Regulatory Review Commission, relating to this document, see 31 Pa.B. 1647 (March 24, 2001).)

**Fiscal Note:** Fiscal Note 57-215 remains valid for the final adoption of the subject regulations.

**Annex A**

**TITLE 52. PUBLIC UTILITIES**

**PART I. PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Subpart C. FIXED UTILITIES**

**CHAPTER 62. NATURAL GAS SUPPLY CUSTOMER CHOICE**

**Subchapter C. CUSTOMER INFORMATION DISCLOSURE**

Sec.	Purpose.
62.71.	Definitions.
62.72.	Standards and pricing practice for retail natural gas service.
62.73.	Bill format for residential and small business customers.
62.74.	Disclosure statement for residential and small business customers.
62.75.	Request for information.
62.76.	Marketing/sales activities.
62.77.	Privacy of customer information.
62.78.	Complaint handling process.
62.79.	Common natural gas competition terms.
62.80.	

**§ 62.71. Purpose.**

(a) The purpose of this subchapter is to require that all natural gas providers enable customers to make informed choices regarding the purchase of all natural gas services offered by providing adequate and accurate customer information. Information shall be provided to customers in an understandable format that enables customers to compare prices and services on a uniform basis.

(b) As to the scope of this subchapter, this section and §§ 62.72 and 62.73 (relating to definitions; and standards and pricing practices for retail natural gas service) apply to all customers, including large commercial and industrial customers. Sections 62.74–62.79 apply only to residential and small business customers, as defined in § 62.72. Section 62.80 (relating to common natural gas competition terms) applies as described in § 62.73(4).

**§ 62.72. Definitions.**

The following words and terms, when used in this subchapter, have the following meanings, unless the context clearly indicates otherwise:

*Basic services*—Services necessary for the physical delivery of natural gas to a retail customer, consisting of natural gas distribution services and natural gas supply services.

*Billed prices*—The disclosed NGS prices on the customer bill.

*City gate*—The point where interstate pipelines deliver gas into NGDC facilities.

*Commission*—The Pennsylvania Public Utility Commission.

*Commodity charges or natural gas supply charges*—Basic service charges for natural gas supply services to retail customers, excluding charges for natural gas distribution services.

*Consumer*—A retail gas customer.

*Customer*—A person that buys retail natural gas.

*Customer information*—Written, oral or electronic communications used by natural gas providers to communicate to consumers prices and terms of service.

*Disclosure statement*—The written disclosure of the terms of service between an NGS and a customer which

satisfies the definition of "consumer contract" in section 3 of the Plain Language Consumer Contract Act (73 P. S. § 2203).

*Disclosure statement prices*—The disclosed NGS prices in the disclosure statement.

*Distribution charges*—Basic service charges for the delivery of natural gas to a retail customer from the point of receipt into the NGDC's distribution system. These charges include basic service under § 56.15(4) (relating to billing information) and universal service, as applicable.

*Efficiency information*—The existing NGDC efficiency information included in the NGDC's consumer education program.

*Historical billing data*—The minimum of 12 months of data as recorded by the NGDC, which contains usage data and dollar amount billed, unless 12 months of this data is not available, in which case the NGDC shall provide as much billing data as available. This data is thousand cubic feet (Mcf), hundred cubic feet (ccf) or dekatherms (Dth) consumption at some prescribed interval of consumption and associated cost.

*Marketed prices*—The disclosed prices on NGS marketed customer information.

*NGDC—Natural gas distribution company*—A public utility or city natural gas distribution operation that provides natural gas distribution services and which may provide natural gas supply services and other services. For purposes of this subchapter, the term does not include the following:

(i) Any public utility subject to the jurisdiction of the Commission which has annual gas operating revenues of less than \$6 million per year, except when the public utility voluntarily petitions the Commission to be included within this definition or when the public utility seeks to provide natural gas supply services to retail gas customers outside its service territory.

(ii) A natural gas public utility subject to the jurisdiction of the Commission that is not interconnected to an interstate gas pipeline by means of a direct connection or an indirect connection through the distribution system of another natural gas public utility or through a natural gas gathering system.

*NGS—Natural gas supplier*—An entity other than an NGDC, but including NGDC marketing affiliates, which provides natural gas supply services to retail gas customers utilizing the jurisdictional facilities of an NGDC.

(i) The term includes an NGDC that provides natural gas supply services outside its certificate service territories.

(ii) The term includes a municipal corporation, its affiliates or any joint venture, to the extent that it chooses to provide natural gas supply services to retail customers located outside of its corporate or municipal limits, as applicable, other than the following:

(A) As provided prior to July 1, 1999, the effective date of 66 Pa.C.S. Chapter 22 (relating to Natural Gas Choice and Competition Act), under a certificate of public convenience if required under 66 Pa.C.S. (relating to Public Utility Code).

