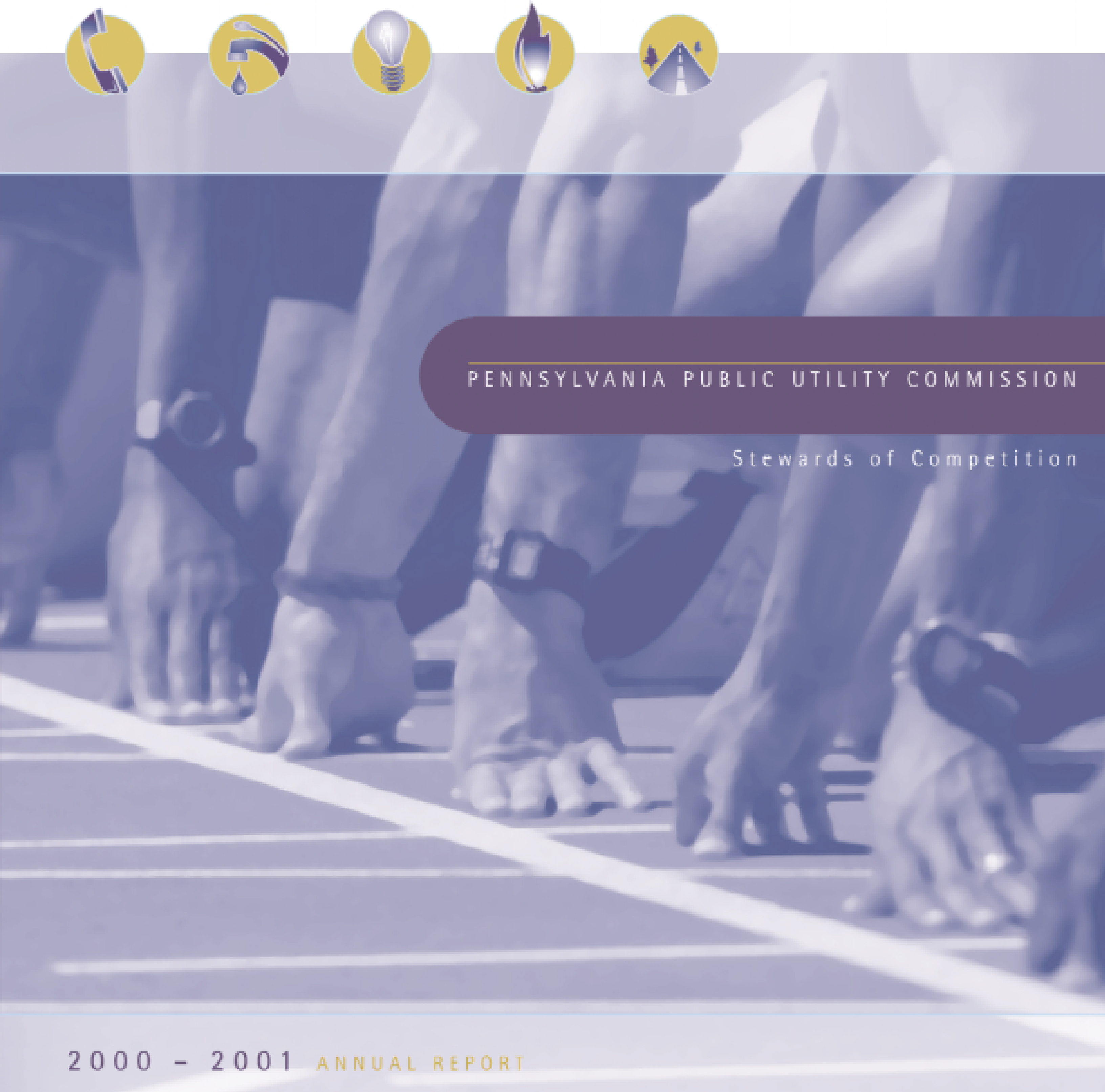

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Stewards of Competition

2000 – 2001 ANNUAL REPORT

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Letter to the Governor and the General Assembly

Glen R. Thomas, Chairman,
Public Utility Commission

The Honorable Mark Schweiker
Governor of Pennsylvania

The Honorable Robert C. Jubelirer
Lieutenant Governor

Members of the General Assembly

I am pleased to provide the 2000-01 Public Utility Commission Annual Report. The eyes of the nation—in fact, the entire world—remain fixed on Pennsylvania, marveling at what we have accomplished in our Electric Choice program. Nowhere in Pennsylvania are customers paying more for electricity than they were in 1996. Electric rates that were once 15 percent higher than the national average are now 1 percent lower. Electric competition has saved employers and families nearly $4 billion and will help to create more than 40,000 jobs by 2005.

