

2003-04 Annual Report

Pennsylvania Public Utility Commission



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The Honorable Edward G. Rendell
Governor of Pennsylvania

The Honorable Catherine Baker Knoll
Lieutenant Governor

Members of the General Assembly,

It is my pleasure to submit the 2003-04 Annual Report of the Pennsylvania Public Utility Commission, sharing with you last year's accomplishments and highlighting some of the major issues for the coming year.

Please know that we are focused on rates, reliability and choice, so we can protect the public interest, promote economic development and preserve the environment.

In the energy industry, the Commission finalized tighter reliability standards for electric utilities, a critical step toward maintaining and improving the electric distribution system. The new standards are expected to result in fewer and shorter power disruptions to customers, and will make it easier for the PUC to spot areas where service may be slipping and to implement corrective actions.

The 1999 Natural Gas Choice and Competition Law enabled customers to purchase gas from independent suppliers, while still having their gas physically delivered by regulated distribution companies. Approximately five years after introducing competition, the Commission fulfilled its legislative mandate and opened a proceeding to evaluate the program's effectiveness. We will report our findings to the General Assembly this year. In addition, the Commission has launched an examination of the reliability of the industry's distribution systems.

In the telecommunications industry, the complexity of cases surrounding local phone competition escalated as a result of the Federal Communication Commission's (FCC) Triennial Review Order. Changes necessitated by the order led to the initiation of additional proceedings at both the federal and state levels. In addition, shortly after the FCC's order was released regarding what portions of Verizon's network will be available for leasing from competitors, the PUC approved the final input assumptions used to calculate the wholesale prices for those network elements. Finally, new technologies such as Voice over Internet and broadband over powerlines are revolutionizing the telecommunications market and the role of regulators in that market.

Water service is often taken for granted until it is not available in the high quality with which we have become accustomed. Since 1988, the PUC's Small Water Company Task Force has been assisting struggling water companies maintain viability so they can continue to adequately serve customers. The task force works with individual utilities to prioritize improvements and discuss proposed rate schedules, all with a view toward ensuring safe, efficient and reliable operations. All Pennsylvanians should be able to enjoy clean, healthy water. Given the hurricanes and tropical storms that affect Pennsylvania, we need to ensure that boil water advisories issued by water companies reach all businesses and individuals in affected areas in a timely manner.

Following three years of planning, the West Valley Nuclear Plant's spent fuel shipment was successfully transported through Pennsylvania over the railroad tracks of Norfolk Southern Corporation, Genesee and Wyoming Inc., and CSX Transportation Inc. The Commission's Rail Safety Division contributed greatly to the success of the special shipment by performing inspections and coordinating the operation.

The Commission continues to work to serve consumers by: launching a new, improved website (www.puc.state.pa.us); by informing Pennsylvania consumers about critical utility issues and helping them to resolve utility problems; by launching special campaigns related to preparing for higher natural gas prices in the winter and heat waves in the summer; and by making all Pennsylvanians aware of the service that enables people who are deaf, hard of hearing and speech disabled to communicate with the hearing public.

The years ahead are expected to be just as challenging. Our goal, however, remains unchanged - to ensure that Pennsylvania's consumers continue to receive safe, reliable and reasonably priced utility services.

Wendell F. Holland
Chairman

Utility service is critical to the health and well-being of Pennsylvania's residential and business customers. The Pennsylvania Public Utility Commission (PUC) ensures that electric, natural gas, water and local telephone service is available upon request at a reasonable cost and is provided safely with a reasonable level of service. Similarly, customers using taxis, moving trucks or motor coaches also expect fair rates and adequate service.

With the restructuring of Pennsylvania's electric, natural gas and telecommunications industries, our role is also to educate customers so they may take advantage of the benefits of competition.

The PUC recognizes that utilities are entitled to fair rates of return 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 forward looking.

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 are in the public interest.

The PUC has worked diligently to ensure an effective transition to competitive markets in the electric, natural gas and telecommunications industries. It is our belief that competition will lower prices, improve customer services and spur the development of new technologies.

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 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 provider 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 and set appropriately.

In the interest of rail 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 inspectors, the PUC has a staff of motor carrier investigators who check on safety and insurance, cargo, and certified routes of truck, taxi and motor coach operators.

If customers have complaints about a utility, they may seek help through 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.



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 must also 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 Commonwealth Court.

Organization

The Commission is comprised of five full-time members nominated 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 set policy on matters affecting utility rates 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 its headquarters in Harrisburg. The Commission has offices in Altoona, Philadelphia, Pittsburgh and Scranton.

The PUC regulates approximately 6,200 public utilities 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 motor coach, truck and taxicab, pipeline transmission of natural gas and oil, and public highway-railroad crossings.

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 assessments 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, 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 electric distribution, natural gas distribution, steam heat, water and wastewater companies the right to provide their service within a specified geographical area. Experience and past history have determined that the construction of distribution 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 rights, 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.

In recent years, however, competition has been permitted in the supply of electricity and natural gas, and in the provision of long-distance and local telephone service. Competition can bring lower prices and greater diversity in the services offered to consumers. In these competitive environments, rates are not regulated.

Utility Role

Regulated utilities must meet all reasonable requests for service by customers within their designated territories. To provide adequate service, the company must obtain a fair return or profit 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 reasonable 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 determines that a rate increase is needed, 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 at least 60 days in advance. The notice must include the amount of the proposed rate increase, the proposed effective date of the increase, and how much more the ratepayer can expect to pay.

The Office of Trial Staff represents the public at large by reviewing the company records and rate requests and presenting its view on what is in the public interest.

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 of those costs to be allocated among commercial, industrial and residential customers. A public utility under efficient and economical management is permitted sufficient revenue to pay all of its reasonable operating expenses and provide a fair return or profit 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.

Rates for the supply of electricity and natural gas by competitors are not regulated and are based on market prices. However, many incumbent electric utilities are operating under negotiated rate caps for supply services. The rates for competitive local exchange companies (CLECS) that are competing against incumbent telephone companies are also competitive and do not require PUC approval.

How Long Does It Take?

The PUC must rule on base rate requests for electric, natural gas, steam heat, water and wastewater companies 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 allowed to go into effect subject to a refund to customers. Most incumbent local telephone companies, however, operate under a price stability formula that limits their ability to seek rate increases based on the rate of inflation and other factors.

For electric, natural gas and water/wastewater utilities, it is PUC policy to decide within 60 days of the utility's request for a rate increase whether to grant the request or refer it to hearing. If no action is taken within 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. During this time period, the PUC holds hearings at which the evidence in support of the rate increase can be examined and challenged. In addition, consumers must be offered an opportunity to voice their opinions and give testimony; briefs may be submitted by the parties 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 decision 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. The 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.

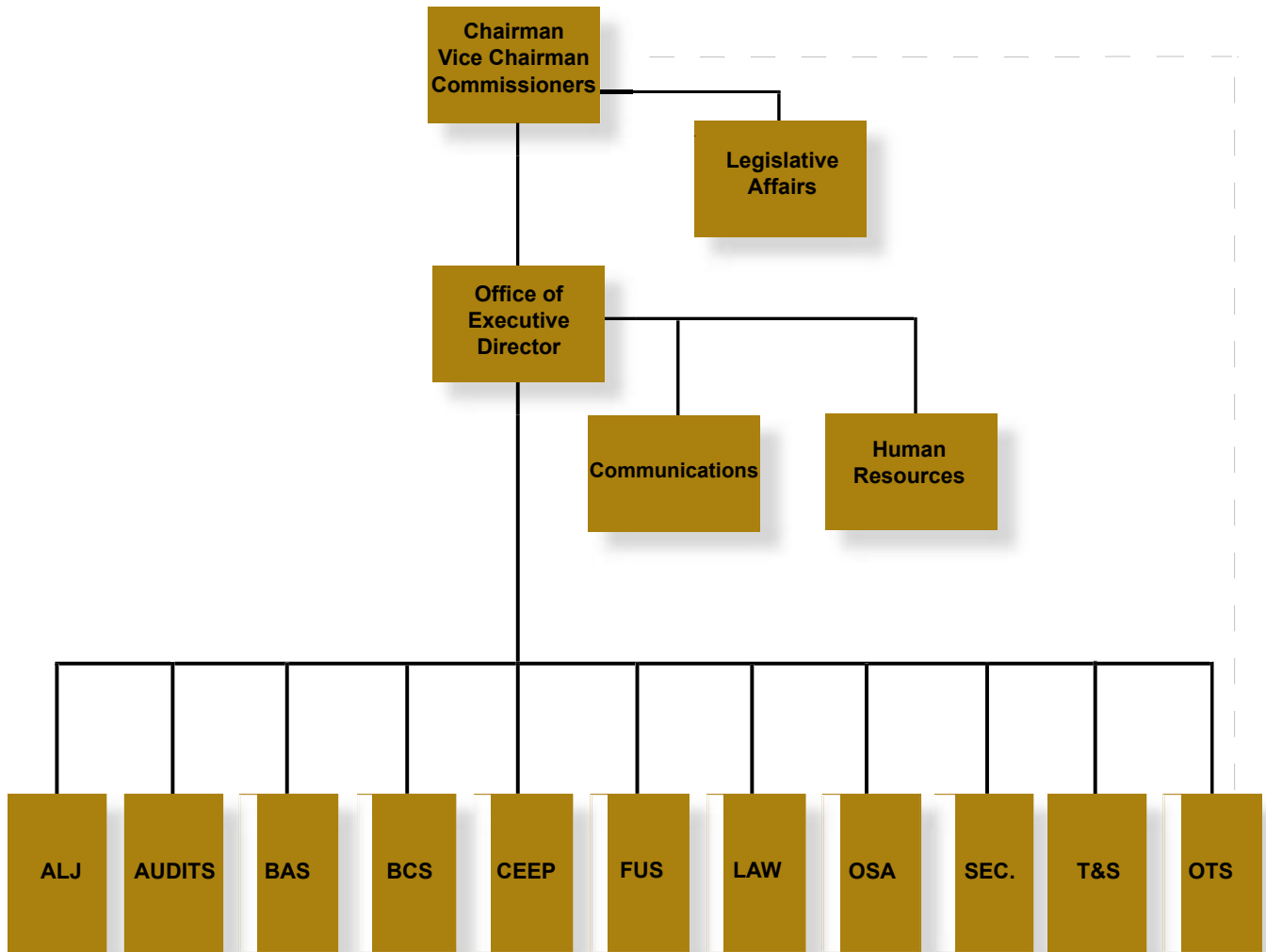
After the facts have been gathered and arguments have been heard, the ALJ writes a recommended decision resolving each issue within the limits set by law. The recommended decision is then sent to the Commissioners for their consideration at a public meeting.

