Pennsylvania Public Utility Commission

2001-2002 Annual Report

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The Honorable Edward G. Rendell
Governor of Pennsylvania

The Honorable Catherine Baker Knoll
Lieutenant Governor

Members of the General Assembly,

I am pleased to submit for your review the 2001-02 Annual Report of the Pennsylvania Public Utility Commission.

The unprecedented events of 2001 and 2002 created formidable challenges for both regulators and utilities. As the economy tightened and corporate scandals made headlines, the utility sector was unable to escape the impacts. Moreover, the events of September 11th and the increased threat of domestic terrorism placed a new emphasis of the security of our critical assets.

Despite the challenging times, the PUC pressed forward with its mission to ensure that Pennsylvania's consumers receive safe, reliable and reasonably priced utility service. Pennsylvania's public utilities are among the best the nation, and our consumers continue to receive the benefits of efforts to increase competition in the utility sector. The Commission will work hard to keep it that way.

In many respects, competition is redefining how Pennsylvanians think about their utility services. This new marketplace creates many new and exciting opportunities from which well-educated Pennsylvania consumers can reap the rewards.

The PUC must remain vigilant and responsive to an ever-changing marketplace to ensure that our rules are fair and protect consumers.

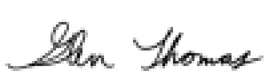
We reviewed the current auditing practices of the Commonwealth's major public utilities. While we have always conducted management audits of our utilities, we must do more in this post-Enron world. We took a hard and comprehensive look at codes of conduct, financial reporting, external and internal auditing, and limits placed on internal auditing by senior management. We were a national leader for taking such a step.

As regulators and as stewards of competition, the Commission also is fully aware that it has important oversight responsibilities and obligations with respect to reliability monitoring under the Electricity Generation Customer Choice and Competition Act. Reliability will always be our top priority. That's why we ordered a comprehensive review of electric-distribution service reliability in Pennsylvania. As a result, we will be tightening reliability performance standards for utilities, establishing additional reporting requirements for companies and streamlining the Commission's internal review process.

It's been six years since the passage of the federal Telecommunications Act of 1996, which was intended to open the local telephone market to competition. From our experience with Electric Choice, we know that well-educated consumers are the drivers of a competitive market. It's our job to provide consumers with the tools and resources to help them make informed decisions. We used this knowledge as the PUC, working in conjunction with the Council for Utility Choice, launched a multi-media and grassroots campaign to educate consumers about how to shop for local telephone service, and to remind them about natural gas and electric competition. The Utility Choice campaign includes TV and radio advertising; a new Web site (www.utilitychoice.org); toll-free consumer hotlines; a new brochure; and an extensive grassroots effort featuring consumer-education workshops and presentations to community-based organizations.

Over the next several years, our challenge will be to take Pennsylvania's leadership in these issues to the next level. We will work to further ensure that all Pennsylvanians have access to safe, reliable and affordable utility services and to be responsible stewards of competition. The following report highlights our accomplishments toward meeting these responsibilities.

Respectfully,



Glen R. Thomas
Chairman

Introduction

The late-1990s proved to be a turning point in the history of the Public Utility Commission. In December 1996, the General Assembly and former Governor Tom Ridge restructured electricity generation, allowing customers to choose their electric generation supplier for the first time in 60 years. This historic moment propelled Pennsylvania to the forefront of a national movement to bring market forces and the benefits of competition to the utility industry. Soon after, in 1998, the PUC passed rules to jumpstart local phone competition and, in 1999, began the process of bringing the benefits of competition to the natural gas industry.

Today, as a result of the Commission's efforts to embrace competitive markets, Pennsylvanians have saved billions and are reaping the benefits of improved customer service and innovative product designs. The PUC has embraced an expanded mission - to be active stewards of competition. It is our belief that informed customers are the drivers of a competitive market. Our role is to empower customers so they may take advantage of the benefits of competition. To accomplish this goal, the PUC launched a comprehensive consumer- education program in conjunction with the Council on Utility Choice.

Although the Commission has undertaken a new goal, we remain committed to our traditional responsibilities. We work to ensure that electric, natural gas, water, telephone and transportation service is available to customers upon request at a reasonable cost, and is provided safely with a reasonable level of service.
However, we also recognize that utilities are entitled to fair rates when seeking increases. It is in the long-term public interest to permit a strong financial climate for investment in public utilities. By allowing a fair return to investors for the use of their money, companies can attract capital to provide and improve services for all customers.

Our challenge is to balance the interests of all groups. To achieve this, we strive to be prudent, fair and farsighted.

Broad Powers

The PUC exercises broad powers in meeting its regulatory obligations. In today's rapidly changing business environment, utilities must consider all of their options. The number of utility mergers, acquisitions and affiliated interest agreements has increased significantly over the last several years. With limited exceptions, utilities are required to obtain Commission approval for these transactions, as well as for those to operate, extend or abandon service. It is the PUC's responsibility to ensure that these actions provide a definite benefit to customers.

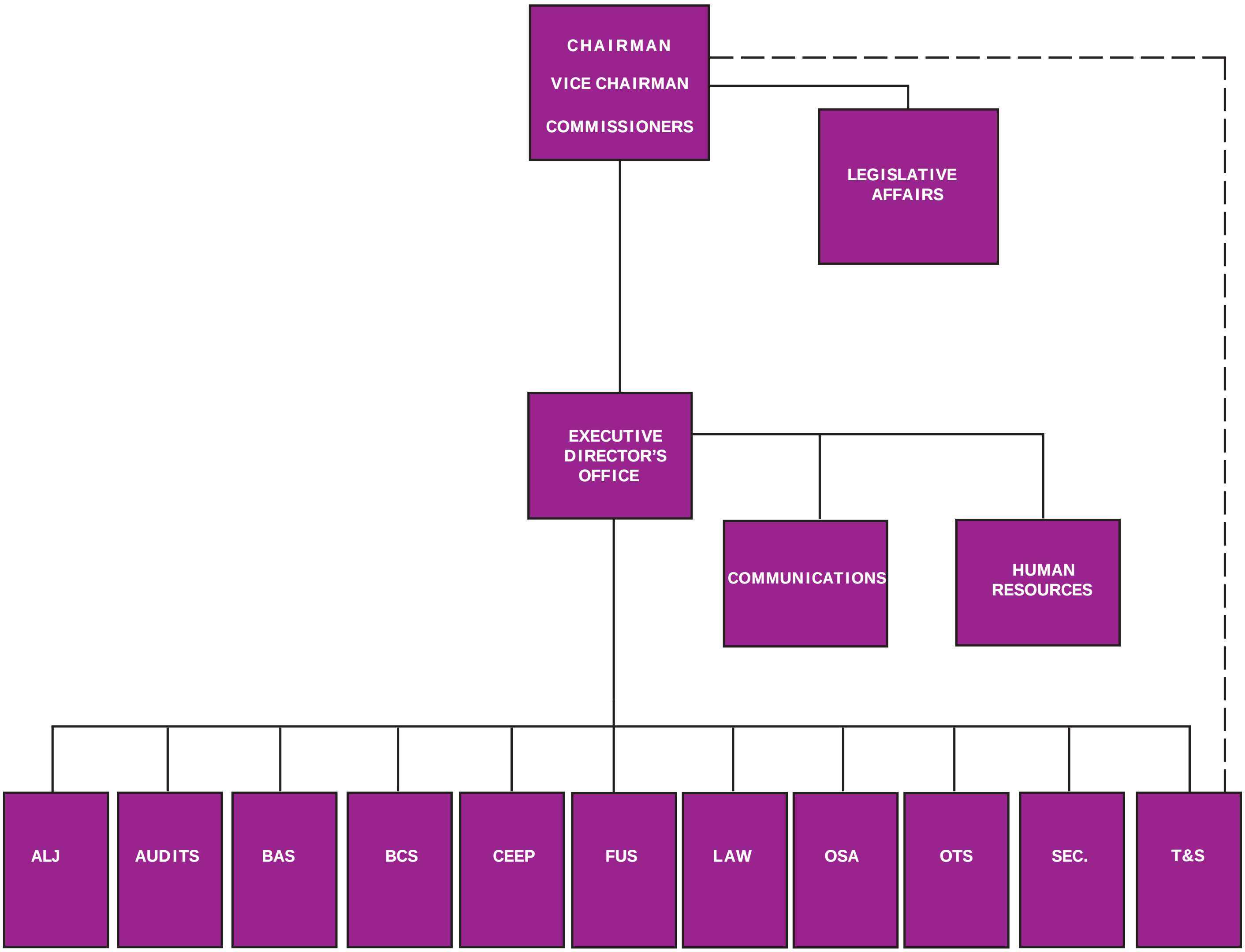
Over the last five years, the PUC has worked diligently to ensure an effective transition to competitive markets in the electric and natural gas industries. Customers may now choose from a number of suppliers that generate their electricity or supply their natural gas. The number of telecommunications companies offering local phone service in competition with the incumbent phone companies is steadily increasing.

Although parts of the natural gas and electric markets are competitive, customers still receive transmission and distribution service from their local utilities. The local utilities also will continue to maintain the electric lines or natural gas pipelines to ensure that safe, reliable utility service is delivered to customers. Likewise, phone customers who do not select a different supplier for local service will continue to receive reliable service from their existing company. In every case, for customers who do not or cannot choose a different company, the PUC will continue to regulate the utilities so that service is reliable and rates are fair.

In the interest of train and motor vehicle safety and service, the PUC examines the structural strength of railroad bridges and underpasses. In addition to a team of railroad safety inpectors, the PUC has a staff of motor carrier investigators who check on safety, cargo and certified routes of truck, taxi and bus operators.

If customers have complaints with a utility, they may seek help from the PUC's Bureau of Consumer Services. Trained customer-service representatives help to resolve billing disputes, establish payment plans or restore service. An additional call center assists the PUC on competition-related issues.

Organizational Chart



ALJ -	Office of the Administrative Law Judge
AUDITS -	Bureau of Audits
BAS -	Bureau of Administrative Services
BCS -	Bureau of Consumer Services'
CEEP -	Bureau of Conservation, Economics and Energy Planning
FUS -	Bureau of Fixed Utility Services
LAW -	Law Bureau
OSA -	Office of Special Assistants
OTS -	Office of Trial Staff
SEC. -	Secretary's Bureau
T&S -	Bureau of Transportation and Safety

Introduction

2001-2002 Public Utility Commissioners (from left to right): Commissioner Terry Fitzpatrick, Vice Chairman Robert Bloom, Chairman Glen Thomas, Commissioner Aaron Wilson, Commissioner Kim Pizzingrilli.

Rates

When setting rates, the law prescribes specific guidelines. The Commission must determine a utility's allowable expense and revenue requirements -- how much money the company needs to operate properly. It also must decide how charges for residential, commercial, industrial and other types of customers should be structured to collect allowable revenue. In any rate case, the public has an opportunity to provide comments. Decisions are reached at public meetings in conformity with the state's Sunshine Law. Commission decisions may be appealed to the state Commonwealth Court.

Organization

The Commission is comprised of five full-time members appointed by the Governor for staggered five-year terms. The appointments must be approved by a majority of the members of the state Senate. The Commissioners provide policy guidance and direction to the PUC on matters affecting utility rate and services, as well as on personnel, budget, fiscal and administrative matters. Commissioners take official action on cases during regularly scheduled public meetings.

The Commission has offices in Harrisburg, Altoona, Philadelphia, Pittsburgh and Scranton. These offices house enforcement officers, administrative law judges and auditors. The Philadelphia and Pittsburgh offices also have employees from the PUC's Bureau of Consumer Services.

The PUC regulates approximately 6,600 public utility entities furnishing the following in-state services for compensation: electricity, natural gas, telephone, water, wastewater collection and disposal, steam heat, transportation of passengers and property by train, bus, truck, taxicab, aircraft, boat, and pipeline transmission of natural gas and oil. Municipal utility service is exempt from PUC regulation, with the exception of that part furnished beyond a municipality's corporate boundaries. Rural electric cooperatives also are exempt from PUC regulation.

The Commission is funded by assessment of the regulated public utilities. The PUC may assess utilities up to three-tenths of 1 percent of gross intrastate revenue to cover the cost of regulation. Assessments are paid into the state Treasury's General Fund for use solely by the Commission.

The Public Utility Commission was created by the Pennsylvania Legislative Act of March 31, 1937 (and the Public Utility Law of May 28, 1937), which abolished the Public Service Commission.

An Overview of the Ratemaking Process

Regulation

In order to provide the most economical, efficient and practical service to a community, the state grants a utility the sole right to provide its service within a specified geographical area. Experience and past history have determined that the construction of facilities by more than one utility company in the same location would be extremely costly and disruptive to community life and property. In exchange for the geographic monopoly, the utility accepts regulation by state government to assure that rates are fair and service safe and adequate for customers who cannot choose a different company.

Commission Role

The PUC is responsible for ensuring safe, adequate service for consumers at fair and reasonable rates. The Commission is required to make decisions that allow utilities to meet all prudent expenses including the cost of borrowing money for expansion to provide service. The PUC does not exist solely for the benefit of any one group, but must balance the concerns of all the parties.

The Office of Trial Staff, which has experts in economics, engineering, law and financial accounting, represents the public at large by reviewing the company records and rate requests and presenting its view on what is in the public interest.

Utility Role

Regulated utilities must meet all reasonable requests for service by customers within their designated territories. To provide adequate service, it is recognized that the company must obtain a return on its investment sufficient to attract investors. If a company must expand its capacity to provide increased or improved service, it must borrow money, persuade investors to make money available, or seek a rate increase from the PUC.

Ratepayer Role

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

Filing for a Rate Increase

When a regulated utility believes it should have a rate increase due to increased expenses, it must file a request with the PUC. The filing must show the new rate the utility is proposing, why the rate is needed and when the utility wants it to go into effect.

Consumer Information

Utilities seeking rate changes must notify customers through their bills. Notice must include the amount of the proposed rate increase, the proposed effective date of increase, and how much more the ratepayer can expect to pay.

While not a part of the ratemaking process, public input hearings are held in a company's service area so citizens can ask questions before PUC staff and company representatives.

How Are Rates Set?

Setting rates essentially is a two-step process: (1) determining what it costs to provide the service for customers; and (2) determining the appropriate rate structure – the fair share to be charged to commercial, industrial and residential customers. A public utility under efficient and economical management is permitted sufficient revenue to cover proper operating expenses and to provide a return on investment adequate to compensate existing investors and attract new capital. The ratemaking process should provide the lowest possible rate for consumers and still maintain the financial stability of utilities.

How Long Does it Take?

The PUC must rule on a rate request within nine months from the date the request is filed at the Commission. If it does not issue a decision within that timeframe, the request is automatically approved.

Under PUC statute, utilities must provide 60 days notice to increase their rates. If no action is taken by the PUC within that 60 days, the increase is automatically postponed or suspended. The PUC then has seven months to decide whether any of the requested increase is justified, but it is expected to make a decision as soon as all the facts have been considered. The seven-month time period is necessary because the PUC must hold hearings; consumers must have a chance to voice their opinions and give testimony; briefs must be submitted and reviewed; a recommendation must be made; and, finally, the matter must be brought before the PUC for a vote.

Hearings and Recommendations

Pending cases are assigned to Administrative Law Judges (ALJ), who are lawyers with experience in administrative law. The ALJ presides at formal hearings, gathers the facts and submits to the PUC a written report recommending approval, disapproval or modification of the original rate request.

At a formal hearing, the company, the PUC's Office of Trial Staff and other parties present their cases and are subject to cross-examination. An ALJ presides over the hearing, which is open to the public and is conducted as a formal court proceeding. Customers may become participants in the case by formally applying in writing to do so. Ratepayers may speak for themselves, or lawyers may represent individual ratepayers or groups of ratepayers.

After the facts have been gathered, the ALJ writes a recommended decision resolving each issue within the limits set by law. The recommended decision is then sent to the Commissioners for their vote at a public meeting.

Final Order

The Commissioners must make the final decision, authorizing rates that (1) permit that amount of revenue which will allow the company to meet its expenses, pay interest on its debt and provide a reasonable return to stockholders so it will continue to attract investment; and (2) assign the proper rate for each category of service – residential, commercial and industrial – reflecting as closely as possible the cost of providing the service. The order has the weight of law unless the PUC changes it following a petition for reconsideration, or it is successfully challenged in court.

Veronica Smith
Executive Director

Executive Director Veronica Smith and Deputy Executive Director Karen Moury coordinate the activities of the bureaus, except the prosecutory functions of the Office of Trial Staff, and serve as the management link between Commissioners and bureau and office directors. In addition, the Executive Director has administrative control and supervision over all Commission offices and bureaus. The office is responsible for the development and preparation of the budget; for fiscal controls; for the assessments process; for organizational development and planning activities (including emergency plans and operations); and the management of daily activities. The Office of Communications and the Human Resources Office are included in the Office of Executive Director.

Office of Communications

The Office of Communications is responsible for media relations, employee communications and community relations. The office works to promote the Commission and its mission to the public.

Media relations personnel distribute PUC information and decisions to the media, the public, utility customers, and state, local and federal officials and agencies. Staff also provides information and communications services to PUC employees.

Community relations personnel develop educational materials for the public, and speak to consumers about the benefits of Utility Choice. They also oversee utility programs to ensure they adhere to the Commission's guidelines. Staff serves on the Council for Utility Choice.

Staff also serves on the Consumer Advisory Council. The Consumer Advisory Council represents the public advising the Commissioners on consumer interest matters under the PUC jurisdiction. Interactions between the Council and the Commissioners occur through regular meetings and in writing via minutes of meetings and formal motions. Council meetings are generally held on the fourth Tuesday of the month in the PUC executive chambers in Harrisburg starting at 10 a.m. and are open to the public.

Council members serve two-year terms. The 2001-03 term began on July 1, 2001, and continues through June 30, 2003.

The following are members of the CAC: Harry S. Geller, Council Chair; Joy M. Dunbar, Council Vice-Chair; Cynthia J. Datig; Delia Rivera Diaz; Joseph Dudic Jr.; Marcia M. Finisdore; Michael Fiorentino; William J. Jones; Carl Kahl; K. Tucker Landon; Andrew McElwaine; Katherine A. Newell; Dr. Daniel M. Paul; Jan Rea; and Julio J. Tio.