We also implemented regulations for the 1999 Natural Gas Choice and Competition Act, which allows customers who heat their homes with natural gas the opportunity to select their supplier. I am happy to report that declining wholesale natural gas prices will create greater opportunities for the state's consumers to save money during winter 2002. Already, more than 240,000 customers have exercised their option to choose an alternative natural gas supplier.

This year, the Commission, following a lengthy evaluation of Verizon's request to sell long-distance service, concluded that the company had significantly opened its local market to competition and enthusiastically endorsed the company's application to the Federal Communications Commission. We are confident that Verizon's entrance into the market will give customers a greater selection of products at more competitive prices. On the local front, several hundred companies already are licensed by the PUC to compete against Verizon. This clearly demonstrates that local phone competition is working in Pennsylvania.

Internally, we significantly improved our customer service functions by enhancing our website (http://puc.paonline.com) to provide instant access to hundreds of public documents. A new search displays all public meeting orders, final secretarial letters, audit reports, Administrative Law Judge decisions, and Commissioner motions and statements.

Without a doubt, Pennsylvania is an international leader in Utility Choice, but we are at a critical juncture. We will remain a leader only if we carry out a vision for the future.

Our laws are models for other states and our regulatory climate fosters competition and technological innovation. Responsible stewardship and oversight of our own emerging competitive markets will maintain and strengthen Pennsylvania's competitive position as a national and international leader.

Over the next five years, our challenge will be to take Pennsylvania's energy leadership to the next level. As Chairman, I will work with my fellow Commissioners to ensure that all customers 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 Thomas

Glen R. Thomas
Chairman

Introduction

From left: Commissioner Terrance J. Fitzpatrick, Vice Chairman Robert K. Bloom, Chairman Glen R. Thomas, and Commissioner Aaron Wilson Jr.

Utility service is critical to the health and well-being of Pennsylvania's residential and business customers. Whether it's electric, natural gas, water or telephone, service should be available upon request at a reasonable cost and should be provided with a reasonable level of service. Similarly, customers using taxis, moving trucks or buses also expect fair rates and adequate service.

The Pennsylvania Public Utility Commission has traditionally worked to ensure that all customers have access to safe, reliable and efficient energy services at a reasonable cost. In addition, in this time of energy restructuring, our role is to empower customers so they may take advantage of the benefits of competition.

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.