(B) The total natural gas supply services in de minimis amounts.

(C) Natural gas supply services requested by, or provided with the consent of, the public utility in whose certificated territory the services are provided.

(D) Natural gas supply services provided to the municipal corporation itself or its tenants on land it owns or leases, or is subject to an agreement of sale or pending condemnation, as of September 1, 1999, to the extent permitted by applicable law independent of 66 Pa.C.S. Chapter 22.

(iii) The term excludes an entity to the extent that it provides free gas to end-users under the terms of an oil or gas lease. Notwithstanding any other provision of this title, an NGS that is not an NGDC is not a public utility as defined in 66 Pa.C.S. § 102 (relating to definitions) to the extent that the NGS is utilizing the jurisdictional distribution facilities of an NGDC or is providing other services authorized by the Commission.

*Natural gas distribution service*—The delivery of natural gas to retail gas customers utilizing the jurisdictional facilities of the NGDC.

*Natural gas providers*—The term refers collectively to the NGDC, NGS, marketer, aggregator or broker, or both, as well as any third party acting on behalf of these entities.

*Natural gas supply charges or commodity charges*—Basic service charges for natural gas supply services to retail customers, excluding charges for natural gas distribution services.

*Natural gas supply services*—

(i) The term includes the following:

(A) The sale or arrangement of the sale of natural gas to retail customers.

(B) Services that may be unbundled by the Commission under 66 Pa.C.S. § 2203(3) (relating to standards for restructuring of natural gas utility industry).

(ii) The term does not include distribution service.

*Nonbasic services*—Optional recurring services which are distinctly separate and clearly not required for the physical delivery of natural gas service. Examples include a gas line repair program and a gas appliance warranty program.

*Retail gas customer*—A direct purchaser of natural gas supply services or natural gas distribution services, other than an NGS. The term excludes an occupant of a building or facility where the owner/operators manage the internal distribution system serving the building or facility and supply natural gas and other related services to occupants of the building or facility; where the owners/operators are direct purchasers of natural gas supply service; and when the occupants are not direct purchasers.

*Small business customer*—This term refers to a person, sole proprietorship, partnership, corporation, association or other business entity that receives natural gas service under a small commercial, small industrial or small business rate classification, and whose aggregate maximum registered annual consumption with the NGDC was less than 300 Mcfs, or equivalent, over the last 12 months.

### **§ 62.73. Standards and pricing practices for retail natural gas service.**

In furnishing retail natural gas service, NGDCs and NGSs or any entity that otherwise provides retail natural gas service information to customers, shall comply with the following:

(1) Use common and consistent terminology in customer communications, including marketing, billing and

disclosure statements and use the standard pricing unit of the NGDC. The three standard pricing units that are currently used by NGDCs are ccfs, Mcfs and Dths.

(2) Use the term NGDC as described in § 62.72 (relating to definitions) as a standard term.

(3) Use the terms as defined in the Commission's "Consumer's Dictionary for Natural Gas Competition" (Dictionary), maintained on file in the Commission's Office of Communications. NGDCs shall provide this Dictionary upon customer request, and the "Common Natural Gas Competition Terms" as described in paragraph (4) shall indicate the phone number and address of the NGDC to request the Dictionary.

(4) Each NGDC will distribute the "Common Natural Gas Competition Terms," found in § 62.80 (relating to common natural gas competition terms), as part of its consumer education program, as a bill insert or in a separate mailing once per year for the life of the NGDC's choice education campaign, which is mandated in 66 Pa.C.S. § 2206(d) (relating to consumer protections and customer service).

**§ 62.74. Bill format for residential and small business customers.**

(a) NGS billed prices shall reflect the marketed prices and the disclosure statement prices.

(b) The following requirements apply only to the extent to which an entity has responsibility for billing customers, and to the extent that the charges are applicable. Duplication of billing for the same or identical charges by both the NGDC and NGS is not permitted.

(1) NGDC charges shall appear separately from NGS charges.

(2) Charges for basic services shall appear before charges for nonbasic services, and appear distinctly separate.

(3) Customer bills shall contain the following charges, if these charges are applicable, and these charges shall appear in a distinct section of the bill. The designation or label of each charge as either a basic charge or nonbasic charge appears in parentheses following the name of the charge. This label of either basic or nonbasic is not required to accompany the name of the charge on the bill.

(i) Commodity charges (basic).