Final Order

The Commissioners must make the final decision, authorizing rates that: (1) permit the amount of revenue which will allow the company to meet its reasonable expenses, pay interest on its debt and provide a fair return or profit 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 to each type of customer. The order has the weight of law unless the PUC changes it following a petition for reconsideration, or it is successfully challenged in court.

Organizational Chart



- ALJ - Office of 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
- SEC. - Secretary's Bureau
- T&S - Transportation & Safety
- OTS - Office of Trial Staff

Bureau Directors

Office of the Executive Director



Karen Moury
Acting Executive Director

The Office of Executive Director (OED) is comprised of the Executive Director, Deputy Executive Director, administrative support staff, and the Offices of Communications and Human Resources. The Manager of the Office of Communications is Tom Charles and the Human Resources Director is Carol McLeod. OED is responsible for the daily administration and operation of the Bureaus and Offices. The Office assists the Commission in the development of policies and procedures that enhance the overall efficiency and effectiveness of the agency. OED also participates in staff selection and training, manages various multi-Bureau projects, and oversees the Commission's Continuity of Government Plan.

Bureau of Administrative Services



Herm Umholtz
Director of Administrative Services

The Bureau of Administrative Services provides support to the Executive Director for administrative matters in the daily operation of the Commission. The Bureau is comprised of the Assessment Section, Fiscal Office, Management Information Services and Office Services. The Bureau is responsible for the preparation of the budget, collection of assessments, contracts, travel-related services, management information systems support, mail distribution, inventory control and automotive services.

Office of Administrative Law Judge



Veronica A. Smith
Chief Administrative Law Judge

The Office of Administrative Law Judge (OALJ) is headed by the Chief Administrative Law Judge. OALJ's primary duty is to provide fair and prompt conflict resolution by independent administrative law judges who preside at formal hearings in contested matters before the Commission. The Office also contains a mediation unit to facilitate settlements.

Bureau of Audits



Tom Sheets
Director of Audits

The Bureau of Audits conducts audits on Pennsylvania's fixed utilities, such as management audits, a variety of management efficiency investigations and annual adjustment clause audits. The Bureau also performs in-house technical reviews of other types of filings, and is responsible for auditing the annual reconciliation statements associated with stranded costs of certain electric utilities impacted by the Electricity Generation Customer Choice and Competition Act. Further, the Bureau performs audits of certain water utilities which are authorized to charge ratepayers a Distribution System Improvement Charge (DSIC), and conducts special audits or reviews as assigned by the Commission.

Bureau of Conservation, Economics and Energy Planning

The Bureau of Conservation, Economics and Energy Planning (CEEP) conducts research and performs policy/planning functions focusing mainly on the electric and gas utilities and facilitating the development of competitive energy markets. The Bureau monitors developments in energy markets, such as pricing trends, demand forecasts and availability of supply to meet demand.



Kevin Cadden
Director of Conservation, Economics & Energy Planning

Bureau of Consumer Services

The Bureau of Consumer Services (BCS) responds to and investigates consumer complaints, provides utility-related information to consumers, and monitors utility compliance with PUC regulations. The Bureau analyzes utility performance and produces an annual evaluative report for the PUC, legislators, utilities and the public. The Bureau consists of a Division of Customer Assistance and Complaints, and a Division of Policy.



Mitch Miller
Director of Consumer Services

Bureau of Fixed Utility Services

The Bureau of Fixed Utility Services (FUS) provides technical support to the Commission on all jurisdictional utilities. It serves as principal adviser on technical issues and advocates policy recommendations on a variety of rate, tariff and regulatory matters. The Bureau processes filings such as securities certificates, affiliated interest agreements and fixed utility applications. The Director of the Bureau is vested with the authority to act for the Commission during emergencies and represents it on the Pennsylvania Emergency Management Council. The Bureau also reviews and maintains County 911 System Plans, Telecommunications Relay Service Reports, Annual Financial Reports and utility tariffs.



Robert A. Rosenthal
Director of Fixed Utility Services

Law Bureau

The Law Bureau acts as the Commission's in-house legal counsel, performing prosecutory, advisory, representational and enforcement roles. The Director of the Law Bureau serves as the Commission's Chief Counsel. Functions include providing legal opinions on issues involving the interpretation of the Public Utility Code and PA law; representing the Commission before state and federal courts; enforcing the Public Utility Code, Commission regulations and orders; providing legal and technical assistance in the promulgation of regulations and policy statements; and conducting informal investigations of utility misconduct.



Bohdan R. Pankiw
Chief Counsel



June Perry
Director of Legislative Affairs

Office of Legislative Affairs

The Office of Legislative Affairs acts as the Commission's liaison with the Governor's Office, the General Assembly and Pennsylvania's Congressional Delegation. The Office is responsible for promoting the Commission's position on legislation and issues before the General Assembly, handling constituent inquiries, and analyzing legislation and amendments that affect the Commission and public utilities.



James J. McNulty III
Secretary

Secretary's Bureau

The Secretary serves as the prothonotary of the Commission, and all correspondence and filings with the PUC must be addressed to the Secretary. Official actions and decisions are issued under the Secretary's signature. Bureau responsibilities include maintaining the Commission's case management system; coordinating and monitoring all Public Meeting items, agendas and minutes; and issuing all Commission orders and Secretarial letters.



Cheryl Walker Davis
Director of Special Assistants

Office of Special Assistants

The Office of Special Assistants (OSA) is the Commission's advisory support bureau, and is comprised of attorneys, rate case review specialists and administrative support staff. The Office's primary function is to provide both legal and technical advisory services to the Commissioners on all aspects of fixed utility and motor carrier regulation as required. The Office is also responsible for the review and initial recommendation on exceptions to ALJ decisions, petitions for reconsideration and modification, and requests for extensions of filing deadlines.



Mike Hoffman
Director of Transportation & Safety

Bureau of Transportation and Safety

The Bureau of Transportation and Safety is comprised of the Motor Carrier Services and Enforcement Division, the Rail Safety Division, and the Gas Safety Division. Areas of responsibility include processing motor carrier applications; ensuring compliance with Commission regulations; performing rail crossing and bridge safety inspections; and inspecting gas facilities and records to ensure compliance with state and federal requirements.



Johnnie Simms
Director of Trial Staff

Office of Trial Staff

The Office of Trial Staff (OTS) represents the PUC in all public interest matters having an impact on rates in proceedings before the Commission. OTS is responsible for reviewing Commission filings made by utilities involving rate-related matters. OTS may petition to intervene in those excepted proceedings. OTS prosecutes complaints against "slamming" and "cramming" by telecommunications providers, and may submit a request to initiate a proceeding when it is not prosecutory in nature or file its own complaint with the Secretary if it is prosecutory in nature. The Office consists of Legal and Technical divisions.

2003-04 Commission Budget

Executive Government Operations		
General Government Operations	General Fund Actual 2003-04	Revenue Allocated 2004-05
State Funds		
Personnel	\$34,468,462	\$34,895,000
Operating	\$8,426,440	\$9,921,000
Fixed Assets	\$108,126	\$100,000
Total State Funds	\$43,003,028	\$44,916,000
Federal Funds		
Personnel	\$1,315,896	\$1,800,000
Operating	\$150,000	\$200,000
Fixed Assets	\$0	\$0
Non Expense/ Interagency	\$0	\$0
Total Federal Funds	\$1,465,896	\$2,000,000
Commission Budget	\$44,468,924	\$46,916,000

Philadelphia Taxicab Medallion Budget		
	2003-04 Actual	2004-05 Budget
State Funds		
Personnel	\$825,758	\$1,346,000
Operating	\$217,722	\$451,000
Fixed Assets	\$0	\$10,000
Total:	\$1,043,480	\$1,807,000

Type	Revenue	
	2002-03 Receipts	2003-04 Receipts
Application Fees	\$262,763	\$219,640
Electric Generation Application Fees	\$5,250	\$7,700
Fines	\$514,732	\$139,163
Gas Pipeline Safety	\$331,523	\$346,574
Motor Carrier (MCSAP)	\$990,988	\$1,119,322
Philadelphia Taxicab Medallion Fees	\$782,501	\$792,001
Philadelphia Taxicab Medallion Transfers	\$68,950	\$89,550
Philadelphia Medallion Driver Certificate Fees	\$97,755	\$82,550
Philadelphia Medallion Fines	\$35,900	\$49,250
Philadelphia Driver Certificate Fines	\$16,525	\$16,850
Philadelphia Taxicab Copy Fees	\$3,470	\$922
Philadelphia Taxicab Medallion Interest	\$193,495	\$550,982
Total	\$3,303,852	\$3,414,504

2003-04 Annual Report

The Fiscal Office transmitted \$43,052,283 in assessment billings for the 2003-04 Fiscal Year.