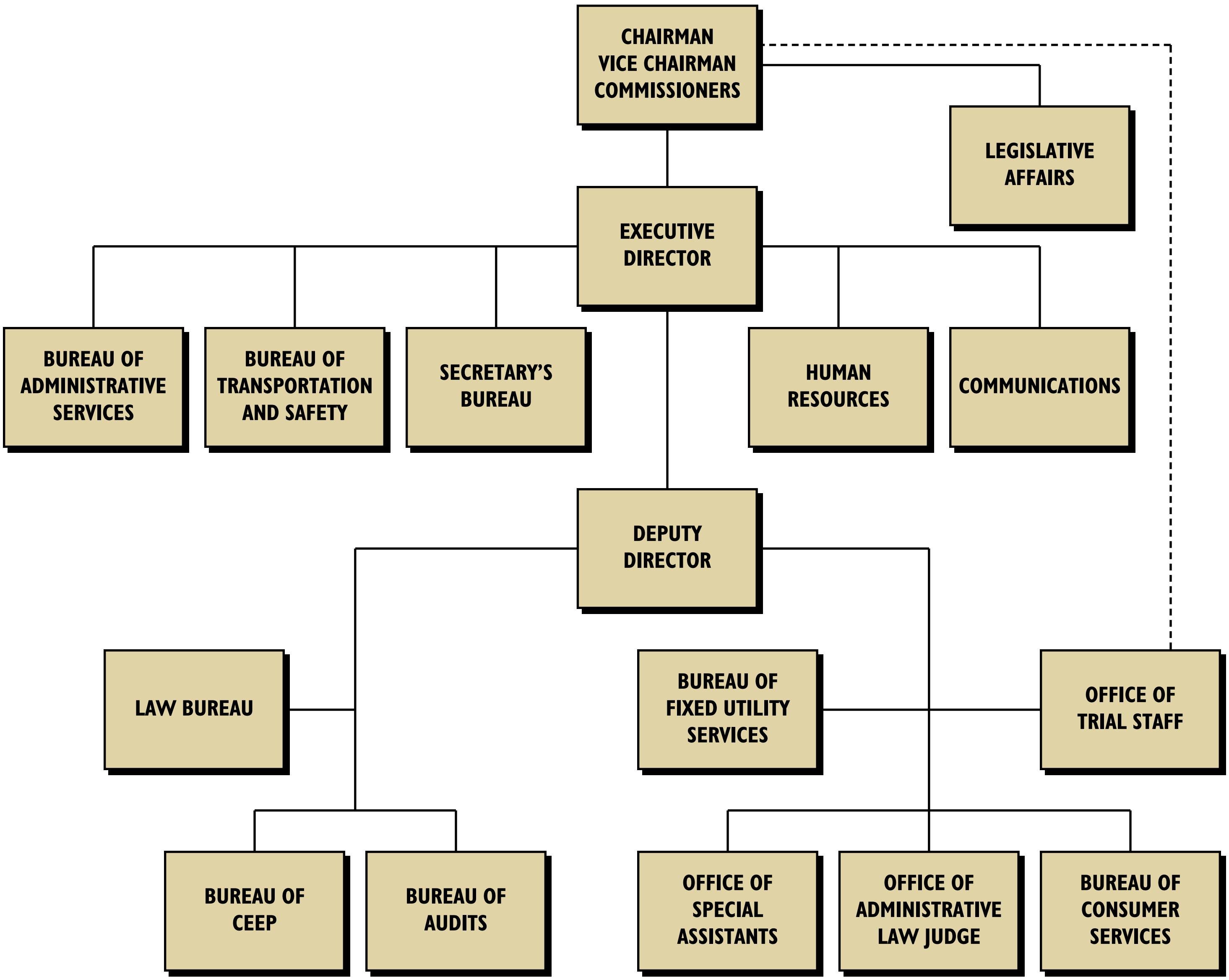
Over the last three years, the PUC has worked diligently to ensure an effective transition to competitive markets in the electric and natural gas industries. Customers may now choose from a number of suppliers that generate their electricity or supply their natural gas. The number of telecommunications companies offering local phone service in competition with the incumbent phone companies is also steadily increasing. It is our belief that competition among suppliers will lower prices, improve customer services and spur the development of new products.

Although parts of the natural gas and electric markets are competitive, customers still receive transmission and distribution services 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 can not 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 inspectors, 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 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



Rates

When setting rates, the law prescribes specific guidelines. The Commission must determine a utility's allowable expense and revenue requirements, that is, 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 the 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 headquarters and a regional office in Harrisburg, and other regional offices in Altoona, Philadelphia, Pittsburgh and Scranton. These offices serve as administrative coordinating points for enforcement officers. 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 geographic 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 the rate 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 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 time frame, the request is automatically approved.

It is PUC policy to decide within 60 days of the utility's request for a rate increase whether to grant the request. 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. The long 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. 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, 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.

Barbara Bruin

Executive Director

The Office of the Executive Director coordinates the activities of the bureaus, except the prosecutory functions of the Office of Trial Staff, and is the management link between the 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 Human Resources Office and the Communications Office report directly to the Office of the Executive Director.

Bureau of Administrative Services

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.

Communications Office

The Communications Office is responsible for media relations, employee communications and consumer education. 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 consumer-education programs to ensure they adhere to the Commission's guidelines. Staff serves on the Council for Utility Choice.