Office of the Executive Director

Human Resources Office

The Human Resource Office is part of the Office of Executive Director and provides administrative and advisory services to the Executive Director and PUC management. The areas of responsibility for the Human Resource Office include:

- Administer and implement labor agreements and advise management in labor relations issues
- Administer Equal Employment Opportunity programs
- Administer the job classification system
- Administer the employee benefits programs
- Administer the recruitment and placement system
- Advise management on policies, procedures, and actions necessary to maintain a sound human resource program
- Maintain records and reporting systems on agency employees and human resource programs

Herm Umholtz
Director

The Bureau of Administrative Services provides advisory support to the Executive Director for administrative matters in the operation of the Commission. The bureau is comprised of technical functions of fiscal, office services, budget, assessments, medallion, contracts, travel and management information systems.

The bureau provides assistance to the Executive Director in implementing policies in administrative areas to meet the needs and requirements of the agency.

It also prepares supporting documents for the Commission's budget, implements fiscal procedures, manages the assessment program and the fiscal portion of the medallion program, and manages contracts and travel programs for the PUC.

The bureau plans and forecasts data processing resource requirements, provides management information systems support programs for the agency, and provides mail distribution, messenger service, space facilities allocations, inventory control, stock room coordination, printing, duplication and automobile services.

It also evaluates existing administrative services programs, procedures and systems and recommends procedure and policy changes to the Executive Director.

Bureau of Administrative Services

A. Executive Government Operations

General Government Operations	General Fund Actual 2001-02	Revenue Allocated 2001-02
State Funds		
Personnel	$32,508,000	$33,389,000
Operating	9,011,000	8,488,000
Fixed Assets	100,000	250,000
Budgetary Reserve	331,000	-0-
Total State Funds	**$41,950,000**	**$42,127,000**
Federal Funds		
Personnel	$853,000	1,185,000
Operating	112,000	110,000
Fixed Assets	-0-	-0-
Non Expense/ Interagency	40,000	-0-
Total Federal Funds	**$1,005,000**	**$1,295,000**
Commission Total Budget	**$42,955,000**	**$43,422,000**

B. Philadelphia Taxicab Medallion Budget

	2000-01	2001-02
State Funds		
Personnel	$1,181,000	$1,377,000
Operating	338,000	450,000
Fixed Assets	-0-	10,000
TOTAL	**$1,519,000**	**$1,837,000**

C. Revenue

Type	2000-2001 Receipts	2001-2002 Receipts
Application Fees	$325,731	$397,235
Electric Generation Application Fees	3,150	7,350
Testing Laboratory Fees	-0-	-0-
Fines	386,075	215,734
Gas Pipeline Safety	290,794	308,824
Motor Carrier (MCSAP)	729,784	991,074
Philadelphia Taxicab Medallion Fees	946,172	1,350,864
Philadelphia Taxicab Medallion Transfers	194,875	55,200
Philadelphia Medallion Driver Certificate Fees	90,231	94,800
Philadelphia Medallion Fines	43,625	28,175
Philadelphia Driver Certificate Fines	26,853	18,200
Philadelphia Taxicab Copy Fees	4,484	3,724
Philadelphia Taxicab Medallion Auction Fees	(15)	-0-
Philadelphia Auction Transfer Fee	-0-	-0-
Philadelphia Taxicab Medallion Interest	-0-	373,407
Total	**$3,041,759**	**$3,845,587**

Bureau of Administrative Services

Fiscal Operations and Assessments

The Fiscal Office transmitted $46,194,120 in assessment billings for the 2001-02 Fiscal Year and for previous year billings:

1st Quarter	$27,997,109
2nd Quarter	7,358,108
3rd Quarter	2,804,236
4th Quarter	8,034,667
Total	**46,194,120**

The Fiscal Office collected $1,550,963 in support of the Philadelphia Taxicab Medallion Program:

	Medallion Fees	Transfers	Driver Cert.*	Fines	Driver Cert. Fines	Copy Fees	Total
1st	$207,000	4,900	22,700	8,575	4,925	1,033	249,133
2nd	-0-	12,150	21,950	2,300	4,825	128	41,453
3rd	427,669	21,700	20,000	4,750	2,500	1,558	478,177
4th	716,195	16,350	30,150	12,550	5,950	1,005	782,200
TOTAL	**1,350,864**	**55,200**	**94,800**	**28,175**	**18,200**	**3,724**	**1,550,963**

* Certificates

The Fiscal Office also processed Accounts Receivable for a total of $621,319:

	Electric Deregulation	Fines	Filing and Copy Fees	Testing Fees	Total
1st	$1,400	$36,582	$90,994	-0-	128,976
2nd	2,100	76,976	163,198	-0-	242,274
3rd	1,750	79,455	75,518	-0-	156,723
4th	2,100	23,721	67,525	-0-	93,346
Total	**7,350**	**216,734**	**397,235**	**-0-**	**621,319**

Robert A. Christianson
Chief Administrative Law Judge

The Office of Administrative Law Judge (OALJ) provides conflict resolution by independent administrative law judges who preside at formal hearings in contested matters before the Commission. The OALJ includes a mediation unit.

The Office of Administrative Law Judge filed 708 decisions in Fiscal Year 2001-02. In addition, 1728 hearing days were scheduled, and 1218 days of hearings were held.

During the fiscal year, the OALJ was assigned 54 Philadelphia Taxicab Medallion cases. Decisions were rendered in 53 Philadelphia Taxicab Medallion cases.

The OALJ handled 367 cases under mediation. Of the 367 cases, 7 involved Non-Category I Rate Cases (2 percent), and 360 involved cases other than Non-Category I rate cases (98 percent).

Four Category I (rate requests in excess of $1,000,000) rate cases, for which administrative law judges rendered recommended decisions, were voted upon by the Commissioners at public meeting and final orders were served. Of these four cases, two involved a full settlement.

The utilities involved in the four Category I rate cases asked for $111,775,681 in annual revenue increases. The ALJ decisions would have authorized $53,839,000 (48.17 percent of the initial requests). The Commission ultimately authorized $56,134,774 (50.22 percent of the initial requests).

Office of Administrative Law Judge

Breakdown of Caterory I Rate Cases

Docket Number	Company Name	Company Requested	ALJ Recommended	Commission Granted
R-00006042	Philadelphia Gas Works	$65,000,000 100.00%	$33,000,000 50.77%	$28,067,000 43.18%
R-00016236*	The York Water Company	$2,307,877 100.00%	$ 800,000 34.66%	$800,000 34.66%
R-00016339	Pennsylvania-American Water Company	$38,706,315 100.00%	$16,739,000 43.25%	$23,967,774 61.92%
R-00016941*	Trigen-Philadelphia Energy Corporation	$5,761,489 100.00%	$ 3,300,000 57.28%	$ 3,300,000 57.28%
TOTAL		**$111,775,681** **100.00%**	**$53,839,000** **48.17%**	**$56,134,774** **50.22%**

*** Settlement**

Table I

Caseload Status Report - A compilation of OALJ statistics reflecting caseload and performance.

	Applications				Complaints							
	R.I.D.*	FIXED	RAIL	NON-RAIL	FIXED	RAIL	NON-RAIL	P.U.C.	S.T.**	I.D.***	OTHER	TOTAL
1. Cases: Beginning of Period	26	22	26	25	625	23	2	34	77	5	22	887
2. Cases Assigned to OALJ	23	17	4	44	2335	4	11	111	491	4	106	3150
3. Cases Reassigned/Completed	28	28	8	56	1904	20	12	104	485	3	69	2717
4. Cases: End of Period	21	11	22	13	1056	7	1	41	83	6	59	1320

* Rate Investigation Docket
** Service Termination
*** Investigation Docket

Table II

Caseload by Type of Filing - Shows caseload data over time and shows type of filing as percentage of caseload at the end of a given time period. Data is presented for fiscal years 1997-98 through 2001-02.

Type of Filing	6-30-97	6-30-98	6-30-99	6-30-00	6-30-01	6-30-02
Rate Investigations	34	25	16	19	28	21
Applications	81	89	65	57	83	46
Complaints	917	758	507	308	866	1188
Other	67	102	88	95	44	65
Totals	**1,099**	**974**	**676**	**479**	**1,021**	**1,320**

Caseload percentages (%)

Type of Filing	6-30-97	6-30-98	6-30-99	6-30-00	6-30-01	6-30-02
Rate Investigations	3.09	2.57	2.37	3.97	2.74	1.60
Applications	7.37	9.14	9.61	11.90	8.13	3.48
Complaints	83.44	77.82	75.00	64.30	84.82	90.00
Other	6.10	10.47	13.02	19.83	4.31	4.92
Totals	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Office of Administrative Law Judge

Table III

Summary of Act 294 Case Activities - Shows data for the actions taken during 2001-02 for cases subject to the provisions of Act 294 with comparative figures for 1997-98 through 2000-01. A percentage breakdown for each of the time periods is shown as well.

Case Activities	FY97-98	FY98-99	FY99-00	FY00-01	FY01-02
No Exceptions or Commission Review	861	640	400	379	463
Exceptions/OSA	105	107	86	116	140
Commission Review/No Exceptions	25	20	6	10	20
Totals	**991**	**767**	**492**	**505**	**623**

Case Percentages (%)

	FY97-98	FY98-99	FY99-00	FY00-01	FY01-02
No Exceptions of Commission Review	86.88	83.44	81.30	75.05	74.32
Exceptions/OSA	10.60	13.95	17.48	22.97	22.47
Commission Review/No Exceptions	2.52	2.61	1.22	1.98	3.21
Totals	**100%**	**100%**	**100%**	**100%**	**100%**

TABLE IV

Commission Actions on ALJ Cases in Public Meeting - Shows data for actions taken by the Commission on initial and recommended decisions of ALJs. Comparative figures for Fiscal Years 1997-98 through 2000-01 are included in the table. A percentage breakdown for each of the time periods is shown as well.

Commission Action	FY97-98	FY98-99	FY99-00	FY00-01	FY01-02
Approved, Without Change	77	42	34	72	87
Approved, As Amended	23	16	7	3	4
Remanded	2	0	0	0	1
Reversed	2	0	0	2	5
Totals	**104**	**58**	**41**	**77**	**97**

Case Percentages (%)

Commission Action	FY97-98	FY98-99	FY99-00	FY00-01	FY01-02
Approved, Without Change	74.04	72.41	82.93	93.51	89.70
Approved, As Amended	22.12	27.59	17.07	3.89	4.12
Remanded	1.92	0.00	0.00	0.00	1.03
Reversed	1.92	0.00	0.00	2.60	5.15
Totals	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Table V

Summary of ADR/Mediation Cases - Shows data for the actions taken during fiscal years 1997-98 through 2001-02 for cases involving ADR/Mediation. A percentage breakdown for the time period is shown as well.

Type of Case	FY97-98	FY98-99	FY99-00	FY00-01	FY01-02
Non-Category I Rate Cases	15	12	14	7	7
Other	40	99	197	308	360
Totals	**55**	**111**	**211**	**315**	**367**

Case Percentages (%)

Type of Case	FY97-98	FY98-99	FY99-00	FY00-01	FY01-02
Non-Category I Rate Cases	27.27	10.81	6.64	2.22	1.91
Other	72.73	89.19	93.36	97.78	98.09
Totals	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

SUMMARY OF ADR/MEDIATION CASES

During Fiscal Year 2001-02, the mediators concluded 382 cases processed through the mediation system, consisting of 367 proceedings. This figure takes into account consolidated cases.

The following is a breakdown of the proceedings processed through the mediation system for Fiscal Year 2001-02:

1. Proceedings resolved through interim order process 337
2. Proceedings resolved following the notice requesting consent, or notice setting mediation, but before mediation commenced 3
3. Unscheduled mediations 4
4. Scheduled mediations 23

Of the scheduled mediations, 21 were resolved on all issues resulting in full settlements, one was partially resolved and one was terminated. Resolution through full mediations has resulted in a success rate of 96 percent.

The following data represents the 367 proceedings processed through the mediation system for Fiscal Year 2001-02 as categorized in two ways: (1) procedural type, and (2) utility type.

PROCEDURAL TYPE

1. Applications seeking permission to do a certain act 21
2. Complaints against utilities 339
3. Rate increase filings 7

UTILITY TYPE

1. Electric 110
2. Gas 123
3. Motor Carrier 22
4. Telecommunications 93
5. Water/Wastewater 18
6. Steam 1

Thomas Sheets
Director

The Bureau of Audits is responsible for auditing Pennsylvania's fixed utilities. Bureau responsibilities are carried out by personnel organized into three sections for management audit services, financial audit services and technical services. The audit staff is spread among four locations: Harrisburg, Philadelphia, Pittsburgh and Scranton.

Management Audits and Management Efficiency Investigations

Management audits are performed to determine the extent to which a utility has: contained costs; developed reasonable long- and short-range plans for its continued operation and maintenance; provided proper service to customers it serves; and provided proper management and organizational structure.

Management efficiency investigations examine management effectiveness and the operating efficiency of the utilities, and also assess the utilities' progress in implementing recommendations from prior management audits.

The audits and investigations are mandated for approximately 23 electric, gas and water companies that have plant-in-service of $10 million or more. Audits of qualifying telecommunications utilities, which are technically covered by the mandate, have generally been suspended consistent with alternative regulatory plans approved for these companies. Required audits are conducted every five to eight years by audit staff, or occasionally by outside consulting firms with the oversight of bureau staff.

There are a couple hundred other utilities (with plant-in-service of less than $10 million) subject to audit procedures on an as-needed basis. Bureau staff generally performs such audits as a result of a specific problem or complaint.

Adjustment Clause Audits

Gas, steam-heat and certain municipal electric utilities require an annual energy cost adjustment clause audit as mandated by the General Assembly. The audits verify the costs incurred by a utility, determining if the utility overbilled or underbilled customers for yearly energy charges. The PUC then decides if customer rates will be appropriately reduced or increased. The audit program also provides for an evaluation of the utilities' energy procurement procedures.

Certain electric utilities impacted by the Electricity Generation Customer Choice and Competition Act are authorized to recover a portion of their stranded costs through application of Competitive and Intangible Transition Charges (CTC/ITC). The utilities are required to file annual reconciliation statements associated with the application of these charges. Audits are performed by the bureau to determine the accuracy and the propriety of the reconciliation statements.

Bureau of Audits

The bureau also performs audits of certain water utilities, which are authorized to charge ratepayers a Distribution System Improvement Charge (DSIC). The DSIC enables water utilities to accelerate compliance with the Safe Drinking Water Act and accelerate the replacement of aging infrastructure. Audits are conducted to ensure that only PUC-authorized expenses are included in the DSIC rates.

Special Projects / Audits and Other Reviews

Special projects or audits vary. This category includes compliance audits and property record audits. Compliance audits examine a broad range of utility operations and determine adherence to prescribed laws and regulations. Property record audits include original cost (OC) audits, original cost studies (OCS), and continuing property record (CPR) audits. These audits determine the propriety of the property, plant and equipment records together with an evaluation of the usefulness of that equipment in public utility service.

Special projects or audits also encompass Commission-ordered financial or operational audits/reviews or other forms of technical assistance to the Commission. Recent special projects/audits have included reviews of assets sales and power outages, administration of special purpose funds, and provision of technical assistance to other bureaus or agencies.

Other special work includes reviews of certain adjustment clause rate modification filings submitted to the Commission, for which the Bureau recommends approval of the rate changes with or without adjustments to the requests.

Highlights

During Fiscal Year 2001-02,the bureau completed work on five management audits and one management efficiency investigation. Combined, the management and operations audits and management efficiency investigation identified 64 opportunities for improvement with potential annual and one-time savings (where they could be quantified) of up to $13.2 million and $9.3 million, respectively. Actual net annual and one-time savings from implementation of prior management audit recommendations were found to be approximately $5.1 million, and $865,000, respectively.

The bureau also completed 48 adjustment clause audits and 160 special projects/audits and other reviews. The 48 adjustment clause audits contained gross dollar findings of $11.8 million related to revenues and expenses and $2.0 million affecting utility rate base. The 160 special projects/audits and other reviews included 88 adjustment clause rate filing reviews and 72 other projects/audits. The 88 adjustment clause rate filing reviews resulted in net rate reductions totaling $2.9 million.

Management Audits Completed

Management audits (MA) and management efficiency investigations (MEI) completed during the year identified potential savings or benefits to the utilities as follows:

Utility	Audit Type	Annual (recurring)	One-time
PG Energy	MA	$470,000	$550,500
TW Phillips	MA	$ 23,000	——
PPL Elec. Utilities, North Penn Gas & PPG Gas Inc.	MA	$12,544,000	$4,113,000
Columbia Gas	MEI	$218,000	$652,000
TOTAL		**$13,232,000**	**$9,315,500**

Note that these are estimated maximum savings associated with only those recommendations that could be quantified. Many of the potential benefits from recommendations in the audit reports are qualitative in nature (improved service/safety levels, improved system reliability, etc.).

The completed MEI also identified certain savings or quantitative benefits actually achieved by the utility through implementation of recommendations from a prior management audit. The utility investigated and the savings specifically identified are as follows:

Utility	Annual (recurring)	One-Time
Columbia Gas	$5,100,000	$865,000

Adjustment Clause Audits Completed

Adjustment clause audits produced the following adjustments to be refunded to or recovered from customers:

Utility	Audit Type	Years	Net Refund (Recovery)
Schuylkill Haven	PPEA	2000-01	$ _
UGI-Gas	PGC & TCS	1998-99	_
Dominion Peoples	PGC & TCS	1997-99	5,770,825
Columbia Gas of PA	PGC & TCS	1996-97	_
Columbia Gas of PA	PGC & TCS	1998-99	_
PECO-Gas	PGC & TCS	1999	1,442,337
Clarion River Gas	GCR	1995-99	_
Pine Roe Natural Gas	GCR	1996-99	2,822
Nido's-Kaylor	GCR	1996-99	10,500
NE Heat & Light	GCR	1997-00	_
Honesdale Gas	GCR	2000	141,596
PG Energy	PGC	1998-99	_
National Fuel Gas	PGC & TCS	1996-97	_
Equitable Gas	PGC & TCS	1998-99	866,640
NRG-Harrisburg	SCR	2000	27,844
CCEC	SCR	1999-00	_
Trigen-Philadelphia	SCR	2000	_
PECO Energy	CTC	2000	740,853
Met Ed	CTC	2000	_
Penelec	CTC	2000	334,830
PPL	CTC/ITC	2001	2,100,000
PA American	DSIC	1998-99	2,038,142(1)
Newtown Artesian	DSIC	1999-00	_

(1) Rate Base Adjustment

CTC = Competitive Transition Charge
DSIC= Distribution System Improvement Charge
GCR = Gas Cost Rate
ITC = Intangible Transition Charge
PGC = Purchased Gas Cost
PPEA= Purchased Power Expense Adjustment
SCR = Steam Cost Rate
TCS = Transition Cost Surcharge

Bureau of Audits

Special Projects / Audits and Other Reviews Completed

Electric, Gas, Water, Steam Heat and Pipeline Companies – Completed 88 adjustment clause rate filing reviews.