Fiscal Operations and Assessments	
1 st Quarter	\$41,107,336
2 nd Quarter	\$1,876,085
3 rd Quarter	\$47,214
4 th Quarter	\$21,648
Total	\$43,052,283

The Fiscal Office collected \$889,122 in support of the Philadelphia Taxicab Medallion Program.

	Medallion Fees	Transfers	Driver Cert. *	Fines	Driver Cert. Fines	Copy Fees	Total
1 st	\$48,000	\$14,350	\$27,100	\$10,250	\$5,750	\$33	\$105,483
2 nd	\$1,000	\$20,650	\$19,250	\$7,250	\$4,100	\$399	\$52,649
3 rd	\$62,500	\$25,850	\$18,150	\$12,050	\$3,850	\$66	\$122,466
4 th	\$538,500	\$28,700	\$18,050	\$19,700	\$3,150	\$424	\$608,524
Total	\$650,000	\$89,550	\$82,550	\$49,250	\$16,850	\$922	\$889,122

* certificates

The Fiscal Office also processed accounts receivable for a total of \$410,756.

	Electric Deregulation	Fines	Filing and Copy Fees	Testing Fees	Total
1 st	\$350	\$47,740	\$82,573	\$0	\$130,663
2 nd	\$2,100	\$46,279	\$62,460	\$0	\$110,839
3 rd	\$2,100	\$23,606	\$54,225	\$0	\$79,931
4 th	\$3,150	\$21,537	\$64,636	\$0	\$89,323
Total	\$7,700	\$139,162	\$263,894	\$0	\$410,756

During Fiscal Year 2003-04, the Commission remained committed to monitoring and evaluating utility performance, as well as working aggressively to educate consumers about critical utility issues. The grassroots team reached out to approximately 105,000 consumers and distributed more than 110,000 Utility Choice brochures through events, workshops and mailings. They also reached nearly 180,000 members of the African-American community and 85,000 members of the Latino community through grassroots events. Over the course of 2003-04, Commission consumer-education staff participated in eight statewide roundtables, 49 workshops, 18 senior fairs, 86 consumer-education planning meetings and three "Be UtilityWise" events. These events across the state directly reached more than 37,000 Pennsylvania consumers. Also, the Commission's website was redesigned and restructured to reflect the goal of improved navigation, accessibility and organization.

Looking ahead to Fiscal Year 2004-05 and beyond, Act 201 of 2004, now Chapter 14 of the Public Utility Code, changes the rules that apply to cash deposits, termination of utility service, reconnection of service, and the filing of complaints by consumers. The Commission is actively working with all parties to implement this new law, and

to protect the health and safety of Pennsylvanians.

PUC Redesigns Website and Launches a New Website Address

Recently, the PUC has redesigned, restructured and relocated its website. The new Internet address is www.puc.state.pa.us. The primary goals in redesigning the website were to improve navigation, to make it more visually appealing and easily accessible and searchable, and to improve consistency and organization throughout the website.

Keystone Competition

The Commission initiated "Keystone Competition," a newsletter which is released quarterly to 700 subscribers, including media and industry stakeholders. "Keystone Competition" provides a snapshot of developments and accomplishments in Pennsylvania's competitive marketplace.

Utility Consumer Activities Report and Evaluation

Educating Pennsylvania consumers on utility issues and helping them to resolve utility problems remain daily

priorities for the Commission.

Full-time investigators within the Bureau of Consumer Services (BCS) handle a variety of consumer inquiries related to billing, service delivery, repairs, etc. In 2003, BCS investigated 24,669 consumer complaints. Overall the volume of consumer complaints increased in 2003 by 13 percent from the prior year. The number of consumer complaints regarding the telephone industry increased by 22 percent from 2002 to 2003.

During 2003, BCS handled 95,496 requests for payment arrangements from residential customers, a 21 percent increase from 2002. As in past years, the vast majority of requests for payment arrangements in 2003 involved electric or gas companies. For the telephone industry, the volume of payment arrangement requests decreased by 3 percent in 2003 (4,735 requests in 2002 compared to 4,901 in 2003).

The Bureau received 71,138 inquiries in 2003.

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/Choice 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 2003-04 show that 87 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. Over 84 percent rated the service they received from the PUC as “good” or “excellent.”

Utility Customer Service Performance Report

The vast majority of electric and natural gas customers said they were satisfied with the way customer service representatives handled their calls in 2003, according to the 2003 Customer Service Performance Report, an annual evaluation of the customer-service

performance of the major electric and natural gas companies compiled by the PUC’s Bureau of Consumer Services. The companies include Allegheny Power, Duquesne Light Company, FirstEnergy (formerly GPU Energy), PECO Energy Company, Penn Power, PPL Electric Utilities, UGI-Electric, National Fuel Gas, UGI-Gas, PG Energy, Equitable, Dominion Peoples and Columbia Gas.

Based on customer surveys, an average of 88 percent of electric and 92 percent of natural gas customers said they were satisfied with the ease of reaching their company. A similar percentage of customers said they were satisfied with the way company representatives handled their call. Most customers said they were satisfied with both the courtesy and level of knowledge demonstrated by customer service representatives.

The annual report also collects data from the utilities on how their customer service operations performed. Among the highlights, four of the electric companies - FirstEnergy, Allegheny Power, Penn Power and UGI Electric - increased their call abandonment rate, which represents the number of customers who hang up while on hold to speak to a representative. Duquesne Light’s call abandonment rate fell significantly, while PPL saw no change from the previous year.

Among the six major gas companies, National Fuel Gas, PG Energy, Dominion Peoples, UGI-Gas and Columbia all reduced their call abandonment rates in 2002, while Equitable saw no change.

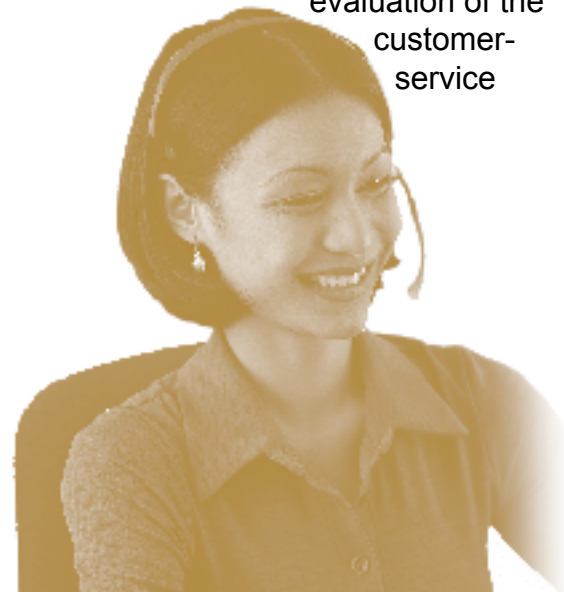
Copies of the full report are available from the PUC’s website at www.puc.state.pa.us under Publications and Reports.

Households Without Electric or Gas Heating Service

In December 2003, Pennsylvania utilities reported that 12,118 households entered the heating season without utility service. Of those households with no service, 9,061 were natural gas customers. An additional 2,943 households whose natural gas service had been shut off used potentially dangerous heating sources such as kerosene or electric space heaters, kitchen stoves, ovens or fireplaces, or connected extension cords to neighbors’ homes.

This continues a four-year trend that finds the number of occupied households without heating service in the winter months continues to escalate. For example, in 2000, 2,360 households had no electric service compared with 3,057 in 2003, a 125 percent increase. Also in 2000, 2,843 households had no natural gas service compared with 9,061 in 2003, a 219 percent increase.

Each year before winter, the PUC requires electric and



natural gas utilities to check residential properties where service has been shut off to try to reach payment agreements with the occupants so that service can be restored. The Commission requests utilities to make four attempts to contact the consumer or a responsible adult occupant at the property where service has been terminated. These contacts include a combination of telephone calls and letters to establish contact, with the fourth attempt being a personal visit to the property.

Prepare Now Campaign

The PUC and the Council for Utility Choice launched a consumer-education campaign in the fall of 2003 to raise awareness about potentially high winter natural gas prices and to inform customers about programs



to help them pay their bills. The campaign was carried out in conjunction with local gas companies and state agencies such as the Department of Public Welfare (on LIHEAP), the Department of Community and Economic Development (on weatherization), the Department of Aging and the Office of Consumer Advocate. A "Prepare Now" website was developed as part of www.utilitychoice.org.

Since its launch, the site has recorded about 700,000 hits.

In addition, the Commission presided over a special public hearing during which utilities, consumer groups and government officials testified on current and projected natural gas prices, the forecasted supply and demand, programs to help consumers, and ways to increase consumer awareness related to gas prices for the winter.