Executive Director's Office
Budget Summary

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's jurisdiction, or which the council believes should be brought under 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 2001–2003 term began on July 1, 2001, and continues through June 30, 2003. Members include:

Cindy Dattig, Council Vice Chair—Executive Director, Dollar Energy Fund, Inc., Pittsburgh. Appointed by Commission-at-Large.

Joseph Dudick, Jr.—Principal, Dynamic Strategies, Dauphin County. Appointed by Commission-at-Large.

Joy M. Dunbar—Pennsylvania Rural Leadership Program at Pennsylvania State University, State College. Appointed by Commission-at-Large.

William Farally—International Representative, Sheet Metal Workers International Association Local 19, Media. Reappointed by Senator Clarence D. Bell.

Marcia M. Finisdore—President and general manager, V.C. Finisdore, Inc., Media. Appointed by Commission-at-Large.

Michael Fiorentino—Clean Air Council. Resides in Dauphin County. Appointed by Commission-at-Large.

Harry S. Geller—Director, Pennsylvania Utility Law Project, Harrisburg. Appointed by Commission-at-Large.

William J. Jones—Retired, Deputy Director, Delaware County Court Services, Delaware County. Appointed by Commission-at-Large.

Carl Kahl—Retired public school teacher and administrator; owner of a small beef farm, Somerset County. Appointed by Commission-at-Large.

K. Tucker Landon—Attorney. Resides in Carbon County. Appointed by state Representative Keith R. McCall.

Andrew McElwaine—President, Pennsylvania Environmental Council, Harrisburg. Appointed by Commission-at-Large.

Katherine A. Newell, Council Chair—Attorney, DeCotiis, Fitzpatrick & Gluck, Trenton, NJ. Resides in Montgomery County, Pa. Reappointed by Lieutenant Governor Mark S. Schweiker.

Dr. Daniel M. Paul—President, Partners in Distance Learning, Ashland. Appointed by Commission-at-Large.

Jan Rea—Representative, Allegheny County Council. Appointed by Governor Ridge.

James S. Schneider—Manager, Corporate Energy Affairs, R.R. Donnelley & Sons Company, Lancaster. Appointed by Commission-at-Large.

Julio J. Tio—Retired chemical engineer, Dauphin County. Appointed by Commission-at-Large.

A. Executive Budget

GENERAL GOVERNMENT OPERATIONS	GENERAL FUND ACTUAL 1999–2000	REVENUE ALLOCATED 2000–2001
State Funds		
Personnel	$ 32,748,000	$ 32,427,000
Operating	7,296,000	9,092,000
Fixed Assets	67,000	100,000
TOTAL STATE FUNDS	**$ 40,111,000**	**$ 41,619,000**
Federal Funds		
Personnel	$ 920,000	$ 960,000
Operating	174,000	45,000
Fixed Assets	- 0 -	- 0 -
TOTAL FEDERAL FUNDS	**$ 1,094,000**	**$ 1,005,000**
COMMISSION TOTAL BUDGET	**$ 41,205,000**	**$ 42,624,000**

B. Philadelphia Taxicab Medallion Budget

	1999–2000	2000–2001
State Funds		
Personnel	$ 1,092,000	$ 1,444,000
Operating	222,000	350,000
Fixed Assets	1,000	10,000
TOTAL	**$ 1,315,000**	**$ 1,804,000**

C. Revenue

TYPE	1999–2000 RECEIPTS	2000–2001 RECEIPTS
Application Fees	$ 398,046	$ 325,731
Electric Generation Application Fees	7,700	3,150
Testing Laboratory Fees	280	- 0 -
Fines	308,787	386,075
Gas Pipeline Safety	398,966	290,794
Motor Carrier (MCSAP)	853,091	729,784
Philadelphia Taxicab Medallion Fees	1,738,361	946,172
Philadelphia Taxicab Medallion Transfers	259,700	194,875
Philadelphia Medallion Driver Certificate Fees	31,561	90,231
Philadelphia Medallion Fines	71,175	43,625
Philadelphia Driver Certificate Fines	20,603	26,853
Philadelphia Taxicab Copy Fees	2,232	4,484
Philadelphia Taxicab Medallion Auction Fees	9,889,271	(15)
Philadelphia Auction Transfer Fee	197,225	- 0 -
TOTAL	**$ 14,176,998**	**$ 3,041,759**