(A) Commodity charges shall be presented in the standard pricing unit for natural gas of the NGDC in actual dollars or cents per standard pricing unit or actual average dollars or cents per standard pricing unit.

(B) Commodity charges shall appear first among the basic charges with one exception. NGDCs may place the customer charge first among the basic charges.

(ii) Distribution charges (basic).

(iii) Customer charge or basic charge (charge for basic service in § 56.15 (relating to billing information)) (basic).

(iv) Gas cost adjustment charges (basic).

(v) Interstate transition cost surcharges (basic).

(vi) Taxes (Comply with § 56.15) (basic).

(vii) Late payment charges (basic).

(viii) Security deposit (basic).

(ix) Reconnection fee (basic).

(x) Itemization of nonbasic charges (nonbasic).

(xi) Overall billing total.

(4) The entity reading the meter for billing purposes shall provide the following natural gas use data figures:

(i) The total annual natural gas use for the past 12 months in the standard pricing unit of the NGDC including the current billing cycle. This is a single cumulative number.

(ii) The average monthly natural gas use for the past 12 months in the standard pricing unit of the NGDC including the current billing cycle. This is a single cumulative number.

(5) The requirements of § 56.15 shall be incorporated in customer bills to the extent that § 56.15 applies.

(6) Definitions for the following charges and terms are required in a customer's bill, if they appear as billing items, as contained in § 62.80 (relating to common natural gas competition terms), and shall be in a distinctly separate section of the bill:

(i) Commodity charges.

(ii) Distribution charges.

(iii) Customer charge/basic charge (charge for basic service in § 56.15).

(iv) Gas cost adjustment charges.

(v) The standard pricing unit of the NGDC, either, ccf, Mcf or Dth.

(7) "General Information" is the required title for customer contact information in a customer's bill.

(i) The name, address, telephone number and Internet address for the NGS and NGDC shall be included.

(ii) Both NGDC and NGS information in subparagraph (i) is required on all customer bills with the billing entity's information first.

(8) When a customer chooses the option to receive a separate bill for competitive natural gas supply, the NGDC shall include in a customer's bill the following information where the NGS charges would normally appear:

(i) The NGS's name.

(ii) A statement that the customer's NGS is responsible for the billing of NGS charges.

(9) When a customer chooses the option to receive a single bill from the NGDC, the NGDC shall include in the customer's bill the name of the NGS where the NGS charges appear.

(10) For customers who have chosen to receive gas supply from a competitive supplier, the customer's bill shall include the following statements which may appear together in a paragraph:

(i) "Commodity prices and charges are set by the natural gas supplier you have chosen."

(ii) "The Public Utility Commission regulates distribution prices and services."

(c) The billing entity shall provide samples of customer bills to the Commission for review prior to issuance to customers.

**§ 62.75. Disclosure statement for residential and small business customers.**

(a) The disclosure statement prices shall reflect the marketed prices and the billed prices.

(b) The NGS shall provide the customer a written disclosure statement containing the terms of service at no charge whenever:

- (1) The customer requests that an NGS initiate service.
- (2) The NGS proposes to change the terms of service.

(c) The disclosure statement's terms of service shall be disclosed, including the following terms and conditions, if applicable:

(1) Commodity charges shall be disclosed according to the actual prices and be presented in the standard pricing unit of the NGDC or other Commission-approved standard pricing unit. Commodity charges shall include estimated total state taxes. Commodity charges exclude State Sales Tax and county tax.

(2) The variable pricing statement (if applicable) shall include:

(i) Conditions of variability (state on what basis prices will vary) including the NGS's specific prescribed variable pricing methodology.

(ii) The starting price and the ceiling price, if the ceiling price is applicable.

(3) An itemization of basic and nonbasic charges distinctly separate and clearly labeled.

(4) The length of the agreement, which includes:

(i) The starting date.

(ii) The expiration date, if applicable.

(5) An explanation of sign-up bonuses, add-ons, limited time offers, other sales promotions and exclusions, if applicable.

(6) An explanation of prices, terms and conditions for special services, if applicable.

(7) The cancellation provisions, if applicable. When a customer moves from one location to another, even if the move is within an NGDC's service territory, the agreement is cancelled.

(8) The renewal provisions, if applicable. Automatic renewal is allowed at the same terms and conditions as long as the new agreement is month-to-month.

(9) The name and telephone number of the supplier of last resort.

(10) An explanation of penalties, fees or exceptions, printed in type size larger than the type size appearing in the terms of service. Penalties shall be disclosed in actual dollars or a specific method for determining the actual dollars shall be disclosed.

(11) Customer contact information that includes the name of the NGDC and NGS, and the NGS's address, telephone number, Commission license number and Internet address, if available. The NGS's information shall appear first and be prominent.