Verizon – Review/Audit of incidental expense invoices submitted by KPMG for testing Verizon's Operatopms Support Systems (OSS). Questioned $1,300,000 of $7,200,000 billed resulting in Verizon withholding $673,150 from payment to KPMG.

Telecom Companies – Audit of activity from Universal Service Fund (USF) inception in April 2000 through July 2001.

Telecom Companies – Review of USF administration process and procedures.

Telecom Companies – Review of the USF administrator's progress in implementing prior auditor recommendations.

Electric Companies – Led the PUC review on reliability and provided administrative support and technical assistance to the Legislative Budget and Finance Committee in completing its report on Electric Utility T&D Infrastructure Reliability.

Electric Companies – Provided technical assistance for EDC Inspection and Maintenance Standards Study.

Corsica Gas Company and Pine Roe Natural Gas Company – special review of balance of purchased gas amounts owed and termination of gas supply found that Pine Roe Natural Gas Company no longer has an outstanding balance with National Fuel Gas Supply Corporation (NFGSC) and was successful in securing gas for winter requirements from North Heat and Oil. Staff found that Corsica Gas Company's supply was terminated from NFGSC and that Corsica still maintained an outstanding balance with NFGSC. Company did not reveal its source of winter supply but maintained its customers will have gas supplies.

Pine Roe Natural Gas Company – Special review of January 2002 refund to customers for overbilling that occurred November 2001.

PPL – Consumer Education Audits for 1999 and 2000 revealed no adverse findings.

PECO – Consumer Education audits for 1999 and 2000 found $158,002 without adequate documentation, $62,486 in unsupported sales tax and $70,816 in gas industry expenses.

Z. Ahmed Kaloko
Director

The Bureau of Conservation, Economics and Energy Planning (CEEP) conducts research and studies and performs policy/planning functions. CEEP recommends energy policy; disseminates information and analysis on utility operational aspects; and researches a broad range of utility policy issues.

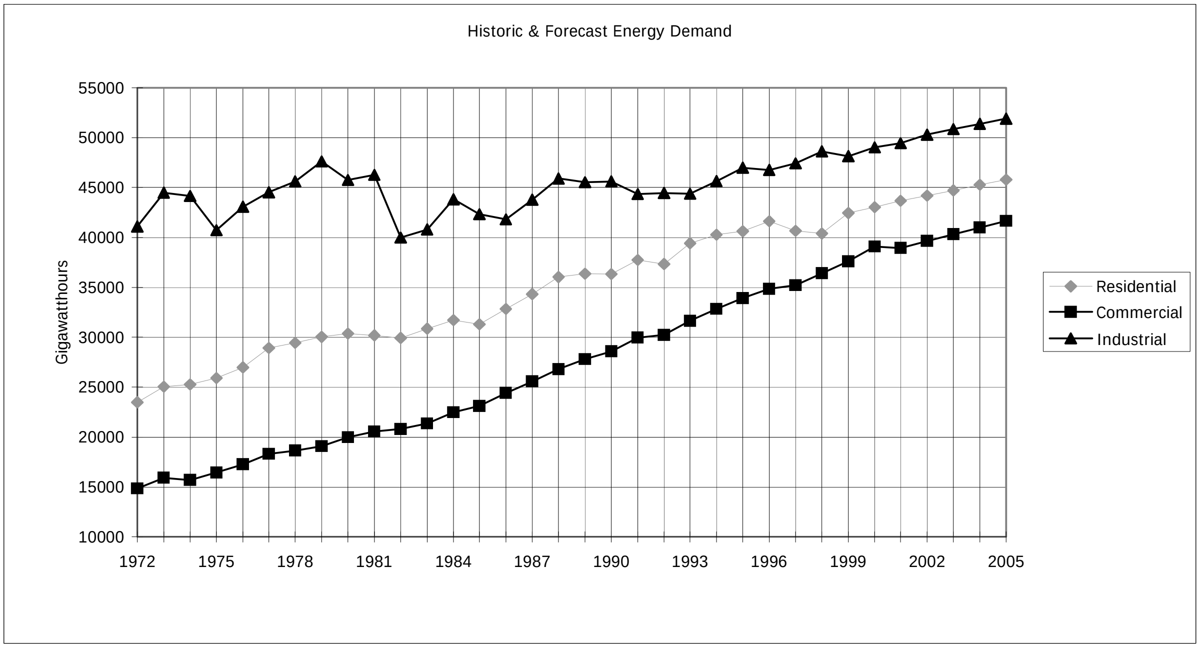
Highlights

Pennsylvania Electricity Facts

- Second-largest producer of electricity in the United States
- $10 billion in annual revenues
- Produces 52 percent of the energy consumed in the Pennsylvania-New Jersey-Maryland (PJM) Independent System Operator
- 5.2 million customers
- 57 percent of energy is produced from coal
- 36 percent of energy is produced from nuclear power

Historic and Forecast Energy Demand

Between 1985 and 2000, the state's energy demand grew an average rate of 2.1 percent annually. Residential sales grew at an annual rate of 2.1 percent, commercial at 3.6 percent and industrial at 1.0 percent. The aggregate five-year projection of growth in energy demand is 1.2 percent. This includes residential and commercial growth rates of 1.3 percent and an industrial rate of 1.1 percent.



Retail markets

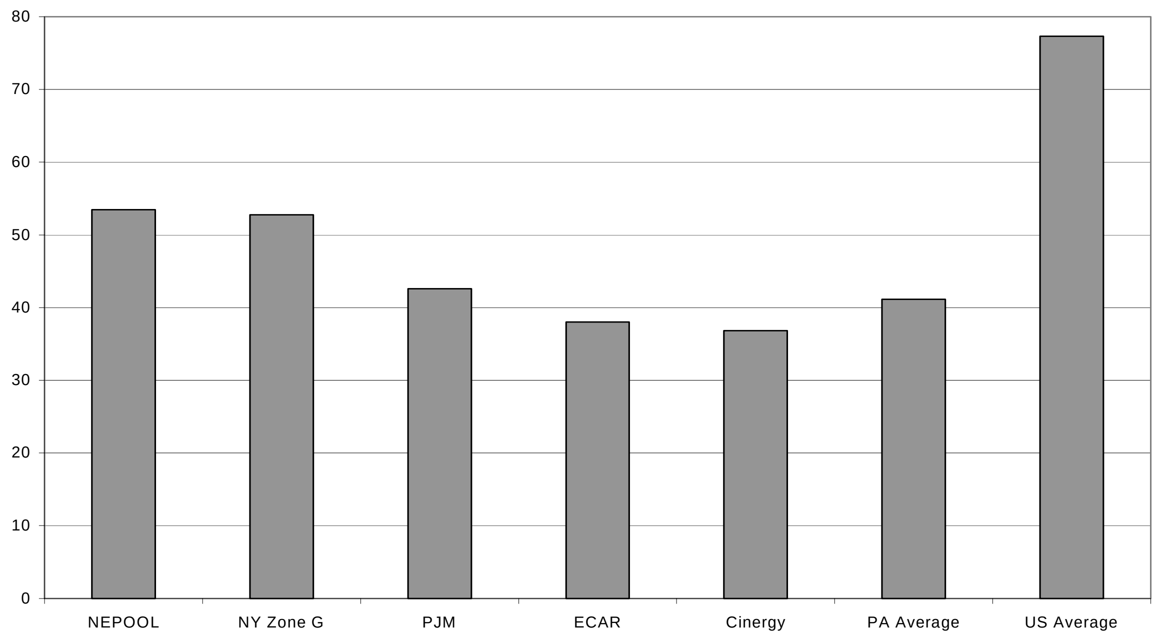
In order to serve load, an Electric Generation Supplier (EGS) must secure energy and generation capacity. This energy and capacity can be secured in three ways: spot market transactions, bilateral contracts, and build/buy generation. These transactions occur in the wholesale market. EGSs then attempt to sell energy and capacity in the retail market. The EGSs must buy electricity at a price that is low enough, compared to its expected value in the retail market place, to secure a sufficient margin that is sufficient to cover all expenses. PJM rules require an EGS to maintain sufficient capacity to meet demand and operate a capacity market for electric suppliers. The Bureau of CEEP has been monitoring the capacity market.

The bureau also examines the residential retail market. Most fundamentally, the objective is to decide whether or not sufficient margin is available to allow EGSs to re-enter the retail marketplace over the next twelve months.

Wholesale Markets

In December 2000, the Commission issued a final order approving a partial settlement of a plan (POLR II) to increase the generation rate caps to serve all Duquesne Light Company (DLC) customers. While the effective date of the rate-cap increases will vary by rate class, most rate cap increases are expected to be effective in spring 2002. These increases will be offset by the elimination of stranded costs and will result in net reduced costs to customers. Originally, the plan would have provided customer savings of about 17 percent. However, the PUC has strongly encouraged DLC to join PJM West.

Average Electric Trading Hub Price ($/MWH) for January 2001 to December 2001



Economic Analysis of PJM Capacity Credit Market

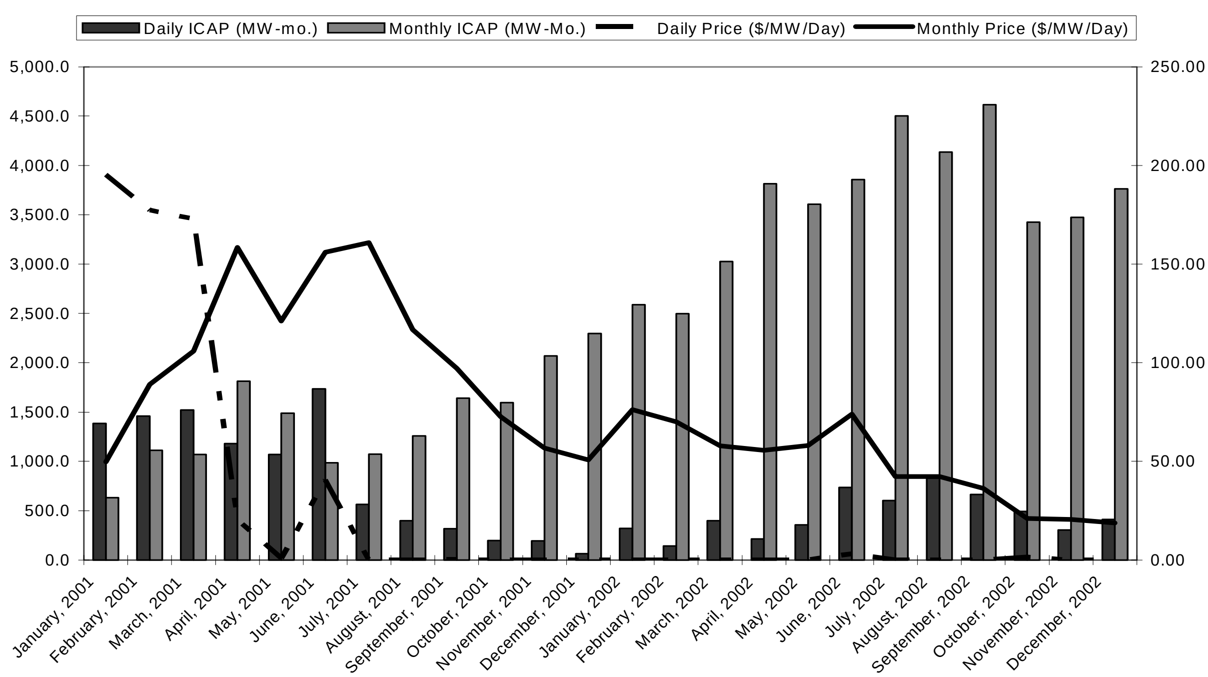
Installed Capacity, or ICAP, is used to meet capacity obligations imposed by PJM's Western Reliability Assurance Agreement (RAA West). Capacity obligations are imposed on all load-serving entities (LSE) to ensure adequate generating capacity within the region. To satisfy all or part of its capacity obligation, an LSE may use its own generating capacity, contract for capacity in the bi-lateral market, and/or purchase capacity through the daily or monthly/multi-monthly capacity credit markets.

ICAP market clearing prices are affected by seasonal demand trends. ICAP market prices often clear at or near $0.00/MW-day during non-peak periods. During summer peak periods, ICAP prices may clear at prices above zero since this is the time when available system generating capacity is stretched to its maximum limit.

Between September 15, 2000, and December 31, 2000, prices in the daily capacity credit market were clearing at levels ranging from $0.00 - $5.00/MW-day. On January 1, 2001, prices abruptly rose to the capacity deficiency charge of $177.30/MW-day, increased to $354/MW-day for one day on January 3, 2001, and remained at $177.30/MW-day until late March when the price began to decline to $0.00/MW-day in early April. The Commission conducted an investigation into these events and found reason to believe that PPL EnergyPlus had unilaterally exercised market power. As a result, the PUC referred the case to the U.S. Department of Justice, the Federal Energy Regulatory Commission (FERC) and the Pennsylvania Attorney General for appropriate action.

The graph below depicts the performance of the daily and monthly capacity credit markets for PJM East from January 2001 through December 2002. As shown, the price of daily and monthly ICAP fluctuates with changing supply and demand conditions. The weighted average daily prices spiked between January and March 2001 during the exertion of market power in the daily capacity markets. In April 2001, the monthly capacity prices increased as a result of buyers exiting the daily market and purchasing capacity in the monthly market. Weighted average monthly prices remained high until end of summer 2001. Daily capacity prices have traded at or near zero from July 2001 through December 2002 while monthly capacity prices have decreased since end of summer 2001.

PJM East Daily and Monthly ICAP market Results: January 2001 to December 2002



Electric Generation

CEEP is required by a legislative mandate to conduct studies and research on energy needs and provide advice to the Commission. The bureau has provided information on restructuring to other states and the national media. Analysis of the electric market has become important in the formulation of energy policy. The bureau has provided the Commission with data on pricing, supply/demand and market conditions. The mandate also requires that future supply be examined. In order to examine future supply, the bureau has compiled information about proposed new electric generation in Pennsylvania. This work has been used extensively by the Chairman and Commissioners in testimony before various legislative committees at the Pennsylvania General Assembly and at the U.S. Congress.

Proposed Generation in Pennsylvania

PJM lists an additional 12,260 MW of proposed generation. However, there are no dates of completion or fuel information for this capacity. This adds up to a grand total of 23,185 MW.

Proposed Generation Additions MW

Year	Gas	Coal	Nuclear	Water	Wind	Unknown	TOTAL
2002	2747		45		119.43	330	2911.4
2003	2820						2820
2004	600	555		67		2705	3927
2005						1267	1267
TOTAL	**6167**	**555**	**45**	**67**	**119.43**	**4302**	**10,925.4**

Power Plant Completions, Cancellations and Changes

Thirty-seven power plants were completed between the end of 1995 and the end of 2001. The total capacity of Pennsylvania's system increased by 1,765 MW (or approximately 6.3 percent).

In 2001 and early 2002, approximately 3,800 MW of proposed projects were canceled. Some of the reasons for these cancellations have been financing difficulties, the economic downturn and site specific zoning or infrastructure problems. During this same period, 26 new projects with a combined capacity of 8,687 MW have been proposed.

Most of this new electric generation is natural gas fired. Investments in gas supply infrastructure will be important. CEEP is tracking planned pipeline improvements and expansions. Although the current pipeline capacity appears sufficient, growing demand will require expansion of existing pipelines.

Electric Reliability Performance

The Electricity Generation Customer Choice and Competition Act requires that the Commission maintain the safety, adequacy and reliability of the generation, transmission and distribution of electricity in Pennsylvania. On Dec. 16, 1999, the Commission established electric service performance benchmarks and standards for the operating areas of each EDC. Performance benchmarks were based on a five-year historic average. Performance standards were established as two standard deviations above the mean historic value.

Each year, CEEP analyzes and summarizes the reliability performance of the EDCs, based on their annual reports, which identify actual performance for defined reliability indices. The purpose of the reliability indices is to measure the performance of EDCs' transmission and distribution systems in terms of the frequency and duration of unplanned electric service outages to ensure that the levels of reliability existing prior to retail competition do not deteriorate. These indices include (1) Customer Average Interruption Duration Index (CAIDI); (2) System Average Interruption Frequency Index (SAIFI); (3) System Average Interruption Duration Index (SAIDI); and (4) Momentary Average Interruption Frequency Index (MAIFI).

The performance benchmark serves as an objective, which represents an adequate level of electric service reliability that each EDC should strive to achieve and maintain. Due to the randomness of outage duration and frequency data, one should not expect that every operating area would achieve the benchmark each year. While a multi-year trend of increasing outage duration and/or frequency may be indicative of deteriorating service, annual performance above and below the benchmark is expected to achieve the objective.

Final Rulemaking on Natural Gas Emergency Plans and Emergency Actions

The Commission, in executing its responsibilities under the Natural Gas Choice and Competition Act, directed staff to develop a rulemaking to examine emergency plans and procedures. The bureau established a collaborative working group to update the existing gas curtailment guidelines and to develop requirements for emergency plans and emergency actions as regulations. Regulations were developed that address a number of matters critical to emergencies and curtailment. These include load shedding, voluntary and/or mandatory usage reduction; reports to the media on emergency situations; notice of affected customers; and other emergency measures. On all of these issues, the regulations provide a framework for addressing these issues in more detail in the context of each utility's tariff and operational procedures. The Commission already has adequate authority to issue emergency orders and impose penalties for violations. This rulemaking strengthens and clarifies procedures and compliance during periods of emergencies. The Commission approved the rulemaking on Aug. 9, 2001, and the rulemaking was published in the *Pennsylvania Bulletin* on Dec. 15, 2001.

Foreign Delegations

CEEP continues to be very active with international delegations, often through technical assistance exchanges. The commission has conducted presentations for 448 high-level government and industry representatives from 59 countries.

These countries turn to Pennsylvania to learn about electric industry competition and organizational development, to train their staff and to attract utilities to invest in their countries.

The main topic of interest for all of the foreign representatives is the restructuring of the electric industry in Pennsylvania.

The PUC's international work is coordinated through the Governor's Center for International Affairs. CEEP has also worked very closely with the Bureau of Europe and Eurasia, the U.S. Energy Association and the U.S. Agency for International Development to ensure the delegations receive high-quality information while touring the Commonwealth.