Fiscal Operations and Assessments

The Fiscal Office transmitted $47,300,629 in assessment billings for the 2000–01 Fiscal Year and for previous year billings:

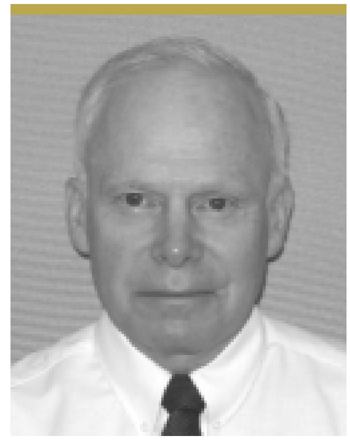
1st Quarter Collections	$ 33,728,015
2nd Quarter Collections	3,725,708
3rd Quarter Collections	1,808,258
4th Quarter Collections	8,038,648
TOTAL	**$ 47,300,629**

The Fiscal Office collected $1,090,684 in support of the Philadelphia Taxicab Medallion Program:

	MEDALLION FEES	TRANSFERS	DRIVER CERT.	FINES	DRIVER CERT. FINES	COPY FEES	TOTAL
1st	$ 87,750	$ 33,400	$ 16,950	$ 7,175	$ 5,850	$ 781	$ 151,906
2nd	- 0 -	48,125	17,650	3,150	6,576	662	76,163
3rd	- 0 -	77,675	32,000	9,450	9,177	1,610	129,912
4th	643,000	33,225	22,700	23,950	8,725	1,103	732,703
TOTAL	**$ 730,750**	**$ 192,425**	**$ 89,300**	**$ 43,725**	**$ 30,328**	**$ 4,156**	**$ 1,090,684**

The Fiscal Office also processed Accounts Receivable receipts for a total of $714,956:

	ELECTRIC GENERATION	FINES	FILING AND COPY FEES	TESTING FEES	TOTAL
1st	$ 1,050	$ 80,893	$ 84,617	$ - 0 -	$ 166,560
2nd	350	41,100	70,485	- 0 -	111,935
3rd	1,400	81,546	86,779	- 0 -	169,725
4th	350	182,536	83,850	- 0 -	266,736
TOTAL	**$ 3,150**	**$ 386,075**	**$ 325,731**	**$ - 0 -**	**$ 714,956**



Robert A. Christianson

Chief Administrative Law Judge

The Office of Administrative Law Judge (OALJ) provides conflict resolution by independent administrative law judges. Judges preside at formal hearings in contested matters before the PUC, gather all the facts relating to an individual case, prepare written decisions outlining the issues and recommend resolutions to the disputes.

The OALJ includes a mediation unit and a mediation coordinator. It is the PUC's policy to encourage mediation and settlement rather than to see the parties engage in what may become lengthy and expensive litigation during the formal hearing process. Mediation is a voluntary, confidential and non-binding process through which a neutral third party, the mediator, assists the parties in reaching a mutually acceptable settlement of their disputes.

Highlights

The Office of Administrative Law Judge filed 698 decisions in Fiscal Year 2000–01. In addition, 1,226 hearing days were scheduled, and 881 days of hearings were held.

During the Fiscal Year, the OALJ was assigned 51 Philadelphia taxicab medallion cases and 30 decisions were rendered.

The OALJ handled 315 cases under mediation. Of these cases, seven involved Non-Category I rate cases (2 percent) and 308 involved cases other than Non-Category I rate cases (98 percent).

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

The utilities involved in the three Category I rate cases asked for $47,166,421 in annual revenue increases. The ALJ decisions would have authorized $29,400,140 (62.33 percent of the initial requests). The Commission ultimately authorized $29,400,140 (62.33 percent of the initial requests).