(12) A statement that directs a customer to the Commission if the customer is not satisfied after discussing the terms of service contained in the disclosure statement with the NGS.

(13) The name and telephone number for universal service program information.

(d) Customers shall be provided a 3-day right of rescission period following receipt of the disclosure statement from the NGS.

- (1) The 3-day right of rescission is 3 business days.

(2) The 3-day right of rescission begins when the customer receives the disclosure statement from the NGS.

(3) The customer may cancel in writing, orally or electronically, if available, by contacting the NGS.

(4) Waivers of the 3-day right of rescission are not permitted.

(e) The definition for commodity charges is required on natural gas disclosure statements and shall be defined in accordance with § 62.80 (relating to common natural gas competition terms). Definitions for other basic charges, if applicable, are required. Definitions for each of the nonbasic services, if applicable, are required. The definition section of the bill shall be distinctly separate.

(f) The NGS shall include in the customer's disclosure statement the following statements which may appear together in a paragraph:

(1) "Commodity prices and charges are set by the natural gas supplier you have chosen."

(2) "The Public Utility Commission regulates distribution prices and services."

(g) Disclosure statements shall include the following customer notification:

(1) "If you have a fixed term agreement with us that is longer than 3 months and it is approaching the expiration date, we will send you advance written notices at about 90 days and 60 days before the expiration date. If we propose to change our terms of service in any type of agreement, we will send you advance written notices at about 90 days and 60 days before the effective date of the change. If we are billing you directly for our services, then we will provide the notices as a bill message, a bill insert, or in a separate corresponding mailing. If the NGDC is billing our charges for us, then we will provide the notices in separate corresponding mailings. We will explain your options to you in these two advance notifications."

(2) The NGS may add appropriate language in the notice so that the notice may serve as an amendment to the original agreement if the customer affirmatively reselects the NGS. Affirmative reselection occurs when the customer initiates a telephone call to the NGS and during the conversation the customer accepts the new offer, the NGS initiates a telephone call to the customer and during the conversation the customer accepts the new offer, the customer accepts the new offer by signing a document and returning it to the NGS, or the customer acknowledges the acceptance of the new offer electronically, perhaps by checking a box on a form on the NGS's website. These are offered as examples and are not meant to be all inclusive. After a customer affirmatively reselects the NGS, the NGS is relieved of its obligation to fulfill outstanding notice requirements. If the change in terms notice is for a reduction in the price of the commodity charges, the NGS is required to send only one written notice at least 60 but not more than 90 days prior to the effective date of the price change. A fixed term agreement may be converted to a month-to-month agreement, either at the same terms and conditions or at revised terms and conditions, as long as the agreement converts from a fixed term to a month-to-month agreement and contains no cancellation penalties, in the event that the customer does not respond to the notice. A fixed term agreement may be converted to another fixed term agreement as long as the new agreement includes a customer initiated cancellation provision that allows the customer to cancel at any time for any reason and

contains no cancellation penalties, in the event that the customer does not respond to the notice.

(h) If the supplier of last resort changes, the new supplier of last resort shall notify customers of that change, and shall provide customers with the name, address, telephone number and Internet address, if available.

**§ 62.76. Request for information.**

(a) Natural gas providers shall respond to reasonable customer requests for efficiency information by indicating that these materials are available upon request from the Commission or the NGDC.

(b) Residential and small business customers, upon request from the customer, are entitled to receive at no charge and at least once a year, historical billing data from whomever reads the meter for billing purposes. If the customer is receiving competitive natural gas supply service from an NGS, and receiving a separate bill from the NGS, the NGS will provide dollar amounts billed.

(1) The NGDC is only obligated to provide information that is readily available in its billing system.

(2) The historical billing data shall be conveyed in terms of the NGDC's standard pricing unit, for example, ccfs, Mcfs or Dths, and associated charges for the current billing period and for the year preceding the current billing period.

(3) The historical billing data will be updated with each billing cycle.

(c) Natural gas providers shall notify consumers not less than once per year either in advertising materials, disclosure statements or bills that efficiency information and historical billing data is available upon request.

**§ 62.77. Marketing/sales activities.**

(a) An NGS's marketed prices shall reflect disclosure statement prices and billed prices and shall be presented in the standard pricing unit of the NGDC.

(b) An NGS's marketing materials that offer terms of service in a disclosure statement for acceptance by customers shall include prices, as follows:

(1) If using a fixed price, the NGS shall show charges for supply service in the standard pricing unit of the NGDC at monthly usage levels equivalent to 15, 80 and 120 ccfs of natural gas in a table format.