Bureau of Conservation, Economics and Energy Planning

Renewable Energy Pilot Programs

The Commission adopted a final order on April 13, 1999, which established guidelines that the EDCs are required to follow in implementing the Low-Income Renewable Energy Pilot Programs. These guidelines cover all aspects of this two-year program. On April 19, 2001, the Commission approved revised compliance filings by the EDCs to allow the start of the programs. CEEP provides expert technical advice to the Commission regarding all aspects of the programs. Training and certification testing has been completed.

Demand Side Response (DSR) Issues

CEEP provides technical assistance to the working group whose goal is to reduce electricity demand during periods of high usage for reliability and safety purposes by managing demand on the electric system. Strategies to manage demand include rates, programs and load management plans. Activities during the year included:

(1) reviewing Puget Sound Time of Use Automated Meter Reading (AMR) System;

(2) obtaining information and analyzing existing/proposed EDC metering systems;

(3) meeting with each EDC regarding proposed DSR programs for 2002;

(4) preparing analyses of proposed/actual DSR program results; and

(5) coordinating presentations from various DSR vendors.

Sustainable Energy Funds

As part of their restructuring settlements, four EDCs established Sustainable Energy Funds that promote

(1) the development and use of renewable energy and clean energy technologies;

(2) energy conservation and efficiency; and

(3) renewable business initiatives.

Companies that have sustainable energy funds are PECO, GPU, PPL and West Penn/Allegheny Power. Duquesne Light does not have a fund – they have a small loan program.

The Commission approved the bylaws of the four sustainable energy boards, which determine the manner that the funds will be managed and operated by the four boards and the selected fund administrator. The Commission also established a Statewide Oversight Board to provide guidance and technical assistance to the individual sustainable energy funds. An organizational meeting was held this year. CEEP provides technical advice to the Commission in the establishment and evaluation of these programs.

Projects that were funded are $13 million for wind development and generators, $4 million for photovoltaic (PV) development and $2.5 million for consumer education.

Approved projects that were funded by the fund were evaluation, planning and development, education-related projects, green building, bio-mass and bio-diesel projects, energy efficient initiatives for homeowners and energy conservation-related programs that are loan grant programs.

Bureau of Conservation, Economics and Energy Planning

Governor's Green Government Council

Gov. Ridge created the Governor's Green Government Council on March 25, 1998, to help Pennsylvania state government implement environmentally friendly operation policies and practices. The order required all Commonwealth agencies to provide sufficient funds to develop and implement its Green Plan.

The PUC Green Plan consists of the Demand Side Response (DSR) program and the Sustainable Energy Funds. These programs are designed to reduce peak demand and to educate and attract customers to the benefits of off-peak pricing programs and load management.

Commission Reports

- Electric Utility Operational Reports — analyzes monthly and cumulative data for generation, sales revenues, and prices of Pennsylvania's investor-owned electric utilities.

- Natural Gas Utility Update — analyzes monthly and cumulative data for sales revenues and prices of Pennsylvania's investor-owned gas utilities.

- Electric Power Outlook Report — this is a statistical report summarizing and discussing the current and future electric power supply and demand situations for the eight major investor-owned jurisdictional electric distribution companies operating within the Commonwealth and the entities responsible for maintaining the reliability of the bulk electric supply system within the region.

Mitchell A. Miller
Director

The Bureau of Consumer Services (BCS) responds to consumer complaints; provides utility-related information to consumers; monitors utility compliance with PUC regulations; and evaluates utility performance. The bureau consists of a Division of Customer Assistance and Complaints, and a Division of Policy.

Division of Customer Assistance and Complaints

The Division of Customer Assistance and Complaints is responsible for handling informal consumer complaints, payment-arrangement requests and inquiries involving electric, natural gas, telephone, steam heat, water and sewage companies. Consumers contact BCS through one of two toll-free telephone numbers, by letter or by e-mail. Investigators in this division arbitrate billing, credit and miscellaneous problems, and issue binding decisions to resolve informal disputes expeditiously. Investigators also issue decisions regarding the amortization of overdue electric, gas, steam heat, water, sewer and telephone bills. The division helps to insure that service termination does not occur without impartial review. Consumers also can call the division's 1-888-782-3228 line, if they have questions about utility competition and the restructuring of the electric and gas industry.

Policy Division

The Policy Division monitors and evaluates the customer-service practices and programs of utilities. Division staff complete field reviews and audits of utilities' operations and advise the Commission regarding issues of interest and concern to utility consumers. The division also works to ensure that utilities comply with customer-service regulations, including regulations pertaining to the Low Income Usage Reduction Program (LIURP) and the Commission's Customer Assistance Program (CAP) policy statement. Compliance responsibilities include enforcement activities such as informal investigations and serving as prosecutory staff on formal cases. The division uses its Consumer Services Information System (CSIS) to track trends in the number and type of consumer complaints and inquiries, utility performance at handling customer complaints and payment-arrangement requests, and to monitor the LIURP. The division maintains other databases to track utility termination activity, collection of delinquent accounts, compliance with customer service regulations and other areas critical to evaluating utility customer service performance. BCS analyzes utility performance and produces evaluative reports for the PUC, utilities and the public.

Overview

The bureau began investigating utility consumer complaints and writing decisions on service termination cases in April 1977. In 2001, BCS received 107,265 utility customer contacts that required review. To manage and use its complaint data, the bureau maintains a computer-based consumer-services information system through a contract with Pennsylvania State University. This system enables BCS to aggregate and analyze complaints so that it can address generic and individual problems.

Bureau of Consumer Services

The Commission has assigned BCS the operational responsibility for the development, implementation and monitoring of programs to assist payment-troubled customers. The bureau also is responsible for periodically conducting performance reviews of the customer-service operations of selected utilities. In addition, BCS is charged with the broader assignment of monitoring and evaluating the customer services of all electric, gas, water and local telephone companies.

The bureau meets its responsibilities through a focus on seven areas, which are complaint handling; complaint analysis and feedback; utility program evaluation; payment-troubled customer analysis; consumer policy analysis, regulation enforcement; and management reports.

Generally, customer contacts to the bureau fall into three basic categories: 1) consumer complaints; 2) requests for payment arrangements; and 3) inquiries. BCS classifies complaints about utilities' actions related to billing, service delivery, repairs, etc., as consumer complaints, and complaints involving payment negotiations for unpaid utility service such as payment-arrangement requests.

BCS investigated 25,953 consumer complaints in 2001. Overall, the volume of consumer complaints increased slightly from the prior year. Consumer complaints about the Chapter 56-covered industries (electric, gas, water, sewer and steam heat) increased by 24 percent from 2000 to 2001. However, the volume of consumer complaints for the gas industry increased drastically (59 percent). This increase was due to PUC acquiring jurisdiction over the Philadelphia Gas Works and consumers being charged higher gas prices which generated numerous high-bill complaints. The number of consumer complaints regarding the telephone industry decreased, for the first time in many years, by 10 percent from 2000.

During 2001, BCS handled 79,330 requests for payment arrangements from residential customers. Payment-arrangement requests for the Chapter 56-covered increased 31 percent, from 60,543 in 2000 to 79,330 in 2001. For the telephone industry, the volume of payment arrangement requests decreased 28 percent in 2001 (5,922 requests in 2000 compared to 4,218 in 2001). As in past years, the vast majority of requests for payment arrangements in 2001 involved electric or gas companies. However, similar to consumer complaints the gas industry had the largest increase of 56 percent for payment-arrangement requests.

During 2001, the bureau received 76,283 inquiries. Inquiries include information requests and opinions from consumers, most of which did not require investigation on the part of BCS. These inquiries include contacts to the Competition Hotline, as well as contacts to the bureau using other telephone numbers, mail service and e-mail communication.

In order to monitor its own service to consumers, BCS surveys those customers who have contacted the bureau with a utility-related problem or payment-arrangement request. The results of the survey for Fiscal Year 2001–02 show that 84 percent of consumers reported that they would contact the PUC again if they were to have another problem with a utility that they could not settle by talking with the company. More than 80 percent rated the service they received from the PUC as "good" or "excellent."

Highlights

Philadelphia Gas Works (PGW)

On Aug. 9, 2001, the Commission approved a final order directing PGW to outsource customer-service functions at its call center to achieve the industry standard of answering 80 percent of customer calls within 30 seconds. The order resulted from the company's failure to provide adequate service at the call center for a period exceeding six months. BCS and the Law Bureau were directed to monitor PGW's compliance with the final order.

The Aug. 9, 2001, order was subsequently modified by the Commission on Dec. 20, 2001, as a result of improved call-center performance. The Commission found that outsourcing may no longer be necessary, but decided to monitor PGW's performance through the winter months.

At the public meeting of June 13, 2002, the Commission granted a PGW petition to rescind the Aug. 9, 2001, order that directed PGW to outsource. In granting the petition, the Commission found that PGW had addressed call-center access problems and that customers were now able to reach the utility. BCS, per the Memorandum of Understanding with PGW, will continue to monitor PGW's call center performance.

Telecommunications

Following multi-bureau working group meetings in the summer of 2001, the Bureau of Consumer Services initiated the preparation of Interim Guidelines and collaboratives to prepare proposed regulations to deal with a number of problems customers have experienced with local phone competition.

On Nov. 30, 2001, the Commission approved the issuance of tentative orders for comment on five subject areas. The subject areas were: (1) the standard for comparing local service options for use in the Commission's telecommunications consumer-education program; (2) guidelines for local service provider abandonment; (3) quality of service; (4) procedure for changing local service providers; and (5) customer information.

In January 2002, the Commission received comments to the proposed Interim Guidelines. BCS and the Law Bureau prepared Final Interim Guidelines and the Commission approved these orders on April 11, 2002.

Through Secretarial Letters, the Commission also initiated collaboratives for the industry and interested parties to explore the issues that will be addressed in final rules on these topics. Collaboratives were held on Jan. 17 and June 3-4, 2002. Additional collaboratives were scheduled for summer 2002.

Informal Investigations

BCS advised the Law Bureau of a pattern of informal complaints filed against PEPCO Energy Services (PES) by residential customers alleging unauthorized switching of supplier by PES during the period July 2000 through February 2001. BCS then assisted the Law Bureau in an informal investigation of PES relating to the alleged slamming of residential customers by PES. The investigation was initiated in February 2001 and culminated in a proposed settlement calling for the company to pay a $48,000 civil penalty, as well as agreeing to take appropriate corrective action. The Commission approved the settlement on Dec. 19, 2001.

At the public meeting of June 13, 2002, the Commission approved a settlement agreement with the Equitable Gas Company that resulted from an informal investigation. The informal investigation was initiated on Jan. 12, 2001. The investigation involved the termination of service of Edwin Gulasky on July 17, 2001. Gulasky, who had been an Equitable customer since 1977, was found dead in his home on Jan. 4, 2001. The BCS review of customer account records indicated that Equitable may have violated Chapter 56 provisions in terminating the service. BCS and Law Bureau staff reviewed appropriate records and interviewed Equitable's employees prior to reaching the conclusion that the termination of Gulasky's service was improper. Settlement discussions followed and resulted in the aforementioned agreement. As part of the agreement, Equitable agreed to pay a $15,000 civil penalty and implement corrective action in its customer-service practices.

BCS received approximately 135 informal complaints against ACN during the period June 2000 and November 2001. Subsequently, BCS assisted the Law Bureau in conducting an informal investigation of this Virginia-based electric generation supplier. The investigation resulted in a settlement agreement that was tentatively approved by the Commission on June 13, 2002.

Under the terms of the agreement, ACN agreed to pay $15,000 for allegedly switching residential customers without proper authorization, and $30,000 to settle allegations of overcharging some customers. The settlement also provides for corrective actions relating to verification that customers entitled to credits for overcharges have received them, as well as to improvement in company practices and procedures.

Universal Service

As of Dec. 31, 2001, electric distribution companies (EDCs) and natural gas distribution companies (NGDCs) had enrolled 149,766 customers into their CAPs, compared with 131,529 customers in 2000. BCS received universal service program plans filed by Allegheny Power Company and Duquesne Light Company. These plans include information regarding CAP enrollment. The bureau reviewed the information to ensure that their universal service plans and revisions comply with all relevant regulations and law. BCS then submitted to, and the Commission accepted, a recommendation regarding each plan. The bureau uses the plan review and approval process to resolve outstanding issues relating to individual company's programs.

Robert A. Rosenthal
Director

The Bureau of Fixed Utility Services (FUS) is a multi-purpose bureau providing technical support to the Commissioners and Commission offices and bureaus on rate and tariff matters by regulated electric, gas, telecommunications, water and wastewater utilities. The bureau serves as a principal adviser to the Commission on technical issues and advocates policy recommendations on a variety of rates, tariffs and regulatory matters pertaining to fixed utilities.

Specific duties of FUS include reviewing tariffs; securities certificates and affiliated interest agreements; applications filed by fixed utilities, including the licensing of competitive electric and gas suppliers; annual depreciation report filings; and requests for approvals to transfer or sell fixed utility assets. It also reviews public utility/municipal contracts; quarterly earnings reports; County 911 System Plans; Telecommunications Relay Service Reports; and Telephone Company Quality of Service Reports.

Bureau responsibilities also include assisting the Commission in developing generic guidelines, new regulations, policy statements and rulemakings, compiling annual and informational reports for the Governor and General Assembly, and providing pre-filing guidance to utilities in order to facilitate accurate and complete tariff filings. FUS also works closely with other state agencies such as PENNVEST and the Department of Environmental Protection to assure quality water and wastewater service to Pennsylvania citizens.

The bureau also coordinates emergency operations, acts on emergency reports from utilities and serving as the principal point of contact with electric utilities for reporting incidents and/or problems at a nuclear power station. The FUS director has the authority to act for the Commission during emergencies and represents it on the Pennsylvania Emergency Management Council.

The Pennsylvania House of Representatives asked the PUC and the Pennsylvania Emergency Management Agency (PEMA) under House Resolution 361, to review, analyze and evaluate utility infrastructure security protection and risk mitigation policies and other related security issues and to recommend prudent strategies to enhance the standards for the physical security and directed the PUC and PEMA to submit a comprehensive report to the House of Representatives addressing utility infrastructure security issues on or before Sept. 1, 2002.

Bureau personnel review technical evidence and perform as expert witnesses, as needed, when assigned to cases being prosecuted before the Commission by the Office of Trial Staff and Law Bureau prosecutory staff. FUS also provides assistance in the technical phases of proceedings before the Federal Energy Regulatory Commission and the Federal Communications Commission.

Bureau of Fixed Utility Services

Comparative Electric Revenue

This section presents a study of average electricity revenues in the Commonwealth for 1996 through 2001. The study presents electricity revenues for residential, commercial and industrial customer classes. “Average Revenue” was calculated as revenues divided by energy sales and represents an average cost of energy.

The study presents nominal and real revenues. Real revenues reflect inflation, and are the product of nominal revenues and the consumer price index.

Overview of Pennsylvania Electricity Revenues

The graph at right represents the Pennsylvania average revenue of electricity to residential, commercial and industrial customers from 1996 to 2001. The residential customer’s average revenue of electricity decreased from 9.71 cents to 9.24 cents, representing a decrease of 4.9 percent in nominal terms, or 18 percent in real terms. The commercial customer’s average revenue of electricity decreased from 8.34 cents to 7.15 cents, representing a decrease of 14 percent in nominal terms, or -26 percent in real terms. The industrial customer’s average revenue of electricity decreased from 5.94 cents to 5.00 cents, representing a decrease of 16 percent in nominal terms, or -27 percent in real terms. These data are presented in more detail for each customer class in subsequent sections.

	Residential	Commercial	Industrial
1996	9.71	8.34	5.94
1997	9.90	8.41	5.88
1998	9.94	8.24	5.69
1999	8.86	6.21	3.79
2000	8.59	5.81	3.51
2001	9.24	7.15	5.00
% Change			
Nominal	-4.9	-14.2	-15.8
Real	-18.0	-26.0	-27.4

Residential Electricity Revenues

The average residential revenue of electricity decreased 4.9 percent over the six-year period, from 9.71 cents/kwh in 1996 to 9.24 cents/kwh in 2001. In real terms (adjusted for inflation to 2001 dollars), the weighted average revenue decreased 18 percent.

The following table compares the average residential revenues of the eight major electric utilities in Pennsylvania for the period. In nominal terms, UGI Electric’s weighted average residential revenue increased fastest at 4.8 percent. In real terms, the residential customers of all companies experienced a decrease in average residential revenue.

Pennsylvania Major Electric Utilities Residential Average Revenue Per kwh (1996-2001) (cents/kwh)

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1996	12.17	8.83	8.70	9.44	8.47	12.82	8.25	6.55
1997	12.17	9.14	8.98	9.57	8.51	13.09	8.65	6.83
1998	11.98	8.95	8.70	9.20	8.57	13.30	8.76	6.92
1999	11.38	8.49	8.35	9.23	7.99	10.76	3.78	6.66
2000	10.64	8.78	8.66	9.22	8.32	9.60	8.33	6.11
2001	10.37	8.83	8.69	9.08	8.40	12.98	8.65	6.13
% Change								
Nominal	-14.8	0.0	-0.1	-3.8	-0.8	1.2	4.8	-6.4
*Real	-26.5	-13.8	-13.9	-17.1	-14.5	-12.7	-9.6	-19.3

* Adjusted for inflation to 2001 dollars

Commercial Electricity Revenues

The average revenue for electricity for Pennsylvania's commercial customers decreased 14 percent over the six-year period, from 8.34 cents/kwh in 1996 to 7.15 cents/kwh in 2001. In real terms (adjusted for inflation to 2001 dollars), the average revenue decreased 26 percent.

The table below compares the average commercial revenue of the eight major electric utilities for the period. In real terms, the commercial customers of all utilities experienced a decrease in average revenue.

LEGEND

DQSN	Duquesne Light Co.
MET-ED	Metropolitan Edison Co.
PNLC	Pennsylvania Electric Co.
PPC	Pennsylvania Power Co.
PPL	Pennsylvania Power & Light Co.
PECO	PECO Energy Co.
UGI	UGI Utilities Inc.
WPP	West Penn Power Co.