Breakdown of Category I Rate Cases

DOCKET NUMBER	COMPANY NAME	COMPANY REQUESTED	ALJ RECOMMENDED	COMMISSION GRANTED
R-00005119*	PG Energy, a division of Southern Union Company	$ 17,906,206 100.00%	$ 10,800,140 60.32%	$ 10,800,140 60.32%
R-00005277*	PFG Gas, Inc. and North Penn Gas Company d/b/a PPL (Gas) Utilities	$ 14,000,000 100.00%	$ 9,300,000 66.43%	$ 9,300,000 66.43%
R-00005459*	T.W. Phillips Gas and Oil Company	$ 15,260,215 100.00%	$ 9,300,000 60.94%	$ 9,300,000 60.94%
TOTAL		**$ 47,166,421** **100.00%**	**$ 29,400,140** **62.33%**	**$ 29,400,140** **62.33%**

* Settlement

Summary of Tables

Table I

Caseload Status Report—A compilation of 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
Cases Beginning of Period	17	22	22	28	422	6	6	31	33	6	8	601
Cases Assigned to OALJ	44	33	13	87	1,532	23	11	106	365	6	114	2,334
Cases Completed/Reassigned	33	28	10	84	1,261	5	12	93	298	7	83	1,914
Cases End of Period	28	27	25	31	693	24	5	44	100	5	39	1,021

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 FY 1996–97 through 2000–01.

TYPE OF FILING	FY 95–96	FY 96–97	FY 97–98	FY 98–99	FY 99–00	FY 00–01
Rate Investigations	23	34	25	16	19	28
Applications	86	81	89	65	57	83
Complaints	1,046	917	758	507	308	866
Other	59	67	102	88	95	44
Totals	**1,214**	**1,099**	**974**	**676**	**479**	**1,021**

Caseload Percentages

TYPE OF FILING	FY 95–96	FY 96–97	FY 97–98	FY 98–99	FY 99–00	FY 00–01
Rate Investigations	1.90%	3.09%	2.57%	2.37%	3.97%	2.74%
Applications	7.08%	7.37%	9.14%	9.14%	11.90%	8.13%
Complaints	86.16%	83.44%	77.82%	77.82%	64.30%	84.82%
Other	4.86%	6.10%	10.47%	10.47%	19.83%	4.31%
Totals	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Table III

Summary of Act 294 Case Activities—Shows data for the actions taken during 2000–01 for cases subject to the provisions of Act 294 with comparative figures for 1996–97 through 2000–01. A percentage breakdown for each of the time periods is shown as well.

CASE ACTIVITIES	FY 96–97	FY 97–98	FY 98–99	FY 99–00	FY 00–01
No Exceptions or Commission Review	949	861	640	400	379
Exceptions/OSA	119	105	107	86	116
Commission Review/No Exceptions	35	25	20	6	10
Totals	**1,103**	**991**	**767**	**492**	**505**

Case Percentages

CASE ACTIVITIES	FY 96–97	FY 97–98	FY 98–99	FY 99–00	FY 00–01
No Exceptions or Commission Review	86.04%	86.88%	83.44%	81.30%	75.05%
Exceptions/OSA	10.79%	10.60%	13.95%	17.48%	22.97%
Commission Review/No Exceptions	3.17%	2.52%	2.61%	1.22%	1.98%
Totals	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

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 1996–97 through 2000–01 are included in the table. A percentage breakdown for each of the time periods is shown as well.

COMMISSION ACTION	FY 96–97	FY 97–98	FY 98–99	FY 99–00	FY 00–01
Approved, Without Change	86	77	42	34	72
Approved, as Amended	28	23	16	7	3
Remanded	1	2	0	0	0
Reversed	4	2	0	0	2
Totals	**119**	**104**	**58**	**41**	**77**

Case Percentages

COMMISSION ACTION	FY 96–97	FY 97–98	FY 98–99	FY 99–00	FY 00–01
Approved, Without Change	72.27%	74.04%	72.41%	82.93%	93.51%
Approved, as Amended	23.53%	22.12%	27.59%	17.07%	3.89%
Remanded	0.84%	1.92%	0.00%	0.00%	0.00%
Reversed	3.36%	1.92%	0.00%	0.00%	2.60%
Totals	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Summary of ADR/Mediation Cases

During Fiscal Year 2000–01, the mediators concluded 317 cases processed through the mediation system, consisting of 315 proceedings. The figure 315 takes into account consolidated cases.