(2) If using a variable price mechanism, the NGS shall factor in all costs associated with the rate charged to the customer for supply service, and show the starting price and ceiling price for supply service, if the ceiling price is applicable, in the standard pricing unit of the NGDC at monthly usage levels equivalent to 15, 80 and 120 ccfs of natural gas, in a table format.

(3) The NGS shall note the effective date of the prices shown in the table provided under paragraph (1) or (2) and if the prices are a limited time offer, the NGS shall note the expiration date of the limited time offer.

(c) Advertising materials targeted for residential and small business sales shall be made available upon request of the Commission.

**§ 62.78. Privacy of customer information.**

(a) An NGDC or NGS may not release private customer information to a third party unless the customer has been notified of this intent and has been given a convenient method, consistent with subsection (b), of notifying the entity of the customer's desire to restrict the

release of the private information. If the customer does not choose to restrict the release of one of the two restriction options in paragraphs (1) and (2), all of the customer's private information may be released to a third party except for the telephone number. If the customer chooses to restrict the release of private customer information, the customer may restrict information released according to one of the following two restriction options:

(1) Restrict the release of only the customer's historical billing data in the NGDC's standard pricing unit, that is, as denominated by the NGDC.

(2) Restrict the release of all private customer information including name, billing address, service address, rate class, rate subclass, account number and historical billing data in the NGDC's standard pricing unit, that is, as denominated by the NGDC.

(b) Customers shall be permitted to restrict information as specified in subsection (a) by returning a signed form, or by oral or electronic communication.

(c) Nothing in this section prohibits the NGS and NGDC from performing their mandatory obligations to provide natural gas service as specified in the disclosure statement and in 66 Pa.C.S. (relating to the Public Utility Code).

(d) Telephone numbers may not be released to third parties.

**§ 62.79. Complaint handling process.**

NGDCs and NGSs shall disclose to customers the following with respect to the rights of customers in the handling and resolution of complaints:

(1) Residential and small business customers shall directly contact the party responsible for the service in question as an initial step for complaint and problem resolution. If the customer mistakenly contacts the wrong entity, the customer shall be promptly referred to the appropriate contact. In the event of an unexpected loss of firm gas service, the customer shall be directed to the NGDC.

(2) Complaints that pertain to Chapter 56 (relating to standards and billing practices for residential utility service) matters shall be handled and resolved in accordance with the standards in Chapter 56.

(3) NGDCs and NGSs shall give the Commission access to disclosure statements, billing and other customer information resources for compliance reviews as deemed necessary by the Commission. When complaints arise and are brought before the Commission for resolution, the obligation of the NGS shall be extended to the provision of pricing information.

**§ 62.80. Common natural gas competition terms.**

The following are common natural gas competition terms:

*Burner tip*—The point at which natural gas is used such as a furnace, water heater or range.

*Ccf*—100 cubic feet of gas. This is a measure of gas usage.

*Chapter 56*—The PUC regulations that govern metering, billing and collections for residential gas and electricity service.

*City gate*—The point where interstate pipelines deliver gas into NGDC facilities.



*Commodity charges*—The charges for basic gas supply service which is sold either by volume (ccf or Mcf) or heating value (dekatherms).

*Customer charge*—A monthly charge to cover NGDC costs such as maintaining the gas lines, meter reading and billing.

*Distribution charges*—The charges for the delivery of natural gas from the point of receipt into the NGDC's system.

*Dth (Dekatherm)*—A measure of the heat content value of gas. Gas usage is determined by multiplying the Mcf used by the heat content value of the gas.

*Gas cost adjustment charges*—The amount billed or credited each month to account for differences between projected and actual gas supply costs of the NGDC.

*Mcf*—1,000 cubic feet of gas. This is a measure of gas usage.

*NGDC—Natural gas distribution company*—A state regulated natural gas utility which owns the gas lines

and equipment necessary to deliver natural gas to the consumer. (Formerly called local distribution company)

*NGS—Natural gas supplier*—An entity that sells or arranges to sell natural gas to customers that is delivered through the distribution lines of an NGDC.

*PUC—Pennsylvania Public Utility Commission*—The State regulatory agency that provides oversight, policy guidance and direction to public utilities and suppliers.

*Price to compare*—The dollar amount charged by the NGDC used by consumers to compare prices and potential savings with other NGSs.

*Storage*—Placing natural gas into an underground facility for removal and use at a later date.

*Transmission*—The moving of natural gas through the interstate pipeline system for delivery to the NGDC.

[Pa.B. Doc. No. 01-638. Filed for public inspection April 13, 2001, 9:00 a.m.]

\_\_\_\_\_