Pennsylvania Major Electric Utilities Commercial Average Revenue Per kwh (1996-2001) (cents/kwh)

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1996	8.28	7.86	7.48	7.72	7.84	11.56	7.85	5.72
1997	8.23	8.06	7.71	7.79	7.81	11.66	8.06	5.83
1998	8.03	7.84	7.41	7.41	7.78	11.17	8.00	5.88
1999	7.06	5.54	5.29	6.81	5.84	7.88	3.21	5.09
2000	6.98	5.83	5.32	7.64	5.76	5.79	7.75	4.57
2001	7.40	7.19	6.84	7.35	6.96	8.92	7.99	5.09
% Change								
Nominal	-10.7	-8.5	-8.5	-4.8	-11.3	-22.8	1.8	-11.0
*Real	-23.0	-21.1	-21.1	-18.0	-23.5	-33.5	-12.3	-23.3

* Adjusted for inflation to 2001 dollars

Industrial Electricity Revenues

The average revenue of electricity to Pennsylvania's industrial customers decreased 16 percent over the 6-year period, from 5.94 cents/kwh in 1996 to 5.00 cents/kwh in 2001. In real terms (adjusted for inflation to 2001 dollars), the average revenue declined by 27 percent.

The table below compares the average industrial revenues of the eight major electric utilities for the period. In real terms, the industrial customers of the companies studied experienced a decrease in average revenues.

Pennsylvania Major Electric Utilities Industrial Weighted Average Revenue Per kwh (1996-2001) (cents/kwh)

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1996	5.77	6.03	5.45	4.82	5.54	7.24	6.53	4.45
1997	5.45	6.16	5.52	4.98	5.49	7.18	6.69	4.38
1998	5.36	5.85	5.27	5.00	5.50	6.69	6.65	4.32
1999	5.26	2.39	2.56	4.52	4.03	3.89	2.00	3.99
2000	5.35	2.63	3.04	4.96	3.84	3.21	6.74	3.34
2001	5.27	4.59	4.46	5.18	5.03	5.92	6.80	3.79
% Change								
Nominal	-8.6	-24.0	-18.2	7.5	-9.1	-18.2	4.2	-14.8
*Real	-21.2	-34.5	-29.5	-7.3	-21.7	-29.5	-10.2	-26.6

* Adjusted for inflation to 2001 dollars

Comparative Gas Revenues

This section provides data on residential, commercial and industrial gas revenue per thousand cubic feet (Mcf) and the revenue derived from gas transportation service (which excludes the consumer's cost of gas) within the Commonwealth for the period 1991 through 2001. All revenue per Mcf provided is in dollars per Mcf and represents an average.

LEGEND

DQSN	Duquesne Light Co.
MET-ED	Metropolitan Edison Co.
PNLC	Pennsylvania Electric Co.
PPC	Pennsylvania Power Co.
PPL	Pennsylvania Power & Light Co.
PECO	PECO Energy Co.
UGI	UGI Utilities Inc.
WPP	West Penn Power Co.

The study presents nominal and real revenue per Mcf. Nominal revenue per Mcf is shown in current dollars (i.e. not adjusted for inflation), and real revenue per Mcf reflects inflation and is the product of nominal revenue per Mcf and the consumer price index. The study is based on data from the annual reports filed with the Commission by the major gas utilities within Pennsylvania.

Overview of Pennsylvania Gas Revenue Per Mcf

The graph to the right presents the Pennsylvania average revenue per thousand cubic feet (Mcf) to residential commercial and industrial customers from 1991 to 2001. The residential average revenue per Mcf increased from $6.71 to $11.17, representing an increase of 66 percent in nominal terms or an increase of 28 percent in real terms. The commercial weighted average revenue per Mcf increased from $6.23 to $10.55 representing an increase of 69 percent in nominal terms or a 30 percent increase in real terms. Industrial average revenue per Mcf increased from $4.17 to $6.77. This represents an increase of 62 percent in nominal terms or a 25 percent increase in real terms. These data are presented in more detail for each customer class in subsequent sections.

	RES	COMM	IND
1991	6.71	6.23	4.17
1992	6.43	5.90	3.90
1993	6.64	5.90	4.01
1994	7.32	6.52	4.16
1995	7.10	6.50	1.80
1996	7.25	6.37	4.02
1997	8.36	7.47	4.34
1998	8.47	7.54	4.04
1999	8.33	7.44	3.89
2000	8.60	8.01	4.70
2001	11.17	10.55	6.77
% Change			
Nominal	66.4	69.3	62.4
Real	28.0	30.3	24.9

Residential Gas Revenue Per MCF

The average residential revenue per Mcf increased 66 percent over the 1991-2001 period, rising from $6.71 in 1991 to $11.17 in 2001. In real terms (adjusted for inflation to 2001 dollars), the weighted average revenue per Mcf increased 28 percent.

The table on the following page compares the average residential revenue per Mcf of the nine major gas utilities in Pennsylvania for the period. In nominal terms, TW Phillips Gas & Oil Company's average residential revenue per Mcf rose the fastest at 96 percent over the period. In real terms, residential customers of Phillips experienced the largest increase in average residential revenue per Mcf at 51 percent.

Pennsylvania Major Gas Utilities Nominal Average Residential Revenue Per Mcf (1991-2001)
(dollars/mcf)

	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
1991	6.42	8.15	5.98	5.96	5.79	6.18	7.52	5.27	7.41
1992	6.31	8.06	5.74	5.63	5.03	6.01	6.92	5.12	7.09
1993	6.22	8.20	6.36	6.86	5.54	6.46	6.82	5.01	7.18
1994	6.96	8.93	7.27	7.40	6.17	7.03	7.48	5.01	7.86
1995	6.78	9.25	6.81	5.84	5.92	6.59	7.66	5.22	7.48
1996	6.93	9.06	6.87	6.44	5.44	7.27	6.98	6.11	8.55
1997	7.98	10.43	7.85	7.83	7.21	8.23	8.17	6.65	9.15
1998	7.92	10.55	8.15	8.43	7.19	8.11	8.47	6.99	9.37
1999	8.01	10.06	7.97	8.04	7.61	7.77	8.42	6.95	9.08
2000	8.61	10.15	8.09	7.94	7.38	8.71	8.17	7.34	9.56
2001	10.96	12.61	10.43	11.25	10.01	10.74	11.23	10.34	12.25

% Change

Nominal	70.8	54.7	74.4	88.7	72.9	73.9	49.4	96.1	65.3
*Real	31.4	19.0	34.2	45.2	33.0	33.7	14.9	50.9	27.1

* Adjusted for inflation to 2001 dollars

CLMB	Columbia Gas of Pennsylvania Inc.
EQTBL	Equitable Gas Company
NFG	National Fuel Gas Distribution Corporation
NoPNN	North Penn Gas Company (PPL) - Units reported in decatherm (dth)
PG En	PG Energy
PEPLS	Peoples Natural Gas Company
PECO	PECO Energy Company
PHLPS	T.W. Phillips Gas and Oil Company

Commercial Gas Revenue Per Mcf

Over the 1991-2001 period, the average commercial revenue per Mcf increased 69 percent, going from $6.23 in 1991 to $10.55 in 2001. In real terms (adjusted for inflation to 2001 dollars), the weighted average revenue per Mcf increased 30 percent.

The table below compares the average commercial revenue per Mcf of the nine major gas utilities in Pennsylvania for the period. TW Phillips had the highest rate of increase at 94 percent in nominal terms. In real terms, Phillips also was the highest at 49 percent.

Pennsylvania Major Gas Utilities Nominal Average Commercial Revenue Per Mcf (1991-2001) (dollars/mcf)

	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO **	PHLPS	UGI
1991	5.89	7.48	5.49	5.28	5.63	5.97	6.65	4.59	6.71
1992	5.63	7.30	5.25	4.99	4.90	5.94	6.08	4.39	6.48
1993	6.22	8.20	6.36	6.86	5.54	6.46	6.82	5.01	7.18
1994	6.14	6.95	6.83	6.80	6.11	6.82	6.48	4.55	7.15
1995	5.87	9.04	6.42	5.19	5.73	6.13	6.70	4.59	6.64
1996	5.86	6.44	6.56	5.83	5.44	6.71	6.21	5.08	7.75
1997	6.97	10.29	7.52	7.07	6.67	7.80	7.41	5.54	8.30
1998	7.16	10.38	7.86	7.63	6.48	7.48	7.55	5.78	8.34
1999	6.98	9.78	--	7.24	6.74	7.17	--	5.72	8.33
2000	7.56	9.61	7.90	7.27	6.49	8.13	--	6.39	9.08
2001	10.92	12.38	10.28	9.95	9.01	9.56	10.40	8.91	11.66
% Change									
Nominal	85.4	65.6	87.2	88.4	60.0	60.1	56.4	94.2	73.8
*Real	42.6	27.4	44.0	44.9	23.1	23.2	20.3	49.4	33.7

* Adjusted for inflation to 2001 dollars
** PECO Gas reports small commercial and industrial revenues combined

CLMB	Columbia Gas of Pennsylvania Inc.
EQTBL	Equitable Gas Company
NFG	National Fuel Gas Distribution Corporation
NoPNN	North Penn Gas Company (PPL) - Units reported in decatherm (dth)
PG En	PG Energy
PEPLS	Peoples Natural Gas Company
PECO	PECO Energy Company
PHLPS	T.W. Phillips Gas and Oil Company
UGI	UGI Utilities Inc.

Industrial Gas Revenue Per Mcf

The average industrial revenue per Mcf increased 62 percent over the 1991-2001 period, going from $4.17 to $6.77. In real terms (adjusted for inflation to 2001 dollars), the average revenue per Mcf increased 25 percent.

It should be noted that quantities of gas which are only transported, and the associated revenues, are not included in these data. The popularity of transportation service is not necessarily uniform from one utility to another and, therefore, revenue per Mcf comparisons within this customer class may be somewhat distorted. The table below compares the average industrial revenue per Mcf of the nine major gas utilities for the period. In nominal terms, UGI had the highest increase at 124 percent.

Pennsylvania Major Gas Utilities Nominal Average Industrial Revenue Per Mcf (1991-2001) (dollars/mcf)

	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO **	PHLPS	UGI
1991	6.93	6.34	5.46	4.40	4.25	4.88	4.11	3.27	5.00
1992	4.25	6.25	5.01	3.79	3.45	4.89	4.80	3.13	4.78
1993	4.25	5.25	6.27	5.57	3.77	3.54	4.37	2.92	4.99
1994	5.21	4.14	6.77	6.07	4.83	5.62	5.44	2.75	5.33
1995	4.88	5.91	6.73	4.24	4.39	3.32	0.51	2.59	4.40
1996	5.50	3.93	5.44	4.48	4.43	3.41	4.45	2.98	5.73
1997	5.82	9.64	7.24	5.25	5.48	4.51	5.28	3.28	6.35
1998	5.22	9.53	8.34	5.27	4.45	5.98	5.38	3.28	6.25
1999	5.07	9.04	--	6.48	--	5.51	--	3.34	6.92
2000	7.65	8.97	4.98	5.71	4.77	6.33	--	3.99	8.03
2001	8.42	6.10	10.21	8.80	-8.10	8.14	6.83	5.27	11.20
% Change									
Nominal	21.5	-3.8	87.1	100.1	90.6	66.8	66.2	61.1	123.9
*Real	-6.5	-26.0	43.9	53.9	46.6	28.3	27.9	24.0	72.3

* Adjusted for inflation to 2001 dollars
** PECO Gas reports large commercial and industrial revenues combined.

Gas Transportation Revenue Per Mcf

The numbers in this section reflect the transportation of gas only and do not include the customers' cost of gas, which is purchased from other suppliers. Transportation has become increasingly important, but not necessarily uniform from one utility to another. The lack of uniformity may cause distortion in revenue per Mcf comparisons within this customer class.

The table below compares the average revenue per Mcf of gas transportation of the nine major gas utilities for the period. In nominal terms, Peoples Gas Company had the highest rate of increase at 183 percent.

Pennsylvania Major Gas Utilities Nominal Average Transportation Revenue Per Mcf (1991-2001) (dollars/mcf)

	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
1991	0.590	1.042	0.456	0.764	0.477	0.811	0.593	0.626	1.040
1992	0.540	1.370	0.500	0.780	0.500	0.900	0.590	0.620	1.070
1993	0.500	1.500	0.610	0.760	0.519	0.950	0.600	0.260	0.922
1994	0.540	2.530	0.780	0.680	0.500	0.990	0.480	0.260	1.110
1995	0.580	1.970	0.250	0.640	0.520	1.080	0.560	N/A	1.150
1996	0.633	1.834	0.801	0.650	0.706	1.167	0.678	N/A	1.251
1997	0.780	1.918	0.899	0.706	0.000	1.450	0.621	N/A	1.378
1998	0.946	2.406	1.150	0.797	0.496	1.901	0.688	N/A	1.350
1999	1.349	2.892	--	0.788		1.820	0.730	0.736	1.349
2000	1.470	2.353	0.885	1.011	0.558	2.298	0.710	0.518	1.295
2001	1.470	2.353	0.885	1.011	0.558	2.298	0.710	0.518	1.295
% Change									
Nominal	149.2	125.8	94.1	32.4	17.0	183.3	19.7	-17.3	24.5
*Real	91.7	73.7	49.3	1.8	-10.0	117.9	-7.9	-36.4	-4.2

* Adjusted for inflation to 2001 dollars

CLMB	Columbia Gas of Pennsylvania Inc
EQTBL	Equitable Gas Company
NFG	National Fuel Gas Distribution Corporation
NoPNN	North Penn Gas Co (PPL) - Units reported in decatherm (dth)
PG En	PG Energy
PEPLS	Peoples Natural Gas Company
PECO	PECO Energy Company
PHLPS	T.W. Phillips Gas and Oil Company
UGI	UGI Utilities Inc

Comparative Telephone Revenue Per Local Access Line

This section analyzes annual revenues per local telephone access line in the Commonwealth for the period 1991 through 2001. The study is based on data for six major telephone companies.

The study represents nominal and real revenues. Real revenues reflect inflation and are the product of nominal revenue and the consumer price index.

Average revenue per local access line is calculated as the sum of the local network service revenues of the utilities divided by the total access lines in service, including both residential and business customers. Revenue per local access line, therefore, represents the average amount of local charges paid, per line, by subscribers.

The average annual revenue per access line increased 7.2 percent during the period, going from $237.34 to $254.54. In real terms (adjusted for inflation to 2001 dollars), the customer cost of local service decreased 18 percent.

The table below compares the average revenue per access line for local telephone service of the six major telephone utilities. In real terms, the average revenue per access line for four companies decreased.

Pennsylvania Major Telephone Utilities - ILEC Average Revenue Per Local Access Line (1991-2001) (dollars / access line)

	ALLTEL	VERIZN-PA	CONEST	COMMON	VERIZN-NO	UNTD	Avg. Price Nominal
1991	218.64	246.77	129.70	111.74	234.97	203.62	237.34
1992	215.07	247.88	133.93	108.54	235.03	211.95	238.09
1993	188.15	254.21	138.65	111.88	237.18	191.14	242.67
1994	192.52	264.03	134.46	110.38	232.77	202.11	250.43
1995	195.89	265.95	117.25	130.50	226.97	210.58	252.14
1996	209.30	271.79	119.61	133.29	222.53	220.74	257.25
1997	227.00	274.87	119.82	135.89	221.25	232.29	260.51
1998	236.18	271.53	135.98	143.61	230.70	236.50	259.64
1999	248.68	278.39	146.17	148.51	222.30	241.78	264.98
2000	261.57	268.96	157.09	152.39	254.73	247.64	260.93
2001	263.75	260.97	150.55	175.98	246.18	266.86	254.54
% Change							
Nominal	20.6	5.8	16.1	57.5	4.8	31.1	7.2
*Real	-7.2	-18.7	-10.7	21.1	-19.4	0.8	-17.5

* Adjusted for inflation to 2001 dollars

LEGEND

ALLTEL	ALLTEL of Pennsylvania
VERIZN-PA	Verizon Pennsylvania Inc.
CONEST	Conestoga Telephone & Telegraph Co.
COMMON	Commonwealth Telephone Company
VERIZN-NO	Verizon North Inc.
UNTD	United Telephone Company of Pa

The number of competitive local exchange carriers (CLECs) reporting over 50,000 access lines increased in 2001. The table below depicts those CLECs and the access lines reported in 2001.

Pennsylvania Telephone Utilities - CLEC
Average Revenue Per Local Access Line
(2001)

	CTSI	FOC COM	MCI WORLD	XO PENNA	ADELPHIA	PECO HYP	ADEL PA	SSQ AD	RCN TL SV	RCN PHIL	ATT COMM	TCG DEL V	TCG PITTS
2001	$407.26	$247.64	$20.06	--	$380.56	$178.07	0.00	0.00	--	--	$159.71	$150.59	$273.68

MCI WORLD	MCI Worldcom
XO PENNA	XO Pennsylvania
ADELPHIA	Adelphia Business Solutions Operations Inc.
PECO HYP	PECO Hyperion
ADEL PA	Adelphia Business Solutions
SSQ AD	Susquehanna Adelphia
RCN TL SV	RCN Telecom Services
RCN PHIL	RCN of Philadelphia
ATT COMM	ATT Communications of Pennsylvania
TCG DEL V	TCG Delaware Valley
TCG PITTS	TCG Pittsburgh

Comparative Water Revenue Per Thousand Gallons

This section provides data on residential, commercial and industrial water revenue per MGal (one thousand gallons) within the Commonwealth for the years 1991 through 2001. All data represent an average.

The study presents nominal and real revenue per MGal. Real revenue per MGal reflects inflation and is the product of nominal revenue per MGal and the consumer price index. The study is based on the data from the annual reports filed with the Commission by the major water utilities.

The graph to the right presents the Pennsylvania average revenue per MGal to residential, commercial and industrial customers during the period. The residential customer's average revenue per MGal increased from $3.98 to $6.35 representing an increase of 60 percent in nominal terms, or 22 percent in real terms. For commercial customers, the revenue per MGal over the period went from $2.67 to $4.23, representing an increase of 59 percent in nominal terms, or 22 percent in real terms. Industrial customers saw the average revenue per MGal increase from $1.89 to $2.93. This represents an increase of 55 percent in nominal terms, or 19 percent in real terms. These data are presented in more detail for each customer class in subsequent sections.