The Commission plans to continue this outreach in the future. For example, in November 2004, the Commission welcomed a special visitor, groundhog Punxsutawney Phil, and Harrisburg-area second-graders to help urge Pennsylvanians to prepare now for the winter by weatherizing their homes, conserving energy, and learning about private and public programs to help them to cope with colder weather and pay their utility bills.

"Why bring Punxsutawney Phil to the Commission? If Phil sees his shadow, it means six more weeks of winter. Which means that we all need to prepare for six more weeks of winter," said PUC Chairman Wendell F. Holland. "While we may not know what to expect from this winter's weather, we do know the steps consumers can take to prepare now for colder weather. That is the reason why we are here today."

PUC Examines the Impact of CashPoint Network Services Inc. Bankruptcy

In May 2004, the Commission voted to initiate a proceeding to examine the impact of CashPoint Network Services Inc. on Pennsylvania utility customers and major utilities. CashPoint, which filed for bankruptcy in New York, is a bill processor that had been collecting money from utility customers and then forwarding that money to utilities and other businesses throughout Pennsylvania and several other states. CashPoint provided that service through numerous supermarkets, grocery stores and other business locations around the Commonwealth.

The proceeding required all major jurisdictional fixed utilities that had an arrangement with CashPoint to file information regarding the arrangement as well as the number of customers and total payments that have been affected by CashPoint's action or inaction.

Upcoming Identity Theft Investigation

The Commission, recognizing the growing nationwide problem of identity theft, will address the issue during the next fiscal year. According to Federal Trade Commission (FTC) reports, "phone or utilities fraud" accounted for 21 percent of the types of identity theft reported in Pennsylvania in 2003.

In an effort to determine how identity theft impacts and affects utility service in Pennsylvania, the Commission will examine whether the application of existing Commission rules, procedures and policies affords customers, as well as the utilities, sufficient protection from identity theft. Current rules and regulations governing billing and credit policies were enacted prior to the issue becoming a national concern and enactment of recent federal legislation and FTC initiatives.

Public Outreach

In 2003, the Utility Choice program focused on educating Pennsylvanians and stimulating general market awareness in the areas where utility competition is greatest. Nearly 300,000 consumers have been reached through one-on-one education at community events, fairs and festivals across the state since June 2002. There have been about 27 million consumer "impressions" based on sponsorships, workshops, brochure distributions, newsletters, African-American and Latino outreach, and media efforts.

The Utility Choice program is administered by the Council for Utility Choice, a non-profit corporation working in conjunction with the PUC. The Council is comprised of individuals from the following entities: the PUC; the Pennsylvania Rural



Development Council; the Governor's Advisory Commission on Latino Affairs; the Governor's Advisory Commission on African-American Affairs; the Office of Consumer Advocate; state utility associations; public educators; and community-based organizations.

PA Relay

In March 2004, the Commission and AT&T launched a new statewide campaign, "Spread the Word! Communicate by Phone with People who have Hearing or Speech Loss."

The campaign represents the joint effort of the PUC and the Pennsylvania Relay Service Advisory Board to educate the hearing public about relay technology to enhance the opportunities of people with hearing loss and speech disabilities for communicating with the hearing public in their daily lives.

The campaign included a traveling exhibit, "PA Relay on the Road," which crisscrossed Pennsylvania this summer,

visiting county fairs, festivals, shopping malls and other venues with large audiences. The display included demonstrations of relay technology and was staffed by a trained representative who distributed informational literature.

Utility Choice Website

Since its launch in 2002, the Utility Choice website has received more than 22 million hits. The website offers detailed information on electric, natural gas and local telephone and provides important information on how to shop; questions to ask potential providers and suppliers; an online calculator to determine possible savings; consumer protections; lists of suppliers; and glossaries of terms. The website continues to be a model for states who seek to provide their residents with information on Utility Choice.

During Fiscal Year 2003-04, the Commission undertook several new initiatives related to homeland security and emergency preparedness. The focus remained steadfast on both electric service and natural gas distribution system reliability. The Commission will continue to evaluate the effectiveness of Natural Gas Choice through the 2004-05 Fiscal Year.

Homeland Security & Emergency Preparedness

The Commission launched a new initiative of self-certification by each regulated company for security and emergency preparedness. In an annual filing, every company is to certify that it has reviewed its physical security, cyber security, emergency plans and business continuity plans, and conducted tests or drills of its plans. On its initial effort, the Commission received responses from more than 90 percent of its certificated operations. This initiative is presently the subject of a proposed rulemaking to make the requirements permanent and enforceable. This project was a recommendation from the House Resolution 361 investigative report.

The emergency preparedness of the utilities in the Commonwealth was severely tested by tornadoes in July 2003; the Aug. 14, 2003, blackout; and Hurricane Isabel

in September 2003. The blackout demonstrated the resiliency of Pennsylvania's transmission system under the operational management of the PJM Interconnection, as the majority of Pennsylvania was unaffected. The two affected areas demonstrated that workable plans were in place for restoration efforts. Service was restored to Pennsylvania customers before 7 a.m. on Aug. 15.

It was unfortunate that the blackout affected portions of Northwestern PA which had been hard hit by tornadoes the prior month and experienced extensive service restoration delays. The national response to the blackout has focused on reinvigorated efforts on vegetation management and interregional communication between transmission control areas. As a result, we have witnessed increased distribution expenditure on line maintenance and tree trimming reported in the reliability data information.

Hurricane Isabel represented a different challenge, with significant efforts made by the companies to pre-stage personnel, equipment and materials. These efforts were successful with companies demonstrating the ability to restore service to more than 1.2 million customers in five days. Commission emergency staff conducted two follow-up sessions on lessons learned

from Hurricane Isabel. During emergencies, a Commission team mobilizes at the State Emergency Operations Center, located in suburban Harrisburg. The PUC emergency management response team provides assistance to utilities responding during an emergency and coordinates with other state agencies to ensure that all available resources are being used. Its primary goal is to meet the needs of those responding to an emergency quickly and effectively without losing critical time. The team also makes sure there is a clear line of communications from the utilities to the PUC, to the Pennsylvania Emergency Management Agency, and to the Governor.

Electric Overview

Electric Restructuring

The Commission is beginning to conclude the transition of electric restructuring. Recognizing the ongoing need to provide guidance to the industry, the Commission issued proposed regulations to govern provider of last resort (POLR), or default service, obligations. A series of roundtable presentations and discussions on the issues formulated the backbone policy for POLR decision making. The 1996 electric competition law requires electric companies to provide service to customers

who have not selected an alternative generation supplier. While acknowledging that the law identifies certain underlying requirements that must be followed by the PUC in determining the electric distribution companies' obligations, the law also provides significant flexibility in developing POLR regulations. Also, the Commission modified and approved Duquesne Light Company's new POLR proposal to be effective as they exit their transition period, and PPL Electric Utilities filed the first distribution base rate case for a restructured company. The Commission anticipates full implementation of its Dec. 2, 2004, decision to allow PPL to raise distribution rates beginning Jan. 1, 2005, by \$137.1 million (7.18 percent), approximately \$27.3 million less than the company had originally requested. The increase will affect 1.3 million residential, commercial and industrial customers in 29 counties.

Reliability

Significant resources continued to be devoted to the issue of electric reliability in response to the findings of a PUC internal task force and those from the Legislative Budget and Finance Committee Report on Electric Reliability Regulations and Implementation. An internal multi-bureau task force visited each company, reviewed reporting systems and developed a new set of

reporting requirements for reliability monitoring.

On April 15, 2004, the Commission adopted a Final Rulemaking Order to amend its regulations concerning electric service reliability. These amendments enhance the reliability reporting requirements and the Commission's ability to monitor electric service reliability. Also on that day, a Final Order was adopted amending electric service reliability benchmarks and standards. Under the new rules, large electric companies will have to stay within 10 percent of a PUC-established benchmark for a rolling three-year period and within 20 percent of the benchmark during a rolling 12-month period. Four smaller electric companies – UGI, Citizens, Pike County and Wellsboro – also must stay within 10 percent of their benchmark for a rolling three-year period, but will be allowed to go up to 35 percent of the benchmark for the rolling 12-month period. Benchmarks are the Commission's goals for each utility on the number and duration of outages. Reliability is considered reasonable when the numbers fall between the benchmark and the percentage standards described above.

Under the Electric Generation Customer Choice and Competition Act, each electric distribution utility is obligated to ensure that its service does not deteriorate below the level

of service reliability that existed prior to the January 1, 1997, effective date of the act.

FirstEnergy Reliability Investigation

In January 2004, the Commission ordered an investigation of the electric service reliability performance of the three FirstEnergy operating companies, Metropolitan Edison, Pennsylvania Power and Pennsylvania Electric, to determine whether reliability on the FirstEnergy systems has deteriorated, and, if so, what actions should be taken. The investigation was undertaken after a review of reliability data, including the number and duration of outages, showed that the companies may not be meeting established Commission standards.

U.S. and Canada Blackout Task Force

On Aug. 14, 2003, large portions of the Midwest and Northeast United States and Ontario, Canada, experienced a major electric power blackout, affecting an estimated 50 million people. Fortunately, only a small portion of Pennsylvania was affected thanks to the efforts of the PJM Interconnection. Staff represented the Commission on the Electric System Working Group, one of three working groups created by the U.S. Canada System Outage Task Force. After reviewing the final

report, the PUC incorporated relevant findings to improve electric reliability in the state.