Overview of Pennsylvania Water Revenue per MGal

	RES	COMM	IND
1991	3.98	2.67	1.89
1992	4.23	2.84	2.21
1993	4.51	2.94	2.16
1994	4.88	3.19	2.26
1995	5.00	3.40	2.30
1996	5.18	3.48	2.49
1997	5.23	3.48	2.45
1998	5.61	3.82	2.68
1999	5.77	3.90	2.59
2000	6.35	4.23	2.93
2001	6.35	4.23	2.93
% Change			
Nominal	59.5	58.5	55.1
Real	22.7	22.0	19.3

Residential Water Revenue Per MGal

The average residential revenue per MGal of water increased 60 percent from 1991-2001, going from $3.98 to $6.35. In real terms (adjusted for inflation to 2001 dollars), the average revenue per MGal increased 23 percent.

The table below compares the average residential revenue per MGal of the four major companies for the period. In nominal terms, Philadelphia Suburban revenues per MGal rose fastest at 66 percent, while York Water's was slowest at 33 percent. In real terms, the residential customers of York Water experienced an increase of only two percent in average revenue per MGal.

LEGEND	
UTD-PA	United Water of Pennsylvania
PA-AMER	Pennsylvania-American Water Company
PHIL-SUB	Philadelphia Suburban Water Company
YORK	York Water Company

Pennsylvania Major Water Utilities Nominal Average Residential Revenue Prices (1991-2001) (dollars/1000 gal)

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1991	3.50	4.57	3.47	3.30
1992	3.70	4.72	3.66	3.49
1993	3.87	5.09	3.96	3.60
1994	4.80	5.28	4.20	3.63
1995	4.85	5.47	4.47	3.80
1996	4.93	5.76	4.50	3.86
1997	4.84	5.77	4.64	3.97
1998	5.46	6.34	4.83	3.96
1999	5.42	6.59	4.87	4.06
2000	5.56	7.01	5.32	4.32
2001	5.48	7.07	5.77	4.38
% Change				
Nominal	56.5	54.6	66.3	32.8
*Real	20.4	19.0	27.9	2.2

* Adjusted for inflation to 2001 dollars

Commercial Water Revenue Per MGal

The average revenue per MGal of water to Pennsylvania's commercial customers increased 59 percent from 1991 to 2001, going from $2.67 to $4.23. In real terms (adjusted for inflation to 2001 dollars), the average revenue per MGal increased 22 percent.

The table below compares the average commercial revenue per MGal of the four major water companies for the period. PAWC had the highest rate of increase at 58 percent in nominal terms. In real terms (adjusted for inflation to 2001 dollars), the commercial customers of PAWC increased 21 percent.

Pennsylvania Major Water Utilities Nominal Average Commercial Prices (1991-2001) (dollars/1000gal)

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1991	2.55	3.06	2.46	1.84
1992	2.69	3.21	2.62	1.93
1993	2.81	3.36	2.68	1.95
1994	3.12	3.44	2.95	2.00
1995	3.32	3.60	3.03	2.02
1996	3.40	3.84	3.27	2.05
1997	3.44	3.89	3.19	2.14
1998	3.81	4.36	3.44	2.11
1999	3.75	4.57	3.39	2.16
2000	3.86	4.76	3.57	2.25
2001	3.89	4.83	3.84	2.32

% Change

	UTD-PA	PA-AMER	PHIL-SUB	YORK
Nominal	52.5	57.8	56.3	26.4
*Real	17.3	21.4	20.2	-2.8

* Adjusted for inflation to 2001 dollars

Industrial Water Revenues Per MGal

The average revenue per MGal of water to Pennsylvania's industrial customers increased 55 percent from 1991-2001, going from $1.89 to $2.93. In real terms (adjusted for inflation to 2001 dollars), the average revenue per MGal increased 19 percent.

The table below compares the average industrial revenue per MGal of the four major water utilities for the period. York had the highest rate of increase at 57 percent in nominal terms. In real terms, industrial customers of United-PA experienced a decrease of 15 percent.

Pennsylvania Major Water Utilities Nominal Average Industrial Prices (1991-2001) (dollars/1,000 gal)

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1991	2.03	2.09	2.15	1.00
1992	2.14	2.17	2.24	1.04
1993	2.26	2.36	2.29	1.10
1994	1.53	2.42	2.48	1.09
1995	1.89	2.57	2.62	1.15
1996	1.97	2.72	2.85	1.21
1997	2.03	2.78	2.25	1.35
1998	2.20	3.01	2.55	1.37
1999	2.29	2.85	2.58	1.37
2000	2.37	3.12	2.69	1.48
2001	2.24	3.27	2.87	1.57

% Change

	UTD-PA	PA-AMER	PHIL-SUB	YORK
Nominal	10.5	56.6	33.6	57.4
*Real	-15.0	20.4	2.7	21.1

* Adjusted for inflation to 2001 dollars

Bureau of Fixed Utility Services

Summary of Fiscal Year 2001 - 2002 Fixed Utility Rate Cases Completed

Type	No. of Rqsts.	Amount Rqstd.	Amount Allowed	% Allwd	Amount Denied	Settlements No.	Settlements Amount	Rate Cases* No.	Rate Cases* Amount
Gas	3	$64,789,451	$33,650,562	52	$31,138,889	0	0	3	$33,650,562
Private Water	2	$12,516	$12,516	100	$0	0	0	2	$12,516
TOTAL	5	$64,801,967	$33,663,078	52	$31,138,889	0	0	5	$33,663,078

* Rate Cases include total request granted and utility - accepted alternatives as well as ALJ/Comm order.

Fixed Utility Rate Cases:
Requested & Allowed

NOTE:
In Fiscal Year 2001-02

Private water utilities requested $12,516.
The Commission allowed $12,516.

Gas utilities requested $64,789,451.
The Commission allowed $33,650,562.

Note: In Fiscal Year 2001-02, the Commission completed the following number of rate requests by utility group:

Water	2
Gas	3

Total Number of Utilities
By Utility Group

Electric - Generation Suppliers	91
Electric - Distribution	16
Gas	34
Gas Suppliers	87
LEC	38
CLEC - Facilities Based	139
CLEC - Resellers	63
Access / Interexchange	587
Pipeline	5
Steam Heat	3
Telegraph	1
Heating/Cooling	1
TOTAL	1065

Fiscal Year 2001 -02 Fixed Utility Rate Cases Completed

Utility	$ Request	$ Allowed	% Allowed	Previous Request	$ Allowed	% Allowed	Date
PRIVATE WATER							
Needmore Water Supply Co. Inc.	2,887	2,887	100	8,451	8,451	100	8/17/90
Clarendon Water Company	9,629	9,629	100	6,726	6,032	90	3/19/99
TOTAL	12,516	12,516		15,177	14,483		
GAS							
Myers Gas Company	16,914	16,914	100	19,681	16,207	82	7/8/88
Walker Gas & Oil Company	42,537	33,648	79				
Philadelphia Gas Works	64,730,000	33,600,000	52				
TOTAL	64,789,451	33,650,562		19,681	16,207		
GRAND TOTAL	**64,801,967**	**33,663,078**		**34,858**	**30,690**		

Bohdan R. Pankiw
Chief Counsel

The Law Bureau is a multi-function legal staff consisting of a prosecutory, advisory, representational and enforcement function. The Law Bureau provides legal support directly to the Commission and other PUC bureaus on a variety of regulatory matters involving fixed utilities and common carriers. Law Bureau attorneys represent the Commission in all appellate and original jurisdiction actions before state and federal courts. Enforcement in fixed utility service cases also is a bureau responsibility.

The bureau has been delegated prosecutory authority to initiate non-rate proceedings that are prosecutory in nature, by complaint or other appropriate means, on behalf of the Bureau of Consumer Services; the Bureau of Fixed Utility Services; the Bureau of Conservation, Economics and Energy Planning; the Bureau of Audits; the Bureau of Transportation and Safety; and on behalf of itself for matters arising from informal investigations. This delegated authority may be exercised by the chief counsel or by a bureau deputy chief counsel as may be appropriate. Law Bureau attorneys also may fulfill a prosecutory role in Commission proceedings involving eminent domain, siting and service issues having no impact on rates.

The PUC has authorized the bureau to intervene in cases before federal forums in which communications and energy-related issues affecting Pennsylvania are decided. The bureau surveys issues and proceedings before federal agencies, courts and the Congress with the aim of formulating appropriate Commission input when public utility issues arise.

Beyond the specific responsibilities associated with responding to the actions of the Commission and its bureaus, the Law Bureau has responsibilities stemming from external requirements. For example, the bureau has responsibility for advising the Commission as to the requirements of federal laws and regulations; conducts reviews of proposed legislation related to the regulation of jurisdictional utilities; and provides advice and information to legislators.

Law Bureau

Highlights

Employee Ethics Sessions

Law Bureau prepared and presented eight mandatory ethics sessions for all Harrisburg Commission employees during August and September 2001. At the request of the Executive Director and Human Resources, Law Bureau organized the topics; coordinated the speakers; prepared the written materials; and handled all the necessary paperwork to ensure that the attorneys in attendance received CLE credits.

Federal Energy Regulatory Commission (FERC) and Regional Transmission Organizations (RTO) Mediation Process

On July 12, 2001, FERC launched an ambitious effort to create at least four large regional transmission organizations (RTOs) by rejecting most pending RTO applications and directing stakeholders to participate in a six-week mediation process before FERC administrative law judges. Although FERC conditionally approved the PJM RTO and PJM West applications, it has clearly expressed its preference for the creation of at least four large RTOs, including one in the Northeast region, with common market designs and minimal differences at the seams. The Commission's Law Bureau actively participated in the mediation process exploring the formation of a Northeast RTO that would include PJM, NY ISO and ISO-New England. Key issues that were addressed in that process include transmission planning, market design, and governance/organizational structure.

Verizon's Federal Communications Commission (FCC) Application for Long Distance Authority - Section 271

On Sept. 19, 2001, the FCC authorized Verizon to provide long distance services in Pennsylvania. The Law Bureau continued to assist the FCC in their review of the application during this quarter by filing reply comments on Aug. 6, 2001, and an *ex parte* letter on Sept. 6, 2001, in response to requests received from FCC staff. There will be ongoing compliance and implementation issues; these are detailed in a Law Bureau memo to Commission offices and bureau directors dated Oct. 1, 2001.

Number Conservation Measures

The Law Bureau moved forward with several number-conservation measures in Pennsylvania. First, orders and timelines were established for two mandatory pools to be fully implemented on Oct. 29, 2001, in the 412 and 724 area codes (Southwest Pennsylvania); the Bureau continues to coordinate with the industry members participating in these pools to ensure that the pools will be successful. The Law Bureau then worked to ensure that the Commission's order implementing an industry consensus plan to institute voluntary pools for the 717 and 570 area codes (Central area) in February and March 2002 was complete and effective. The Law Bureau also opened an informal investigation regarding the unavailable NXX codes in all of Pennsylvania's NPAs and in Sept. 2001, 14 of these so marked NXXs in the 724 NPA (Pittsburgh suburbs) were redesignated as available for assignment to carriers. Finally, the Law Bureau opened for comment an industry consensus plan to overlay the 717 NPA (Harrisburg).

Installed Capacity Comments

The Commission filed comments with FERC on Oct. 17, 2001, regarding the most effective approach for ensuring sufficient capacity reserves. The comments recognized the need for capacity reserve mechanisms for ensuring short-term reliability until demand responsive pricing is fully developed. They also emphasized the importance of preventing any attempts by incumbent generation owners to employ installed capacity requirements as market barriers.

Standards of Conduct for Energy Providers

On Dec. 20, 2001, the Commission filed comments with FERC regarding the appropriate standards of conduct for natural gas pipelines and electricity providers. The comments expressed support for the intent of the proposed rulemaking and noted that the principle of open access requires that transmission functions be separated from generation and marketing functions. However, noting the potential costs of imposing such functional barriers, the comments stressed the importance of ensuring that such expenditures will substantially reduce the potential for the exercise of market power and benefit wholesale markets.

PEPCO Energy Services Slamming Investigation

On Dec. 19, 2001, the Commission tentatively approved a settlement agreement entered into between the Law Bureau and PEPCO Energy Services to resolve allegations regarding the unauthorized enrollment of customers for electric-generation supply service between July 2000 and February 2001. Under this settlement agreement, PEPCO agreed to pay a civil penalty of $48,000 resulting from over 50 instances of slamming.

National Fuel Gas (NFG) Distribution's Low Income Residential Assistance Program

Law Bureau drafted an order, adopted by the Commission on March 28, 2002, to permit NFG to expand its low-income residential assistance program. The changes will enable more consumers to have access to this program at a time when the winter moratorium on terminations is ending and will better reflect factors affecting the customer's ability to pay in the calculation of an appropriate rate discount. The order also ruled that only residential classes should be required to pay for the costs of this program.

PECO Inadequate Service Investigation

Law Bureau, in conjunction with the Bureau of Audits, opened an informal investigation informing PECO that the company may be in violation of the Public Utility Code and the Commission's regulations by cutting maintenance personnel to the extent that they cannot adequately respond to power outages. The focus of the investigation was the snowstorm of March 14, 1999, which resulted in delays in restoring power to a number of customers in southeastern Pennsylvania. The investigation was later expanded to include other extended outages. The parties reached a settlement of the investigation which involved PECO's implementation of a substantial number of initiatives to improve its power outage response, as recommended by the Bureau of Audits. The Commission approved the settlement by order entered Jan. 25, 2002.

Investigation of PJM Installed Capacity Credit Market

The Commission adopted the Investigative Report prepared by Law Bureau addressing unusually high PJM installed capacity credit clearing prices during early 2001. The report concluded that there was cause to believe that PPL Electric Utilities had engaged in the exercise of unlawful market power through economic withholding of installed capacity during that time. The Commission referred the report to state and federal agencies in accordance with Section 2811 of the Competition Act.

FERC's Working Paper on Standardized Market Design

Law Bureau filed comments in April 2002 with FERC supporting the principles set forth in the working paper on standardized transmission service and wholesale electric market design. The comments supported selection of nodal-based locational marginal pricing as the basis for a wholesale market. Comments also provided suggestions on issues such as long-term generation adequacy and accounting for line losses.

June Perry
Director

The Office of Legislative Affairs, a three-person staff that reports to the Chairman and Commissioners, is responsible for acting as the Commission's liaison with the Governor's Office, the General Assembly and Pennsylvania's Congressional Delegation.

Legislative Affairs staff handles constituent inquiries and complaints, and meets with lawmakers and staff on various utility issues.

The office represents and promotes the Commission's position on legislation and issues before the General Assembly. Also, the office analyzes legislation and amendments that affect the Commission and public utilities.

James J. McNulty
Secretary

The Secretary is the Commission's officer over whose signature all official actions and decisions are issued. The Secretary serves as the prothonotary of the Commission and is thereby responsible for the acceptance of filings and the docketing, safekeeping, control, dissemination, retention and retrieval of all documents. All correspondence and filings with the PUC must be addressed to the Secretary.

After formal Commission action, the Secretary's Bureau is responsible for dissemination of necessary information and the service of all official actions. This is accomplished by issuing an order or secretarial letter to all appropriate parties or individuals whether they be internal staff, participants to a proceeding, or members of the general public.

The Secretary's Bureau coordinates the development of the Commission's public meeting agenda, and the secretary and/or assistant secretary sits at all formal public meetings of the Commission to ensure that the agenda is completed and that the minutes are properly recorded and subsequently maintained.

Highlights

- Served 8,930 documents, comprised of:
  - 1,457 certificates of public convenience;
  - 29 securities certificates;
  - 595 complaint orders;
  - 155 rate investigation orders;
  - 265 transportation orders;
  - 92 petition orders;
  - 528 Act 294 orders;
  - three emergency orders;
  - 255 miscellaneous orders;
  - 715 fixed utility application orders;
  - 11 investigation orders;
  - 11 proposed rulemaking orders;
  - 44 affiliated interest agreements;
  - 3,524 secretarial letters;
  - 872 ALJ decisions; and
  - 374 medallion documents;

- Processed 1,336 reports and orders for consideration at 24 public meetings;
- Received 9,062 new cases comprised of 2,069 applications, 5,375 formal complaints and 1,618 miscellaneous;
- Docketed 77,251 filings; and
- Prepared 2,785 files to be microfilmed.

Cheryl Walker Davis
Director

The Office of Special Assistants (OSA) provides technical and legal assistance to the Commissioners in all aspects of public utility regulation and enforcement. It is the coordinator of the preparation of final Commission orders. Duties include preparing final orders; reviewing administrative law judge decisions; administering requests for extensions of time to file exceptions and/or reply exceptions to initial decisions; and reviewing petitions for rehearing, reconsideration, modification or clarification of final Commission orders.

Highlights

Electric

Delmarva Power & Light Company (M-00001399)
PECO Energy Company, t/a Exelon Energy (M-00001404)
PPL Energy Plus LLC (M-00001411)
Delmarva Power & Light Company t/a Conectiv Energy, PECO Energy d/b/a Exelon Energy and PPL Energy Plus LLC are licensed electric generation suppliers (EGS) in the Commonwealth of Pennsylvania. Under the theory that they are not “utilities” as that term is used in the Public Utility Code, each of the three EGSs objected to their 2001-02 assessments levied by the PUC pursuant to Section 510 of Public Utility Code, 66 Pa. C.S. §510. According to Conectiv, Exelon and PPL, the Public Utility Code provides that the Commission shall assess “utilities.” However, Section 102 of the Code also provides that electric generation suppliers are not “utilities,” except in certain instances. Those exceptions are not to be found in Section 510, according to the objecting EGSs.

The Commission held that the objections were not valid. The arguments of Conectiv, Exelon and PPL were determined to ignore the basic tenet that the entire Public Utility Code must be read together. The PUC asserted that its statutory oversight of EGSs and Section 510’s funding mechanism of Commission activities must be read together with the exclusionary language in Section 102. According to the PUC, these provisions provide that EGSs shall be assessed to defray the Commission’s expenses in overseeing the electric industry.

A second facet of the EGSs argument involved the theory that the Commission’s assessment authority was a taxing authority. According to this argument, language enabling a tax must be strictly construed and, if EGSs were not specifically identified as assessable entities, then Section 510 did not apply. The PUC determined that its assessments are more in the nature of a licensing fee, not a tax. Accordingly, the Commission held that strict construction was not applicable in this instance.

Denver Braughler v. Pennsylvania Electric Co. (C-00014799)
Denver Braughler filed a complaint against Pennsylvania Electric Co. (Penelec) alleging that, despite the complainant's directions to the contrary, Penelec terminated service to one of his rental properties. In his initial decision, the administrative law judge (ALJ) recommended that the complaint should be sustained and that no civil penalty should be assessed against Penelec. Penelec filed exceptions.

Natural Gas

PUC v. Equitable Gas Company (R-00016132)
Equitable filed its purchased gas cost filing for the period ending Sept. 30, 2002, pursuant to 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f). The parties settled the majority of the case. However, they litigated the issue surrounding Equitable's Fixed Service Sales (FSS) Rate, which had been included in the filing.

The FSS Rate proposed by Equitable was an offer by Equitable in its supplier-of-last-resort capacity, to provide firm service over a fixed period of time at a fixed rate. Equitable would set the rate itself based upon several market factors.

The PUC determined that the issues involved in the FSS Rate were not sufficiently developed to permit it to make a determination on the FSS Rate in the 1307(f) proceeding. The Commission provided that Equitable could choose to participate in a collaborative which would further develop those issues in a non-litigated atmosphere. In the alternative, Equitable could choose to withdraw the FSS Rate and refile it as a supplemental tariff filing. Equitable chose to participate in the collaborative set forth in the Commission order.

PUC v. Philadelphia Gas Works (PGW) (R-00006042)
On Oct. 4, 2001, the Commission entered a final opinion and order in this general rate increase proceeding. On Oct. 12, 2001, the PUC issued a tentative order containing a computational adjustment. PGW filed a petition for reconsideration seeking review of the determinations relative to bad debt expense, cash working capital, projected future financial condition, and computational considerations on Oct. 19, 2001. The Philadelphia Industrial and Commercial Gas Users Group and PGW jointly filed a petition for reconsideration seeking approval of a settlement stipulation regarding natural gas transportation rules. Parties additionally filed comments to the tentative order. By opinion and order entered December 2001, the Commission adopted a staff recommendation to grant in part, and deny in part, the various petitions.

PUC v. UGI Utilities Inc. (R-00016376)
Final disposition of 1307(f) Purchased Gas Cost proceeding.

Nicole Gas Marketing Inc., d/b/a Nicole Energy Services v. Duquesne Light Company (C-00015168)
The Commission decided that a broker cannot bring an action against an EDC under the Electricity Generation Customer Choice and Competition Act and the regulations dealing with the switching of EGCs alleging that an EDC improperly refused to recognize that a customer had changed brokers, because a broker is not a customer.

Petition of Philadelphia Gas Works for Extraordinary Rate Relief (R-00017034F0002)
PGW filed for rate relief proposing an annual increase in revenues of $60 million. Pursuant to Sections 1308(e) and 2212 of the Public Utility Code, PGW requested that $44 million of the general rate request be processed as extraordinary rate relief. PGW argued, that absent the requested extraordinary relief, its bond rating would be downgraded, which would have a severely damaging effect on its ability to maintain service and its access to capital markets. The case was referred to the Office of Administrative Law Judge for hearing and the certification of the record to the Commission for decision. On April 12, 2002, the Commission entered an order, which determined that PGW had met the standards for a grant of extraordinary rate relief. Relief in the amount of $36 million was deemed to be appropriate based upon the record. The balance of PGW's request was referred over to the main proceeding. The Commission's action was acknowledged by the financial community and PGW's bond rating was not downgraded.

OCA v. UGI Utilities Inc. (R-00016855C0001)
The settlement provided for the early termination of UGI's competitive transition charge collection for residential, commercial and industrial customers. It also revised the shopping period for UGI's default customers and set forth additional details for UGI's provider of last resort service, including rate freezes and ceilings for several years following the statutory elimination of UGI's generation rate cap.

Sewer

PUC v. Jackson Sewer Co. (R-00005997)
This proceeding was a general rate increase for a small sewer utility. The case was resolved pursuant to Commission motion and OSA drafted the final order consistent with the motion. The distinguishing feature relative to this case concerned the adverse financial impact on the utility owing to the provision of sewage treatment services by a newly created municipal sewer authority.

Telecommunications

Petition of Verizon North Inc. for Alternative Regulation Plan and Plan for Network Modernization (P-00001854)
This matter is a petition for alternative regulation filed by Verizon North Inc. (formerly GTE North Inc.) pursuant to Chapter 30, 66 Pa. C.S. § 3004. While finding some aspects of the petition acceptable, the Commission acted to reject, in part, the petition due to the failure of Verizon's network modernization plan to meet the requirements of Chapter 30. The Commission mandated additional proceedings.

Borough of Sewickley v. Verizon Pennsylvania Inc. (C-00003256)
On Jan. 31, 2000, the Borough of Sewickley filed a formal complaint against Verizon PA alleging that, by removing the Sewickley telephone exchange from the Greater Pittsburgh White Pages telephone directory, Verizon PA acted unreasonably and caused great inconvenience to the affected customers.

On June 25, 2001, ALJ John Corbett issued an initial decision wherein he recommended that the complaint be sustained. Subsequent to the filing of exceptions, the PUC adopted a proposed draft opinion and order submitted by OSA which adopted the ALJ's recommendation that Verizon PA be ordered to reinstate the Sewickley exchange in the Greater Pittsburgh White Pages, beginning with the next available edition; that Verizon PA violated Section 1501 of the Public Utility Code, 66 Pa. C.S. §1501, by excluding Sewickley from the Greater Pittsburgh White Pages telephone directory; and that Verizon PA be assessed a civil penalty of $1000.

Petition of Allegiance Telcom of Pennsylvania Inc. (P-00011882)
Allegiance filed a petition with the Commission pursuant to the Abbreviated Dispute Resolution Process (ADRP), contending that Delaware County refused to allow access to the Master Street Address Guide (MSAG) database used in the provision of enhanced 911 service. In her initial decision, ALJ Marlane Chestnut concluded that the petition should be granted, and that the county should be directed to provide its MSAG to Allegiance within five days of the Commission's order. The county filed exceptions to the initial decision. Per the PUC's opinion and order, the county's exceptions were denied.

Report to the Pennsylvania Public Utility Commission Regarding the Design and Deployment of Fiber and Next Generation Digital Loop Carrier and Equal Access to Digital Subscriber Lines over Fiber (M-00001353)
This report was initiated pursuant to the directives contained in the Commission's Structural Separation order. It involved several meetings with staff and stakeholders in the telecommunications industry. The final report was the result of collaborative efforts but involved a more contentious issue than that pertaining to digital subscriber line access multiplexers (DSLAM). Next Generation Digital Loop Carrier (NGDLC) technology and how to provide equal access are issues over which incumbent telecommunications companies and competitive companies vigorously disagree. The report detailing the outcome of the collaborative process was prepared and submitted.

Collaborative Report to the Pennsylvania Public Utility Commission Regarding Industry Standards for CLEC Access to DSLAM Equipment Located at Verizon Pennsylvania Inc.'s Remote Terminals (M-00001353)

This collaborative report was initiated pursuant to the directives contained in the Commission's Structural Separation order. It involved several meetings with staff and stakeholders in the telecommunications industry. Based on the dialogue that occurred during four technical workshops held between June 21, 2001, and August 29, 2001, a report on the collaborative containing the outcome of that process was prepared as directed by the Commission.

Petition of Sprint Communications (A-310183F0002)

Petition for an Arbitration Award of Interconnection Rates, Terms and Conditions. The Commission adopted staff recommendation addressing unresolved issues of terms and conditions; resale of vertical services; loop qualification data base; packet switching; definition of local traffic; geographic relevant interconnection points; charges for local calls/local calls over access trunks, commingling and multiplexing; collocation space reservation; reallocation of facilities; and timing of transport availability. Thereafter, on Oct. 25 and 29, 2001, Verizon and Sprint respectively filed petitions for reconsideration. By opinion and order entered December 2001, the Commission adopted a staff recommendation granting in part and denying in part the various petitions.

Lois Norton, et al. v. Verizon Pennsylvania Inc. (C-00992980, et al.)

Extended area service (EAS) proceeding resulting in the grant of EAS from the Hershey to the Mount Gretna exchange.

Petition of Verizon PA Inc. for Resolution of Dispute with Worldcom Inc. Pursuant to Abbreviated Dispute Resolution (A-310752F7000)

In this arbitration Verizon argued that recent rulings by the Federal Communications Commission (FCC) had triggered the operation of certain change-of-law provisions within Verizon's interconnection agreement with Worldcom. Specifically, the FCC had ruled that Internet service provider traffic would be governed by a new rate regime on a going-forward basis. Verizon argued that the order triggered change of law provisions that require the implementation of the new rates immediately upon the effective date of the FCC order. Worldcom disagreed noting that the FCC order specifically stated that it was to be prospective in effect. On May 29, 2002, the PUC entered an order, which found that the change of law provisions were triggered by the FCC order. Notwithstanding Worldcom's arguments, the Commission found that the intent of the parties was to give effect to the new rate regime ordered by the FCC. Worldcom has filed a petition for reconsideration and a petition for review in Commonwealth Court.

Petition of Yipes Transmission Inc. (A-310964)

In this arbitration, the Commission concluded that Yipes could have access to dark fiber at Verizon's existing splice points via the creation of new accessible terminals adjacent to splice points but only after the CLEC agrees to pay reasonable costs necessary to construct such a terminal.

Petition of Verizon North Inc. for Alternative Regulation Plan and Plan for Network Modernization (P-00001854)

Approval of Verizon North's revised Network Modernization Plan.

Performance Measures Remedies (M-00011468)

This proceeding addressed proposed carrier-to-carrier guidelines and the performance assurance plan for Verizon Pennsylvania. In a tentative order, the Commission requested parties to comment on several issues, including the PUC's adoption of a Consensus Performance Assurance Plan with modifications; Commission's adoption of current New York metrics as Pennsylvania carrier-to-carrier guidelines; and reporting requirements for monthly performance and remedies reports. Parties filed comments by July 15, 2002. Reply comments were due on or before July 25, 2002.

Formal Investigation of Performance Standards, Remedies and OSS Testing for Verizon PA (formerly Bell Atlantic-Pennsylvania) (P-00991643)

In this proceeding, the Commission granted, in part, Verizon's request to declare certain metrics statistically invalid and exempt from remedies payment.

Office of Special Assistants

Transportation

Borough of Topton v. Consolidated Rail Corporation (C-00968418)
The railroad was ordered to provide a detailed summary of itemized costs incurred upon completion of improvements to a rail-highway crossing so that the costs could be certified. Fifteen months after completion of the improvements, the railroad had not submitted the required summary. Consequently, we closed the record without certifying the costs. The railroad appealed, alleging that, because the PUC's order did not include a specific date for compliance, they were permitted to submit their statement of costs whenever they chose. The Commission rejected that argument, noting that when a party is required to do an act, but no specific date for compliance is indicated, the party must perform the required act within a reasonable amount of time. The Commission determined that fifteen months was reasonable under the circumstances of this case and denied the appeal.

Investigation upon the Commission's Motion...the tracks of National Railroad Passenger Corporation in the City of Chester, Delaware County (I-00970070)
The instant investigation was commenced by order entered on Oct. 6, 1997. The recommended decision of ALJ Herbert Smolen was issued on March 14, 2000. Various exceptions and reply exceptions were filed. By order entered on Sept. 1, 2000, the exceptions of various parties were denied, and the recommended decision was adopted. The City of Chester, Delaware County and Conrail filed petitions for review in the Commonwealth Court of Pennsylvania, which were consolidated. By opinion dated April 27, 2001, the Commonwealth Court vacated the PUC's Sept. 1, 2000, order and remanded the proceeding to the Commission. The purpose of the remand was for the PUC to hold an additional hearing and to issue an adjudication to apportion costs for repair and maintenance of the Lloyd Street Bridge among the parties to the proceeding, including Amtrak and SEPTA.

On Aug. 7, 2001, ALJ Smolen issued a recommended decision, which recommended an allocation of costs and responsibilities for the Lloyd Street Bridge, including Amtrak and SEPTA in that allocation, in compliance with the direction of the remand order from the Commonwealth Court. Exceptions and reply exceptions were filed. OSA's opinion and order, adopted by the Commission at the public meeting of Sept. 7, 2001, for the most part denied the exceptions of the parties and adopted the cost allocation, including Amtrak and SEPTA, as recommended by the ALJ.

Investigation upon Commission's Motion...rail-highway crossings along Pittsburgh and Shawmut Railroad Inc. Piney Branch... (I-00000085)
The recommended decision of the ALJ recommended disposition of the relevant crossings. Several parties filed exceptions. One party, Kovalchick Corporation, filed exceptions and also filed two petitions to reopen the record. Several parties filed answers to those petitions. Per the Commission motion and order, the petitions to reopen were granted. The matter was remanded to the Office of Administrative Law Judge to determine what immediate crossing improvements are necessary to protect public safety. Additionally, Kovalchick was given two years from the date of entry of the opinion and order in which to apply to the Commission for approval of crossing alterations associated with the implementation of Rails-to-Trails or excursion railroad projects.

Water

Jim Little and Harold Shaffer v. City of Johnstown (C-00003675)
Jim Little and Harold Shaffer filed a formal complaint against the City of Johnstown which alleged that water service to their residence was improperly shut off. Johnstown's Bureau of Sewage filed an answer to the complaint. In his initial decision, ALJ Herbert Cohen concluded that the complainants had failed to carry their burden of proof. The complainants filed exceptions to the initial decision. Per the Commission's opinion and order, the complainants' exceptions were denied. Specifically, the PUC held that the ALJ had properly relied upon the testimony of William Meske, a witness for the City, for the resolution of certain factual disputes raised in the proceeding.

PUC v. Pennsylvania-American Water Company (R-00016339)
Supplement No. 103 to Tariff Water-Pa. PUC No. 4 proposing changes calculated to produce $38,706,315 in additional annual revenues. The Commission allowed a revenue increase of $23,967,774.

Office of Special Assistants

Pa. PUC v. Emporium Water Company
(R-00005945)

Emporium filed Supplement No. 7 proposing a revised State Tax Adjustment Surcharge (STAS) designed to recover a total of $117,580. The Commission granted this request, which results in an additional STAS of $43,903.

Joint Application of Pennsylvania-American Water and Thames Water Aqua Holdings GmbH. (A 212285F0096, A-230073F0004)

On Dec. 14, 2001, Pennsylvania-American Water Company (PAWC) and Thames Water Aqua Holdings GmbH (Thames) filed a joint application for all approvals required under the Public Utility Code in connection with a change of control of PAWC. OSA staff engaged in a review of the issues in this merger proceeding, culminating in a recommendation to the Commissioners as to the disposition of exceptions to the ALJ's determination to approve the application subject to certain conditions.

Telecommunications Interconnection / Resale Proceedings

With Verizon Pennsylvania Inc.

1-800-RECONEX Inc. (A-310593F7000)
Access Point (A-310557F7000)
Allegiance Telecom of PA (A-310751F7000)
Allegiance Telecom of PA – Amendment (A-310751F7000)
American Fiber Network (A-310892F7000)
Arbros Communications (A-310877F7000)
Business Telecom Inc. (A-310092F7000)
Cambrian Communications (A-310967)
Cbeyond (A-310974F7000)
Ciera Network Systems (A-310965F7000)
Compass Telecommunications (A-310940F7000)
CTC Communications (A-310295F7000)
D&E Systems (A-310738F7000)
DSLNET (A-310874F7000)
DSLNET – Amendment (A-310874F7000)
Eagle Communications (A-310718F7000)
Ernest Communications (A-310749F7000)
Essex Communications (A-310951F7000)
Focal Communications (A-310630F0002)
IDS Telecom (A-310999F7000)
IG2 Inc. (A-310832F7000)
Inlec Communications (A-310960F7000)
Inlec Communications – Amendment (A-310960F7000)
KMC Telecom V Inc. (A-310957F7000)
Lightwave Communications (A-311021F7000)
Lightwave Communications – Supplemental (A-311021F7000)
MFNS Fiber Network (A-310673F7000)
National Telephone Exchange (A-310130F7000)
Network Access Solutions (A-310535F7000)
Network Plus Inc. (A-310097F0002)
Network Services (A-311148F7000)
Norcom Inc. (A-311011F7000)
NOS Communications (A-310043F7000)
NPCR Inc. (A-311149F7000)
Optimum Global (A-311060F0002)
Paetec Communications (A-310743F0002)
Paetec Communications – Amendment (A-310743F0002)
PACLEC (A-311087F7000)
Penn Telecom (A310074F7000)
Preferred Carrier Services (A-310403F7000)
Premiere Network (A-310987F7000)
Pulsenet Inc. (A-310995F7000)
Snip Link (A-310820F7000)
Sprint Communications (A-310183F7000)
Teleconex Inc. (A-311154F7000)
Unified Messaging (A-310791F7000)
Urban Media of PA (A-310942F0002)
Vartec Communications (A-310072F7000)
Verizon Advanced Data Inc. (A-310935F7000)
Verizon Advanced Data Inc. – Replacement (A-310935F7000)
VIC-RMTS-DC Inc. (A-310581F7000)
VIC-RMTS-DC Inc. – Supplemental (A-310581F7000)
Z-Tel (A-310706F7000)

Office of Special Assistants

With Verizon North
Advanced Telephone Systems (A-310478F7001)
Allpage Inc. (A-311138F7001)
Ciera Network Systems (A-310965F7001)
Citynet Telecommunications (A-310985F7001)
CTC Communications (A-310295F7001)
D-Tel (A-310827F7001)
D&E Systems (A-310738F7001)
Fairpoint Communications (A-310725F7001)
KMC Telecom (A-310957F002)
National Telephone Exchange (A-310130F7001)
Network Access Solution (A-310535F7001)
Network Services (A-311148F7001)
NPCR Inc. (A-311149F7001)
Preferred Carrier Services (A-310403F7001)
Sprint Spectrum (A-310513F7001)
Vartec Telecom (A-310072F7001)

With United Telephone Company d/b/a Sprint Communications
Budget Phone (A-311159F7002)
Digital Telecommunications (A-310486F7002)
Direct2Internet Corp. (A-311066F7002)
DSLNET (A-310824F7002)
National Telephone Exchange (A-310130F7002)
NOW Communications (A-310806F7002)
NPCR Inc. (A-311149F7002)
Preferred Carrier Services (A-310403F7002)
Premiere Network (A-310987F7002)
SATCOM Communications (A-311169F7002)
Voicestream Wireless (A-311144F7002)

With ALLTEL Communications
KMC Telecom V (A-310957F7004)

With D&E Telephone Company
Sprint Spectrum (A-310513F7006)

With Frontier Communications
Sprint Spectrum (A-310513F7007)

With North Pittsburgh Telephone Company
Cricket Communications (A-311080)

Mike Hoffman
Director

The Bureau of Transportation and Safety is responsible for regulation of various aspects of railroad, gas, and motor carrier safety and service in the Commonwealth of Pennsylvania. The bureau is comprised of three divisions: the Motor Carrier Services and Enforcement Division, the Rail Safety Division, and the Gas Safety Division.