Open Access to Interstate Transmission

Open and non-discriminatory access to interstate transmission systems by all electric generators remains essential for a properly functioning wholesale market for electricity. To support this objective, Commission staff participated on various rules committees with the PJM Interconnection and the Midwest Independent System Operator (MISO). Staff also led a PJM initiative to provide states greater access to wholesale electric market data, which was approved by the Federal Energy Regulatory Commission (FERC) on June 28, 2004.

Renewable and Sustainable Energy

The Statewide Sustainable Energy Board continued to collaborate on larger projects such as wind and energy efficient construction of large building projects. Throughout 2003-04, the funds provided loans and grants for more than 85 projects. The Board held its annual meeting in Harrisburg to update Commonwealth agencies and other interested groups on activities of the four regional sustainable energy funds, and the market status of sustainable energy technologies

and projects. The Board's 2003 Annual Report is available on the PUC's website.

Formed in 1999, the Statewide Board includes representatives from the Commission, the Department of Environmental Protection, the Department of Community and Economic Development, the Office of Consumer Advocate, the Pennsylvania Environmental Council, and each regional board.

Act 213 of 2004 establishes alternative energy portfolio standards. The Act mandates that, over a specified timeline spanning 15 years, graduated percentages of electric energy sold to retail electric customers must be comprised of electricity generated from alternative energy sources. The Commission is working with stakeholders and the Department of Environmental Protection to implement this law.

Management Efficiency Investigations

The Commission's Bureau of Audits performed management efficiency investigations on Met-Ed and Penelec in the 2003-04 Fiscal Year. The results showed that approximately \$10.6 million could be saved by implementing the recommendations of the Bureau. Through the investigations, staff determined that the companies had realized

a \$4.4 million savings by implementing past management audit recommendations.

Natural Gas Overview

Wholesale Natural Gas Prices

The natural gas industry continues to be burdened by a number of issues driven by escalating prices. The price rise has adversely affected consumer collections.

The Commission has also observed that market prices for electricity have been generally insufficient to support power production by some gas-fired generators, which has adversely affected the prospects of new gas-fired generation. Additionally, the high prices are becoming embedded in storage rebuild, lengthening the impact of the price rise through the winter heating seasons. Finally, the higher prices stress the liquidity of the industry, forcing higher cash flow commitments to build storage and acting as a barrier to entry for new competitive suppliers.

Natural Gas Competition

In May 2004, five years after introducing competition into the natural gas industry, and in compliance with the 1999 Natural Gas Choice and Competition Law, the Commission instituted a proceeding to evaluate the effectiveness of the program.

Parties have been asked to comment on topics such as the assessment of the level of competition, the effect of the price of natural gas, consumer education, customer information/service, and supplier financial requirements on competition. This review will be completed in the 2004-05 Fiscal Year. Under the law, if the Commission concludes that effective competition does not exist, it must reconvene the stakeholders to explore options for increasing participation. As of June 30, 2004, approximately 186,200 customers in the Commonwealth were being served by an alternative natural gas supplier.

Reliability

The Commission has also launched an examination of the reliability of natural gas distribution systems. This inter-bureau team has been meeting with the various distribution companies and gathering extensive information on the practices of the companies.

PGW Financial and Collection Issues

In May 2004, the Commission opened a comprehensive investigation of the Philadelphia Gas Works' (PGW) financial and collection problems, necessitated by the company's difficulty in collecting payments from customers. Several

issues were consolidated as part of the investigation, including PGW's proposal to continue its senior citizen discount program, its annual filing to establish wholesale gas prices, and a proposal to establish a surcharge to recover uncollectible billings. The Commission finalized the majority of the issues, and, at present, the senior citizen discount is the only outstanding issue to be resolved.

The investigation also examined PGW's universal service costs, as well as the cost-effectiveness and management of the programs. PGW has now selected an independent third-party to evaluate its universal service and energy conservation programs. The first draft is due to PGW in July 2005, with the final evaluation due in September 2005.

Gas Safety Division

During this fiscal year, the Gas Safety Division filed five formal complaints against five small natural gas utilities, and three informal settlements against three large natural gas utilities, all related to safety violations. Staff also conducted 686 inspections related to compliance issues, discontinued service and transmission lines, and performed 16 investigations covering reportable incidents and major outages.

During this fiscal period, the Commission voted to accelerate Verizon-PA's current network modernization plan to bring broadband to consumers at a faster pace than previously committed, and regulations, known as the Telecommunications Code of Conduct, were established to prevent local companies from engaging in unfair competition practices. The Commission decided to defer any state actions on the issue of Voice over Internet Protocol (VOIP) pending further development of the issue at the federal level, and is working to address federal and state rulings involving unbundled network elements.

Unbundled Network Elements

The complexity of telecommunications cases escalated as a result of the Federal Communication Commission's (FCC) Triennial Review Order (TRO) released in September 2003. Not unlike the aftermath of the Telecommunications Act of 1996, the TRO's radical changes involving unbundled network elements (UNEs) resulted in a number of additional proceedings and subsequent litigation at both federal and state levels. The most contentious cases challenge the existence of obligations imposed on incumbent carriers and the viability of competitive local

exchange carriers (CLECs) to remain in the marketplace if the incumbent carrier is relieved of the obligation to provide certain UNEs, such as line-sharing, UNE-platforms, and local switching for enterprise customers. As a result, regulators are working to address the federal and state rulings.

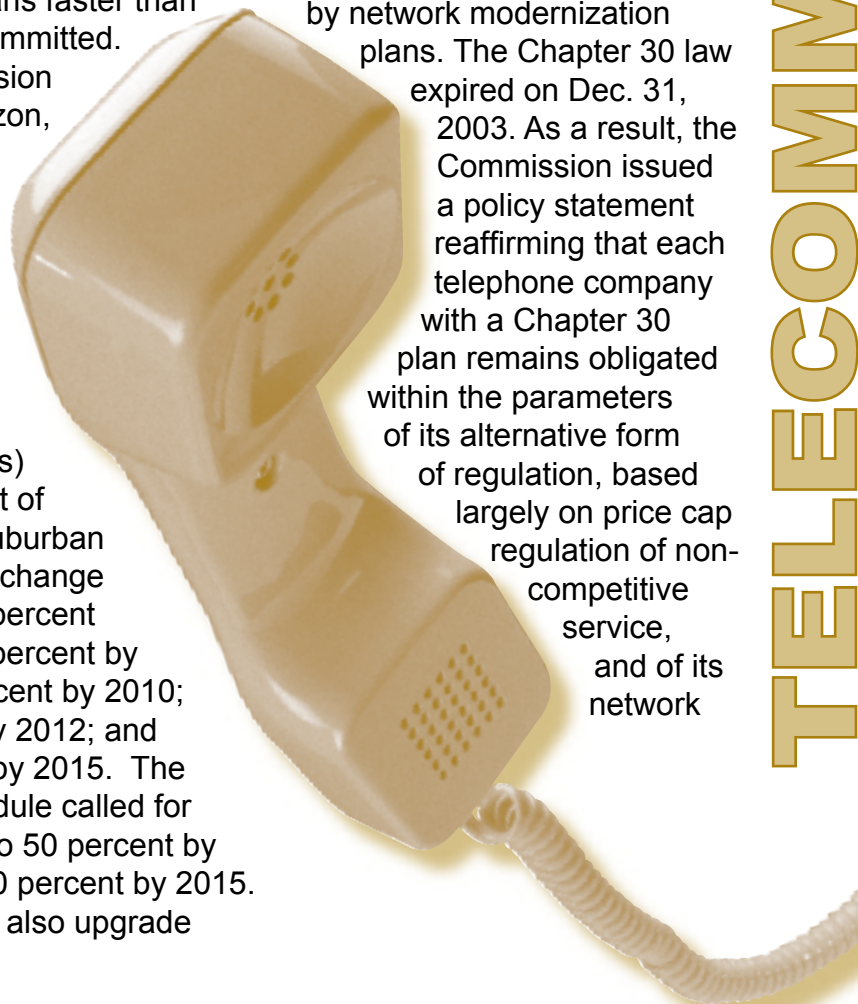
PUC Approves Accelerated Network Modernization Plan for Verizon

In July 2003, the Commission voted to accelerate Verizon-PA's current network modernization plan, requiring Verizon to deploy broadband to more Pennsylvanians faster than previously committed. The Commission directed Verizon, at a minimum, to deploy broadband at a speed of at least 1.544 megabits per second (mbps) to: 50 percent of each rural, suburban and urban exchange by 2004; 60 percent by 2006; 70 percent by 2008; 80 percent by 2010; 90 percent by 2012; and 100 percent by 2015. The original schedule called for deployment to 50 percent by 2004 and 100 percent by 2015. Verizon must also upgrade

all of its central offices and existing remote terminals, and construct new terminals, so it can provide broadband service at 1.544 mbps within five days of a customer request. The Commission also directed the development of procedures regarding the performance of audits for Verizon's network modernization plan and those of other incumbent local exchange carriers.

Chapter 30 Plans and Obligations

Under Chapter 30 of the Public Utility Code, local telephone companies were permitted to propose alternative forms of regulation, accompanied by network modernization plans. The Chapter 30 law expired on Dec. 31, 2003. As a result, the Commission issued a policy statement reaffirming that each telephone company with a Chapter 30 plan remains obligated within the parameters of its alternative form of regulation, based largely on price cap regulation of non-competitive service, and of its network



modernization plan to provide universal customer access to broadband service by 2015 or earlier. The Commission is currently reviewing the biennial filings of network modernization plans for nearly all of the incumbent telephone companies, as well as the rate rebalancing filings between access charges and basic charges in compliance with a number of Chapter 30 alternative rate plans.