Motor Carrier Services and Enforcement Division

The Motor Carrier Services and Enforcement Division is involved in all areas of motor carrier transportation regulation. The five district offices in Harrisburg, Philadelphia, Scranton, Altoona and Pittsburgh ensure compliance of trucks, buses, taxis and limousines with the Public Utility Code and Commission regulations through regular inspections and audits.

The division's Compliance Office reviews the work of the district offices for violations and takes prosecutory action against motor carriers when warranted. This office also processes applications of motor carriers to begin, transfer, or discontinue transportation service in Pennsylvania. In addition, the Compliance Office processes requests to change motor carrier rates charged to the public and ensures that all motor carriers operating in Pennsylvania maintain appropriate insurance coverage.

Rail Safety Division

The Rail Safety Division is responsible for the administration and processing of formal and informal rail safety complaints and safety inspections for compliance with the Federal Railroad Administration's (FRA) track, operating practice and freight car standards. In addition, the division is responsible for rail crossing and bridge safety. An order of the Commission is required to construct, alter, relocate, suspend or abolish a rail/highway crossing. Currently, there are approximately 3,300 bridges and 5,600 grade crossings in the Commonwealth under Commission jurisdiction.

Additional responsibilities of the division include the review and approval of the acquisition of railroad property, the abandonment of branch lines, the abandonment and curtailment of passenger service; clearances (parallel track, overhead and side); changes in station status, grade crossing safety needs (proper installation and operation of flashing lights, gates and crossbucks); and the resolution of service complaints.

Gas Safety Division

The Gas Safety Division acts as an agent for the Office of Pipeline Safety, U.S. Department of Transportation. The division inspects facilities and records of regulated gas companies to ensure compliance with state and federal requirements. It also investigates gas explosions. Effective July 1, 2000, the division added Philadelphia Gas Works to the list of gas companies that it regulates. In addition, the Gas Safety Division receives meter certifications from all fixed utilities, i.e. gas, water and electric, in Pennsylvania.

Bureau of Transportation and Safety

Highlights

The following paragraphs contain highlights of the bureau's activities for FY 2001–02. Statistical highlights are contained in the bullets following the narrative paragraphs under each division.

Motor Carrier Services and Enforcement Division

In September 2001, the Pittsburgh Taxicab/ Limousine Task Force, consisting of representatives from hotel and restaurant organizations, the Visitors and Convention Bureau, business groups, the Governor's Office, the Mayor's Office, taxicab companies, and the PUC's motor carrier division played a major role in establishing the PROCabbies Program. PROcabbies provides training to taxi drivers to improve customer service skills and techniques to promote the amenities of Pittsburgh.

House Resolution 247 of 2001 directed the Legislative Budget and Finance Committee to review the Commonwealth's regulation of limousine and taxicab carriers, including the Philadelphia Taxicab Medallion program. The report was issued in December 2001, providing recommendations that the Bureau of Transportation and Safety has either implemented or is currently pursuing for positive change in both industries.

In an effort to improve the public's awareness that the PUC is the appropriate forum to bring consumer complaints about taxicab service, all taxicab carriers (except Philadelphia medallion) were required to affix complaint decals to vehicles that notify riders of complaint methods.

During the time period of April through June of each year, all 1,600 medallion taxicabs are inspected by enforcement officers prior to the renewal of the medallion. In past years, this process placed a large drain on personnel due to carriers canceling appointments they had previously arranged. A new procedure was instituted in 2002 that required carriers to follow a set schedule. Eighty-six percent of the taxicabs fulfilled their appointed inspections, resulting in a more efficient use of limited personnel resources.

The division began participation in the Safe 80 Task Force that was begun following numerous truck accidents in the Stroudsburg area. Over the past year, enforcement officers have conducted over 2,000 truck safety inspections, placing 389 (22 percent) drivers and 838 (44 percent) vehicles out-of-service. The seriousness of the out-of-service actions is accentuated in the types of violations discovered. The most frequent driver out-of-service violation is for hours of service, while the most frequent vehicle out-of-service violation concerns brakes.

The following is a brief synopsis of other division activities:

- 19,615 truck, bus, small passenger vehicle inspections (non-medallion);
- 3,743 medallion taxicab driver/vehicle inspections;
- 1,106 informal complaint investigations;
- 922 safety fitness reviews;
- 13,033 cases reviewed; and
- 7,288 prosecutory actions.

Rail Safety Division

During 2001-02, the Rail Safety Division played an important role in reviewing and approving the construction work performed at the public crossings along Norfolk Southern Corporation's mainline relocation project in Erie, Pennsylvania. The relocation project was mandated by the Surface Transportation Board as a requirement of the Conrail/Norfolk Southern Corporation/CSX Transportation Inc. merger.

The Rail Safety Division participated in a training session sponsored by Norfolk Southern Railroad for law enforcement officers and first responders to grade crossing collisions. The course, "Grade Crossing Collision Investigation Training," dealt with train consist interpretation, railroad operations, signal systems, operation lifesaver, braking systems, emergency contact personnel and railroad equipment.

The division also participated in the Operation Lifesaver booth at the Pennsylvania State Farm Show. Rail safety staff handed out informational brochures and talked to the attendees about the inherent dangers at highway-rail crossings and on railroad rights of way.

Rail Safety also arranged and organized training sessions regarding railroad tank cars carrying hazardous material for the Fort Indiantown Gap National Guard and the 3rd Weapons of Mass Destruction-Civil Support Team, and attended the Northeast High-Level Radioactive Waste Transportation Task Force Meeting. The meeting updated the task force members on radioactive moves throughout the Northeast.

Additional rail safety activities include:

- 21,632 railroad car inspections;
- 432 locomotive inspections;
- 6,211 miles of railroad track inspected;
- 454 operating practice inspections; and
- 2,239 hazmat unit inspections.

Gas Safety Division

The Gas Safety Division held a gas-safety seminar for gas operator personnel in Harrisburg in September 2001. The seminar was conducted by an instructor from the federal Transportation Safety Institute, the teaching arm of the federal Office of Pipeline Safety. General safety topics were covered with special emphasis on the newly enacted Operator Qualification regulations pertaining to the training and qualifications of gas employees involved in pipeline operations.

In December 2001, after major renovations to correct safety violations uncovered by PUC gas safety inspectors, the Philadelphia Gas Works Passyunk LNG plant was brought back online. This plant was the scene of an explosion in December 2000.

In May 2002, the federal Office of Pipeline Safety conducted its annual review of the Bureau's gas safety program. The audit included observation of field-safety inspections to determine the effectiveness of inspection procedures and examination of office records. The audit concluded with a favorable review for the Gas Safety Division.

Other gas safety activities include:

- 977 inspections (represents compliance, regulator and relief station, discontinued service, corrosion control, transmission line, and compressor station inspections);
- 9 reportable incidents;
- 76 non-reportable incidents; and
- 28 informal complaints.

Charles F. Hoffman
Director

The Office of Trial Staff (OTS) represents the Commission in all matters in the public interest except those involving transportation; safety; eminent domain; siting, service issues having no impact on rates; and ability to pay. However, OTS may petition the Commission or be directed by the Commission to intervene to protect the public interest in those excepted proceedings. Consistent with that provision of the statute, the PUC has granted OTS the authority to initiate and prosecute complaints against “slamming” and “cramming” by telecommunications providers.

If the OTS director thinks that a proceeding is necessary to protect the public interest, he shall request that the Commission initiate the appropriate proceeding when such proceeding is not prosecutory in nature. When the proceeding is prosecutory in nature, OTS shall initiate the proceeding by filing a complaint with the Secretary of the Commission. When the OTS director participates in a PUC proceeding, it is the duty and responsibility of the director to prosecute in that proceeding.

In rate cases, OTS recommends to the Commission whether it should initiate a hearing to investigate the lawfulness of the requested change. OTS also recommends whether the tariff should be suspended pending the hearing decision or whether a temporary rate shall be approved.

Highlights

During Fiscal Year 2001–02, OTS actively participated, by hearing, review or report process, in approximately 88 proceedings, of which 51 were closed during the Fiscal Year, while 37 cases in progress were carried forward to 2002–03. The 88 proceedings were comprised of 35 general rate investigations, 34 non-general tariff or rate investigations, and 9 1307(f) purchased gas cost proceedings. In addition, OTS reviewed or analyzed approximately 835 tariff revisions and petitions.

OTS participated in 55 evidentiary and/or prehearings; seven ADR/mediation conferences; and 18 public input hearings.

OTS submitted 45 sets of testimony; filed nine answers; two comments; one formal complaint; seven letters (ALJ and Secretary); one memorandum; three motions and eight responses.

In addition to the above, the staff reviewed and analyzed numerous applications, petitions and complaints.

Performance Measures Remedies
(M-00011468)
This proceeding commenced on July 6, 2001 (prehearing conference), to comply with the Commission's determination in the structural separation proceeding, that a proceeding be initiated to determine whether any further adjustment of performance measures penalties might be necessary to assure adequate performance by Verizon vis-a-vis its competitors. The proceeding addresses issues vital to local telecommunications competition, as it seeks to facilitate a robust market by encouraging effective service to competitors by Verizon. OTS actively participated and submitted a joint metrics proposal with other parties and a supportive brief concerning the accuracy of white pages directory listings. By its tentative opinion and order, entered June 24, 2002, the Commission adopted the joint metrics proposal concerning white pages accuracy, pending further deliberations.

Petition of Pike County Light & Power Company for Exception to Rate Cap Limitations Pursuant to 66 Pa. C.S. §2804(4)(iii)(D), and for Expedited Proceedings Pursuant to 66 Pa. C.S. 2804(4)(iv); Petition to Reopen filed by the Office of Consumer Advocate (P-00011872)
On Feb. 14, 2001, Pike County filed a petition with the Commission, requesting relief from the rate caps set forth in Sections 2804(4)(i) and (ii) of the Electricity Generation Customer Choice and Competition Act (Competition Act). The Pike County petition, which was filed under authority of 66 Pa. C.S. §2804(4)(iii)(D), was the second such petition filed in Pennsylvania (the first was the GPU petition). It involves important legal issues of statutory interpretation and policy issues, which could impact the future development of a thriving competitive market for electric supply in Pennsylvania.

On Feb. 8, 2002, after issuance of an ALJ recommended decision but prior to issuance of a final Commission order, the Office of Consumer Advocate (OCA) filed a petition to reopen, due primarily to alleged significant reductions in purchased power costs. Shortly thereafter, the Commonwealth Court issued a decision in *ARIPPA, et al. v. Pa. P.U.C.* (appeal of the Commission's GPU order), which potentially impacts the Pike County proceeding. The Commission ruled that the OCA's petition to reopen should be granted, and this proceeding was remanded to the ALJ for additional hearings.

OTS actively participated in both proceedings, through the conduct of discovery, presentation of a witness, and preparation of briefs and reply exceptions, and is awaiting a final Commission decision, after the remand exception period has concluded. The ALJ recommended decision on remand, which was issued on June 13, 2002, was in accord with the position advocated by OTS.

York Water Company (R-00016236)
On March 20, 2001, York Water Company filed Supplement No. 47 to Tariff Water - Pa. P.U.C. No. 14, proposing an annual increase in rates of $ 2,307,877. By order entered April 19, 2001, the Commission instituted an investigation and directed OTS to participate. The proposed increase was suspended by operation of law for up to seven months, or until Dec. 19, 2001. OTS conducted an on-site investigation of the facilities and fully participated in the proceeding. Following extensive negotiations, OTS and the other active parties submitted a joint petition for settlement to presiding ALJ Weismandel on August 1, 2001. On Aug. 14, 2001, ALJ Weismandel issued a recommended decision recommending Commission approval of the settlement. By order entered Aug. 31, 2001, the Commission adopted the ALJ's recommendation approving the settlement and authorized an increase in annual operating revenues of $800,000, prior to the roll in of $268,099 reflecting the distribution system improvement charge and the state tax adjustment surcharge.

Pennsylvania-American Water Company (R-00016339)

On April 27, 2001, Pennsylvania-American Water Company filed Supplement No. 103 to Tariff Water - Pa. P.U.C. No. 4, proposing an annual increase in rates of $38,706,315, representing an increase in annual revenues of 12.4 percent, based upon the projected level of operations for the future test year ending Dec. 31, 2001. By order entered May 24, 2001, the Commission instituted an investigation to determine the lawfulness, justness, and reasonableness of the proposed rates, rules and regulations. Pursuant to 66 Pa. C.S. §1308(d), the filing was suspended by operation of law until Jan. 26, 2002, unless permitted by Commission order to become effective at an earlier date. Six sets of public input sessions were held in the service territory and a total of four days of evidentiary hearings were held in Harrisburg on Sept. 17-20, 2001, producing 837 pages of transcript. On Dec. 3, 2001, ALJ Nemec issued a recommended decision addressing all issues raised by the parties in their briefs. On Jan. 10, 2002, the Commission entered an order authorizing an increase in annual operating revenues of $23,967,774.

Stroehmann Bakeries Inc. v. UGI Utilities Inc. – Gas Division (R-00016376C0002)

This complaint case was originally part of UGI's 2001 purchased gas cost (PGC) proceeding. Stroehmann Bakeries Inc., a large firm delivery (LFD) service customer of UGI, had challenged the legality of a Systems Access Fee (SAF), which had been charged to it and other LFD and delivery service (DS) customers, since the settlement of a 1995 base rate case. Stroehmann alleged that the SAF constitutes a charge for UGI's capacity, which Stroehmann does not use, and this charge is now illegal after passage of the Gas Choice Act. By order entered Nov. 28, 2001, the Commission severed the SAF issue from the 2001 PGC proceeding, and directed Stroehmann to litigate this issue in a separate complaint proceeding, which was docketed at R-00016376C0002. Concern was expressed by at least one Commissioner about the future ability to allocate pipeline capacity costs, if the SAF is rendered illegal. OTS has actively participated and is currently responding to a motion for partial summary judgment on the SAF issue. Hearings were scheduled for Sept. 2002.

Generic Investigation Re: Verizon Pennsylvania's Unbundled Network Element Rates (R-00016683)

This proceeding was initiated by Commission order entered Aug. 31, 2001, as the proceeding contemplated in paragraph 19 of the Commission's structural separation order, at Docket No. M-00001353. The Commission wanted to investigate Verizon Pa.'s unbundled network element (UNE) rates to ascertain whether any further adjustments were necessary to ensure just and reasonable rates, in furtherance of competition. OTS actively participated and presented the testimony of a rate of return witness, in opposition to Verizon's proposed cost of capital used to calculate forward-looking economic costs of UNEs. A recommended decision, which was generally in accord with the OTS position, was issued on May 7, 2002. The parties prepared and filed exceptions and reply exceptions in 2002.

Trigen-Philadelphia Energy Corporation (R-00016941)

On Dec. 27, 2001, Trigen-Philadelphia Energy Corporation filed Steam-Pa. P.U.C. No. 3 proposing an annual increase in rates of $5,761,489, representing a 9 percent increase in the company's annualized base rate revenues, to become effective Feb. 28, 2002. By order entered Jan. 24, 2002, the Commission instituted an investigation to determine the lawfulness, justness, and reasonableness of the company's existing rates, rules and regulations and the rates, rules and regulations proposed in Steam-Pa. P.U.C. No. 3. Pursuant to 66 Pa. C.S. §1308(d), the filing was suspended by operation of law until Sept. 28, 2002, unless permitted by Commission order to become effective at an earlier date. Following several mediation sessions, the majority of active parties, including OTS, filed a settlement petition with presiding ALJ Fordham. On May 24, 2002, ALJ Fordham issued a recommended decision recommending approval of the settlement. On June 28, 2002, the Commission issued an order authorizing Trigen to increase annual base rate revenues by no more than $3,300,000, with the provision identified in the settlement that the first $2,200,000 of the increase become effective July 1, 2002, and the remaining $1,100,000 become effective July 1, 2003. Also per the terms of the settlement, the order provided a stay-out date of July 1, 2004, for the filing of any future base rate increase requests.

Office of Trial Staff

Pennsylvania Public Utility Commission v. Philadelphia Gas Works (R-00017034F0002)
On Feb. 25, 2002, Philadelphia Gas Works (PGW) filed Supplement No. 17 to Tariff Gas – Pa. P.U.C. No. 1 to become effective April 26, 2002. Concurrently, PGW filed a petition for extraordinary rate relief, pursuant to Section 1308(e) and 2212 of the Public Utility Code, 66 Pa. C.S. §§ 1308(e) and 2212 designed to produce additional annual revenues of $60 million. In the petition, PGW requested that $44 million of its $60 million base rates request be approved as extraordinary rate relief. PGW asked the Commission to address the petition pursuant to a 45 day schedule instead of the 30 day schedule set forth in the statute and rule on the petition at the April 11, 2002 public meeting. The rate increase would be effective on April 12, 2002. PGW also requested that the petition be considered under standard, which comports with PGW's status as a municipally owned utility. The petition was largely filed based upon a letter from the S&P credit rating agency that unless PGW received immediate rate relief, S&P would downgrade PGW's credit rating.

After a period of formal and informal discovery, as well as the filing of direct testimony by the Office of Trial Staff and the Office of Consumer Advocate, a hearing was held before ALJ Fordham on March 26, 2002. The parties filed memoranda on PGW's petition on April 3, 2002. On April 12, 2002, the Commission issued an opinion and order awarding PGW $36 million in additional annual revenues as extraordinary rates.

Formal General Rate Increases
Fiscal Year 7/1/01-6/30/02

		Base Rate Allowance			
Utility	**Requested Increase**	**Fully Litigated**	**ADR/ Mediation**	**Settlement**	**Percentage Allowed**
City of Lancaster-Water	999,989			905,000	90.50%
Columbia Water - Supply	553,456		290,000		52.40%
El-Do Lake Water	6,564		4,234		64.50%
Imperial Point Water	55,000		22,500		40.91%
Jackson Sewer	123,088	(28,707)			-23.32%
PA American Water Company	38,700,000	23,967,774			61.93%
Philadelphia Gas Works	65,000,000	22,558,000			34.70%
Pine Grove Estates	4,128		4,128		100.00%
Wellsboro Electric	638,181			250,000	39.17%
York Water Company	2,307,877			1,068,099	46.28%
Subtotal		**$46,497,067**	**$320,862**	**$2,223,099**	
Total Requested	**$108,388,283**				
Total Allowed	**$49,041,028 (45.25%)**				

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