Act 183 of 2004 established a new Chapter 30, continuing Commission-approved alternative regulation of incumbent local exchange carriers and network modernization plans, and encouraging companies to accelerate broadband development. The Commission is reviewing our regulations and other programs such as Lifeline for compliance with Act 183.

Competitive Safeguards Regulations

Under the prior Chapter 30, the Commission was obligated to establish regulations to prevent local telephone companies from engaging in unfair competition and to require reasonable and non-discriminatory access to competitors. The Commission's competitive safeguards regulations, also known as the Telecommunications Code of Conduct, were published in the Pennsylvania Bulletin on Dec. 13, 2003, culminating in a comprehensive rulemaking proceeding.

Investigation of Voice over Internet Protocol as Jurisdictional Service

Voice over Internet Protocol (VOIP) represents a new technology for the delivery of voice communications and other features. However, this new technology also brings with it significant legal, jurisdictional and policy issues, such as access to 911 service and intercarrier compensation. Following an investigation and the receipt of public comment, the Commission, on May 24, 2004, entered an order deferring action on VOIP, pending further development of the issue at the federal level.

PA Universal Service Fund and Telecommunications Relay Service

The Commission finalized the selection of the National Exchange Carrier Association as the third-party administrator of the state's universal service fund. This position is presently held by an affiliate of the National Exchange Carrier Association. The PA universal service fund ensures a gradual and smooth transition for the removal of subsidies in local rates by lowering access charges paid by long-distance toll providers. In May 2003, the Commission directed an audit of both the Telecommunications Relay Service (TRS) and Telecommunications Devices for the Deaf (TDD) funds. Related to the TRS, the Commission supported the continuation

of a pilot program involving captioned service in handsets, called CapTel. This pilot program provides better service to a segment of the deaf and hard-of-hearing community by removing the delay experienced in conventional relay service. Review of the standard TRS program and the TDD program resulted in a rate decrease for consumers in the 2004-05 program year.

Verizon's Performance Metrics Evaluated

A review and evaluation of Verizon PA's performance metrics and related remedies was completed. The review was conducted by a third-party consulting firm at the direction of the Commission. The report contained 98 findings and 71 recommendations in its chapters, as well as interrelated findings and recommendations in its appendices. The PA Carrier Working Group, comprised of Commission staff, Verizon PA, competitive local exchange carriers and other interested parties are currently working to resolve outstanding issues.

In this fiscal year, the Commission took action on 14 water and seven wastewater rate increase requests. The Commission regulated the rates and service of more than 200 water and wastewater companies, including a number of municipal water and wastewater systems. The rate filings must first comply with the filing requirements as specified in PUC regulations at Chapter 53 of Title 52. The rate filings are then reviewed for reasonableness of test year revenue and for whether the expenses have been prudently incurred. Also analyzed are

the claimed adjustments, rate base, debt, rate of return and rate structure; whether there is adequate company support of all annualization adjustments; and whether there are any mathematical inconsistencies. All claims must be reasonable, timely, known and measurable, and in conformance with the Public Utility Code. Various resources are used in the analysis of rate proceedings, such as PUC

company Annual Reports, tax returns, comparable returns for traded companies (including adjustments for risk), and prior case files. The rate filing must also support compliance with PUC rules and DEP regulations to ensure financial, managerial and technical viability.

The Commission also processed 42 applications for Certificates of Public Convenience (reflecting

requests for additional territory, abandonments, formation of new companies, mergers, and acquisitions).

The Commission's ongoing interagency cooperative efforts continued with its focus on enhancing small water system viability. The Commission audited or conducted efficiency investigations of four water companies. In addition, the Commission's Distribution System Improvement Charge program (DSIC) continued to further the acceleration of aging infrastructure upgrades for participating larger water companies.

Rate Cases

The Commission took the following actions related to numerous rate requests:

- Approved a \$194,423 (17.75 percent) increase in rates for the Borough of Ambler Water Department. The Commission has jurisdiction over only the rates charged to outside customers who live outside the Borough limits. The Borough serves 3,817 outside customers in Upper Dublin, Whitmarsh, Whitpain and Lower Gwynedd townships, Montgomery County;
- Approved a settlement agreement allowing CS Water and Sewer Associates to increase water rates by \$27,914 (10.4 percent) and wastewater rates by \$22,794 (8.6 percent). The increases affect 1,926 customers in Pike County;
- Approved a settlement agreement allowing the Reynolds Water Company to increase rates by \$109,200 (33.4 percent). The company serves approximately 724 residential customers in Greenville, Mercer County;
- Approved a settlement agreement allowing the North Heidelberg Water Company to increase rates by \$20,000 (70.5 percent). The company serves approximately 154 residential customers in Bernville, Berks County;

- Approved a settlement agreement allowing the Willistown Woods Division of Little Washington Wastewater Company to increase wastewater rates by \$90,911 (34.81 percent). The company serves approximately 495 residential customers and 80 apartments in Willistown Township, Delaware County;
- Approved a settlement agreement allowing the Peddlers View Division of Little Washington Wastewater Company to increase wastewater rates by \$31,118 (27.57 percent). The increase affects approximately 214 residential customers in Solebury Township, Bucks County;
- Approved High Meadow Sewer Service's request to increase wastewater rates by \$16,928 (42 percent). The increase affects approximately 113 customers in Butler, Butler County;
- Approved the Township of Falls' request to increase water rates by \$35,688 (12.8 percent) for customers living outside the township municipal limits. The Commission has jurisdiction over only the rates charged to customers outside of the township limits. The increase affects approximately 1,566 outside customers in Bristol Township and two customers in Middletown Township, Bucks County;
- Approved Plumer Water Company's request to increase rates by \$3,617 (13 percent). The increase affects approximately 63 customers in Cornplanter Township and the Village of Plumer, Venango County;
- Approved Cooperstown Water Company's request to increase rates by \$1,585 (4 percent). The increase affects approximately 129 customers in Cooperstown Borough and Jackson Township, Venango County;
- Approved Venango Water Company's request to increase rates by \$3,607 (3.5 percent). The increase affects approximately 245 customers in Sugarcreek Borough and the Village of Reno, Venango County;
- Approved the Borough of Williamsburg's request to increase wastewater rates by \$3,663 (32 percent) for customers outside the borough limits. The Commission has jurisdiction over only the rates charged to customers outside of the borough limits. The increase affects approximately 99 outside customers in the townships of Catharine and Woodbury, Blair County;
- Allowed Pennsylvania-American Water Company to increase rates by approximately \$34.3 million (9.5 percent). The increase affects approximately 562,500 customers in 35 counties;
- Approved a \$12,066 (20 percent) increase in rates for the Fryburg Water Company. The increase affects approximately 188 customers in Washington Township, Clarion County, and Pinegrove Township, Venango County;
- Approved a settlement agreement allowing the Nittany Water Company to increase rates by \$34,500 (33 percent). The increase affects approximately 520 customers in Walker Township, Centre County, and Porter Township, Clinton County;
- Approved Penn Estate Utilities' request to increase water rates by \$60,750 (18.44 percent) and wastewater rates by \$74,250 (10.39 percent). The increases affect 1,531 residential customers and 242 lot owners in Stroud and Pocono townships, Monroe County;
- Approved a settlement agreement allowing Robin Hood Lakes Water Company to increase rates by \$18,600 (31 percent). The increase affects approximately 194 customers in Polk Township, Monroe County;
- Approved a settlement agreement allowing Utilities Inc. – Westgate to increase water rates by \$56,000 (30.7 percent). The increase affects approximately 715 customers in Hanover Township, Northampton County; and

- Approved Rostraver Preferred Properties Inc.'s request to increase wastewater rates by \$16,416 (99 percent). The increase affects approximately 114 customers in Rostraver Township, Westmoreland County.

Water System Viability

Pennsylvania has numerous small water companies that serve fewer than 3,300 customers. Built decades ago, some now face operational, technical and financial challenges that affect customer service.

Many of these smaller systems have various degrees of operational constraints that impact their viability. Operational constraints inherent to small systems typically include: compliance problems; limited technical and managerial expertise; lack of capital for improvements, with a limited ability to borrow at reasonable rates; deferred maintenance; deteriorated and undersized infrastructure; and minimal sources of supply or storage. The Commission is committed to enhancing water system viability to ensure that ratepayers of small water systems receive the same quality of service provided by larger, viable water companies. A viable water system is one that is self-sustaining and committed to having the financial, managerial and

technical capabilities to reliably meet both PUC and Department of Environmental Protection (DEP) requirements on a long-term basis.

Regionalization

Many of the mergers and acquisition applications that the Commission acts on are a form of regionalization. In general, regionalization is the consideration of water resources in terms beyond artificial boundaries (townships, boroughs, city limits, municipalities, service territories, etc.). There are some water systems in Pennsylvania that lack the management and funding to stand alone as viable systems. Regionalization typically results in a cost-effective solution or alternative.

The benefits of regionalization include increased economies of scale; service efficiencies; and improved operations, management and technology. This flexible approach can include mergers and acquisitions, physical interconnections, satellite management agreements, and cooperative purchasing pools. In addition to the small water systems that were sold or taken over by larger jurisdictional companies, in some cases, nearby non-jurisdictional water companies such as municipalities or authorities have also participated in

regionalization efforts.

The Pennsylvania water and wastewater industry continued its consolidation with 28 small water and wastewater companies being acquired by the state's two largest water companies, Pennsylvania American Water Company and Aqua Pennsylvania Inc. In addition, the Commission processed 10 applications for expansion of service territory and three applications for abandonment of service.

Distribution System Improvement Charge

The Distribution System Improvement Charge (DSIC) is a mechanism established to accelerate the remediation of aging infrastructure at a cost effective rate. The DSIC provides many water customers with improved water quality; greater rate stability; increased water pressure; fewer main breaks; fewer service interruptions; and lower levels of unaccounted for water. Implemented in 1997, DSIC is an automatic adjustment charge, authorized by state statute, which has had a substantial impact upon accelerating infrastructure remediation in Pennsylvania. The DSIC enables recovery of certain infrastructure improvement costs between base rate cases through a quarterly surcharge on customers' bills. Prior to the DSIC, water utilities' progress

with upgrading infrastructure relative to actual service lives was a major challenge, being as high as 900 years for one large company to complete its entire system and 225 years for another. This problem is due in part to the fact that the original cost of the distribution systems has increased substantially over the past century.

Today, with DSIC, projected timeframes for upgrades of entire distribution systems range from 117 years to 160 years, more closely matching that of actual service lives. The cost is small when compared to the noticeable benefits, with approximate average monthly costs to ratepayers ranging from a few cents a month to about \$1.50.

The value of accelerated infrastructure remediation is substantial, benefiting customers today and well into the future due to noticeable improvements in water quality, pressure, fire protection, service reliability and rate stability, because of fewer rate-case filings. Numerous customer protections are included as well, such as a 5 percent cap on the total bill, an annual reconciliation audit, and the requirement for customer notice.

DSIC has been endorsed by the National Association of Regulatory Utility Commissioners (NARUC) in a 1999 resolution. The Council of State Governments included the DSIC

as model legislation in its 1999 publication, *Suggested State Legislation*. Since its adoption in Pennsylvania, the states of Delaware, Illinois, Ohio, Indiana and Missouri have adopted a mechanism similar to DSIC. Other states continue to consider the DSIC.

Due to the DSIC and other innovative regulatory mechanisms, Standard & Poor's has recognized the Pennsylvania Public Utility Commission for effectively encouraging water company investment.

Management Audits and Efficiency Investigations

The Commission regularly audits its jurisdictional water companies and conducts efficiency investigations. The following companies were audited within this fiscal year.

- United Water Pennsylvania - The Focused Management and Operations Audit of United Water of Pennsylvania found that the company could achieve annual and one-time benefits or savings of \$73,800 and \$325,000, respectively, by increasing its inventory turnover.

- Newtown Artesian Water Company - The Focused Management and Operations Audit of Newtown Artesian Water Company found that the company could achieve one-time savings from \$89,600 to \$93,600 and annual savings from \$77,300 to \$196,800.

- Aqua Pennsylvania Inc. - The Management Efficiency Investigation (MEI) was limited to a review and evaluation of Aqua's efforts to implement recommendations from the September 1998 Management and Operations Audit of Philadelphia Suburban Water Company and the February 1999 Management and Operations Audit of Consumers Pennsylvania Water Company. Projected annual and one-time net savings associated with these recommendations are \$50,830 and \$508,000, respectively. During the MEI, the audit found that the company had achieved annual and one-time benefits or savings realized from the company's implementation efforts of \$810,200 and \$289,200, respectively.

- Pennsylvania American Water Company - The Management Efficiency Investigation of Pennsylvania American Water Company found that the Company had achieved annual savings of \$614,000 in the areas of energy conservation and automated meter reading by implementing several of the recommendations made in the August 1999 Focused Management and Operations Audit.

Wastewater Tariff Revisions

The Model Wastewater Tariff is being revised to include an option to have rates based on Equivalent Dwelling Units (EDUs), in addition to having rates based on water metering readings. New charges have been added to address prohibited infiltration/inflow, and for failure to clean up and remedy prohibited discharges. Numerous language changes have been made to improve communications between companies and customers. The Wastewater Control Regulations have been revised and specific maximum permissible concentration limits were removed.

Land-Use Planning Activities

In fall 2002, the Commission held a workshop with county planners, the Department of Environmental Protection, and the Department of Community and Economic Development to educate counties about Commission procedures relating to the Commission's policy on land-use planning. Based on feedback from the workshop, an internal staff working group is working with Commission procedural regulations to recommend possible changes to attempt to further opportunities for timely county and other local entity participation. The interagency group continues to meet and offer recommendations.

Statewide Water Resources

The PUC participates on the Statewide Water Resources Committee charged with carrying out Act 220 of 2002, requiring the development of a statewide plan to manage the Commonwealth's water resources more effectively. The intent of the legislation is to address the quantity of water available in the Commonwealth, the amount used, and the amount needed. The legislation calls for the 25-year-old State Water Plan to be updated within five years with updates every five years thereafter.

The Commission recognizes the unique opportunity this participation offers in terms of mitigating future droughts; improving flood management; more effectively planning for water-supply management; taking into consideration the Commission's role in land-use planning; continuing interagency coordination (particularly with regionalization efforts to maximize efficient water supply and use); educating the public about conservation; implementing effective conservation practices and technologies; continuing to reduce unaccounted for water; promoting further interconnections among neighboring systems; and balancing the needs of competing water uses while fostering economic development.

During 2003-04, the Bureau of Transportation and Safety's Motor Carrier Services and Enforcement Division participated in the "Safe 80 Task Force" and "Focus 81" program, aimed at promoting safe highway driving practices. The Rail Safety Division remains an active participant in the national Operation Lifesaver Program, a non-profit, nationwide public education program dedicated to eliminating collisions, deaths and injuries at highway-rail intersections and on railroad rights-of-way. The combined efforts of the divisions resulted in approximately 41,000 motor carrier and rail inspections.

Also this Fiscal Year, the Motor Carrier Compliance Office processed a total of 721 property, household goods, group and party, limousine, paratransit, scheduled route, taxi, emergency temporary authority, temporary authority and broker applications. Medallion transfer and renewal applications totaled 958. Prosecutory actions instituted by the Bureau against various passenger carriers, household goods movers, property carriers and brokers resulted in fines totaling \$180,884.

Motor Carrier Services and Enforcement Division

The Motor Carrier Services and Enforcement Division's district office in Scranton continues to actively participate in the "Safe 80 Task Force." The task force was formed in 2001 with the goal of making I-80 safer through Monroe County. In fall 2003, 43 percent of the trucks inspected at the Delaware Water Gap Welcome Center in East Stroudsburg were placed out of service. Although that rate is above the national



average, it dropped from 59 percent, the out-of-service rate from the last quarter of Fiscal Year 2002-03. Additionally, 30 percent of drivers were placed out-of-service, also lower than the previous quarter's rate.

"Focus 81," a new program spearheaded by Northeastern Pennsylvania Alliance, began in an attempt to make I-81 between Nanticoke, Luzerne County, and Clarks Summit, Lackawanna County, safer by decreasing congestion and promoting safe driving practices. Safety inspections performed by PUC enforcement staff have provided data similar to the Safe 80 project, demonstrating that the out-of-service rates for both vehicles and drivers exceed state and national averages.

In December 2003, the Philadelphia District Office received a Special Enforcement Recognition Award for its support of the Bucks County Motor Carrier Traffic Safety Task Force. The award luncheon was attended by representatives from various

Bucks County township and borough police departments, Bucks County businesses, and state agencies which regulate highway safety.

The following is a brief synopsis of other Motor Carrier Services and Enforcement Division activities:

- 17,288 truck, motor coach, small passenger vehicle inspections (non-medallion);
- 2,779 medallion taxicab driver/vehicle inspections;
- 1,158 informal complaint investigations;
- 654 safety fitness reviews;
- 2,403 cases reviewed; and
- 1,401 prosecutory actions.

Rail Safety Division

Following three years of planning, the West Valley Nuclear Plant's spent fuel shipment was successfully transported through Pennsylvania over the railroad tracks of Norfolk Southern Corporation, Genesee & Wyoming Inc. and CSX Transportation Inc. The efforts of the Rail Safety Division's track, operating practice and hazardous material inspectors contributed greatly to the success of the top-secret special shipment by performing inspections and coordinating the operation.

The Rail Safety Division is an active participant in the national Operation Lifesaver Program, a non-profit, nationwide public education program dedicated to eliminating collisions, deaths and injuries at highway-rail intersections and on railroad right-of-ways. In 2003, the division conducted 14 presentations to various groups, which included elementary and middle school students, school bus drivers and law enforcement officers. The Division also participated in the Operation Lifesaver Booth at the Pennsylvania State Farm Show, distributing informational brochures and discussing with attendees the inherent dangers at highway-rail crossings and on railroad right-of-ways.

Additional Rail Safety Division activities include:

- 14,452 railroad car inspections;
- 271 locomotive inspections;
- 3,325 miles of railroad track inspected;
- 500 operating practice inspections; and
- 2,247 hazmat unit inspections.

Utility Revenues for Residential, Commercial and Industrial Classes

The following tables present average utility revenues for residential, commercial and industrial customer classes for the electric, natural gas, local telephone and water industries. Historical information is also listed, showing average revenues from previous years. The percentage change in revenue over specific time periods is shown in both nominal and real terms. Nominal figures represent actual percentage increases or decreases. The percentages in real terms are adjusted for inflation.

Electric

PENNSYLVANIA MAJOR ELECTRIC UTILITIES RESIDENTIAL WEIGHTED AVERAGE REVENUE PER KWH 1997-2003 (cents/kwh)								
	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
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
2002	8.54	9.10	8.88	9.00	8.36	12.02	8.75	
2003	8.05	9.09	8.89	9.00	8.33	12.31	8.63	6.26
% Change								
Nominal	-33.9	-0.5	-1.0	-5.9	-2.1	-6.0	-0.2	-8.4
*Real	-43.0	-14.3	-14.6	-18.9	-15.6	-18.9	-14.0	-21.0

* Adjusted for inflation to 2003 dollars

LEGEND

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

Electric

PENNSYLVANIA MAJOR ELECTRIC UTILITIES COMMERCIAL WEIGHTED AVERAGE REVENUE PER KWH 1997-2003 (cents/kwh)								
	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
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
2002	6.11	7.82	7.55	7.69	7.40	11.04	8.10	
2003	5.04	7.77	7.49	7.68	7.37	10.25	8.03	5.30
% Change								
Nominal	-38.8	-3.6	-2.8	-1.5	-5.6	-12.1	-0.4	-9.2
*Real	-47.2	-16.9	-16.2	-15.1	-18.6	-24.2	-14.1	-21.7

* Adjusted for inflation to 2003 dollars

Electric

PENNSYLVANIA MAJOR ELECTRIC UTILITIES INDUSTRIAL WEIGHTED AVERAGE REVENUE PER KWH 1997-2003 (cents/kwh)								
	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
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
2002	4.96	4.47	4.95	5.31	5.23	7.19	6.89	
2003	4.10	4.32	4.48	5.38	5.37	7.18	6.75	3.95
% Change								
Nominal	-24.8	-29.9	-18.8	8.0	-2.2	0.0	0.9	-9.7
*Real	-35.2	-39.6	-30.0	-6.9	-15.7	-13.8	-13.0	-22.2

* Adjusted for inflation to 2003 dollars

Inflation Factor

1.3 Bureau of Labor statistics CPI-U
1.16 Electric 1996-2001

Natural Gas

PENNSYLVANIA MAJOR GAS UTILITIES
NOMINAL WEIGHTED AVERAGE RESIDENTIAL REVENUE PER MCF
1993-2003
(dollars/mcf)

	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
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
2002	8.00	10.49	8.60	10.74	9.39	8.01	9.32	10.34	10.51
2003	10.97	11.97	10.03	10.18	10.05	10.24	10.13	9.84	11.36
% Change									
Nominal	76.4	46.0	57.7	48.5	81.4	58.6	48.5	96.5	58.2
*Real	35.7	12.3	21.3	14.2	39.5	22.0	14.2	51.1	21.7

* Adjusted for inflation to 2003 dollars

LEGEND

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

Natural Gas

**PENNSYLVANIA MAJOR GAS UTILITIES
NOMINAL WEIGHTED AVERAGE COMMERCIAL REVENUE PER MCF
1993-2003
(dollars/mcf)**

	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO **	PHLPS	UGI
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
2002	7.29	9.94	8.42	8.87	8.23	7.03	8.29	7.39	9.87
2003	10.06	11.46	9.91	5.51	8.91	9.50	9.26	8.61	10.94
% Change									
Nominal	61.7	39.8	55.8	-19.7	60.9	47.1	35.8	71.9	52.4
*Real	24.4	7.5	19.9	-38.2	23.8	13.2	4.5	32.2	17.2

* Adjusted for inflation to 2003 dollars

** PECO Gas reports small commercial and industrial revenues combined

Natural Gas

**PENNSYLVANIA MAJOR GAS UTILITIES
NOMINAL WEIGHTED AVERAGE INDUSTRIAL REVENUE PER MCF
1993-2003
(dollars/mcf)**

	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO ***	PHLPS	UGI
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
2002	8.27	10.49	6.30	7.74	8.46	6.17	6.26	4.41	9.44
2003	11.20	10.74	11.30	1.40	8.13	8.88	9.36	5.79	10.62
% Change									
Nominal	163.6	104.6	80.3	-74.8	115.6	150.9	114.2	98.4	112.9
*Real	102.7	57.4	38.7	-80.6	65.8	93.0	64.8	52.6	63.7

* Adjusted for inflation to 2003 dollars

*** PECO Gas reports large commercial and industrial revenues combined

Natural Gas

PENNSYLVANIA MAJOR GAS UTILITIES NOMINAL WEIGHTED AVERAGE TRANSPORTATION REVENUE PER MCF 1993-2003 (dollars/mcf)									
	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
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	1.423	2.566	1.022	1.101	0.500	1.965	0.725	0.614	1.311
2001	1.470	2.353	0.885	1.011	0.558	2.298	0.710	0.518	1.295
2002	1.523	2.017	0.250	1.156	0.523	2.134	0.628	0.484	1.309
2003	1.545	2.264	0.901	1.230	0.548	1.941	0.665	0.485	1.314
% Change									
Nominal	209.0	50.9	47.7	61.8	5.6	104.3	10.8	86.6	42.5
*Real	137.7	16.1	13.6	24.5	-18.8	57.2	-14.8	43.6	9.6

* Adjusted for inflation to 2003 dollars

Telephone

**PENNSYLVANIA MAJOR TELEPHONE UTILITIES - ILEC
WEIGHTED AVERAGE REVENUE PER LOCAL ACCESS LINE
1993-2003
(\$/access line)**

	AVGPRICE								
	ALLTEL	VERIZN-PA	CONEST	COMMON	VERIZN-NO	UNTD	D & E	NO. PITTS	Nominal
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
2002	278.81	263.74	153.90	193.94	239.48	282.89	370.36	235.23	257.92
2003	286.23	312.00	153.47	221.98	226.44	320.66	268.53	249.48	290.78
% Change									
Nominal	52.1	22.7	10.7	98.4	-4.5	67.8			19.8
*Real	17.0	-5.6	-14.9	52.6	-26.6	29.0			-7.8

* Adjusted for inflation to 2003 dollars

LEGEND

ALLTEL-	ALLTEL of Pennsylvania
VERIZN-PA-	Verizon Pennsylvania Inc.
CONEST-	Conestoga Telephone & Telegraph Co.
COMMON-	Commonwealth Telephone Co.
VERIZN-NO-	Verizon North Inc.
UNTD-	United Telephone Company of Pa.
D & E-	Denver & Ephrata Telephone Co.
NO PITTS-	North Pittsburgh Telephone Co.

Telephone

**PENNSYLVANIA TELEPHONE UTILITIES - CLEC
WEIGHTED AVERAGE REVENUE PER LOCAL ACCESS LINE
2001-03**

	CTSI	ATT COMM	MCI WORLD	XO PENNA	CHOICE	COMCAST
2001	\$407.26	\$159.71		n/a		
2002	\$414.42	\$125.40	\$649.58	\$271.88	\$357.57	\$266.38
2003	\$388.72	\$247.23	\$512.59	\$253.72	\$318.32	\$252.94

LEGEND

CTSI	CTSI, LLC
ATT COMM	ATT Communications of Pennsylvania
MCI WORLD	MCI Worldcom
XO PENNA	XO Pennsylvania
CHOICE	Choice One Communications of Penna. Inc.
COMCAST	Comcast Phone of Penna. LLC

Water

PENNSYLVANIA MAJOR WATER UTILITIES NOMINAL WEIGHTED AVERAGE RESIDENTIAL REVENUE PRICES 1993-2003 (\$/1,000 gal)				
	UTD-PA	PA-AMER	AQUA	YORK
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
2002	5.60	7.41	6.10	4.56
2003	5.65	8.08	6.48	4.92
% Change				
Nominal	45.9	58.7	63.6	36.6
*Real	12.2	22.1	25.8	5.1

* Adjusted for inflation to 2003 dollars

LEGEND

UTD-PA	United Water of Pennsylvania
PA-AMER	Pennsylvania-American Water Co.
AQUA	Aqua Pennsylvania Inc.
YORK	York Water Co.

Water

**PENNSYLVANIA MAJOR WATER UTILITIES
NOMINAL WEIGHTED AVERAGE COMMERCIAL PRICES
1993-2003
(\$/1,000 gal)**

	UTD-PA	PA-AMER	AQUA	YORK
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
2002	3.98	5.21	4.04	2.37
2003	3.95	5.77	4.60	2.56
% Change				
Nominal	40.6	71.7	71.7	31.1
*Real	8.1	32.1	32.0	0.8

* Adjusted for inflation to 2003 dollars

Water

**PENNSYLVANIA MAJOR WATER UTILITIES
NOMINAL WEIGHTED AVERAGE INDUSTRIAL PRICES
1993-2003
(\$/1,000 gal)**

	UTD-PA	PA-AMER	AQUA	YORK
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
2002	2.22	3.53	3.11	1.65
2003	1.15	4.00	3.42	1.78
% Change				
Nominal	-49.1	69.5	49.2	61.7
*Real	-60.8	30.4	14.7	24.4

* Adjusted for inflation to 2003 dollars

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