The following is a breakdown of the proceedings processed through the mediation system for 2000–01:

1. Proceedings resolved through interim order process. 287
2. Proceedings resolved following the notice requesting consent, or notice setting mediation, but before mediation commenced 6
3. Unscheduled mediations 1
4. Scheduled mediations. 21

Of the 22 proceedings covered by mediation, 17 were resolved on all issues resulting in full settlements, three were partially resolved, and two were terminated, resulting in a success rate of 91 percent.

The following data represents the 315 proceedings processed through the mediation system for Fiscal Year 2000-01 as categorized in two ways: (1) procedural type and (2) utility type.

Procedural Type

1. Applications seeking permission to do a certain act . . 34
2. Complaints against utilities 274
3. Rate increase filings 7

Utility Type

1. Electric. 105
2. Gas. 89
3. Motor Carrier 34
4. Rail 2
5. Telecommunications 68
6. Water/Wastewater. 17

Table V

Summary of ADR/Mediation Cases—Shows data for the actions taken during FY 1996–97 through FY 2000–01 for cases involving ADR/Mediation. A percentage breakdown for the time period is shown as well.

TYPE OF CASE	FY 96–97	FY 97–98	FY 98–99	FY 99–00	FY 00–01
Non-Category I Rate Cases	14	15	12	14	7
Other	17	40	99	197	308
Totals	**31**	**55**	**111**	**211**	**315**

Case Percentages

TYPE OF CASE	FY 96–97	FY 97–98	FY 98–99	FY 99–00	FY 00–01
Non-Category I Rate Cases	45.16%	27.27%	10.81%	6.64%	2.22%
Other	54.84%	72.73%	89.19%	93.36%	97.78%
Totals	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Thomas Sheets
Director

The Bureau of Audits is responsible for auditing Pennsylvania fixed utilities.

Adjustment Clause Audits

Gas, steam-heat and certain municipal electric utilities require an annual adjustment clause audit as mandated by the General Assembly. The audits verify the energy 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.

The bureau 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. Audits are conducted to ensure that only PUC-authorized expenses are included in the DSIC rates. Certain electric utilities impacted by the Electric Competition Act are authorized to recover a portion of their stranded costs through application of Competitive and Intangible Transition Charges. The utilities are required to file annual reconciliation statements associated with the application of these charges. The bureau will perform audits designed to determine the accuracy and the propriety of the reconciliation statements are performed.

Financial Audits

These audits cover a wide variety of financial issues. They also include original cost audits (OC), original cost studies (OCS), and continuing property records audits (CPR). The audits determine the propriety of the property, plant and equipment records together with an evaluation of the usefulness of that equipment. The CPR audits are scheduled on a five-year cycle whereas the OC audits are dependent upon certain conditions being met and the utility submitting an OC study. Compliance audits examine a broad range of utility operations and determine adherence to prescribed laws and regulations. Special projects or audits can cover almost anything, such as power outages to asset sales.

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 the firm's 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 are mandated for approximately 22 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 bureau staff, or occasionally by outside consulting firms with the oversight of bureau staff.

There are a few 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.

Highlights

During Fiscal Year 2000–01, the eastern and western regions of the bureau conducted 231 audits (52 regular audits and 179 special project audits). These included 47 Section 1307 audits with a finding value of $2,078,720 and five financial audits resulting in $34,288 of DSIC eligible property filed with the Commission.

Special project audits including reviews of utility, DSIC, CTC, ITC, GCR, SCR and PCR filings submitted to the Commission resulted in net rate adjustments approximating $18,000.

The Management Audit Division completed work on three management audits, three management efficiency investigations, and five special audits or projects. Combined, the management and operations audits, management efficiency investigations, and special audits identified 145 opportunities for improvement with potential annual and one-time savings or benefits (where they could be quantified) of up to $57.7 million and $738,000, respectively. Actual net annual and one-time savings from implementation of prior management audit recommendations were found to approximate $10.4 million, and $4.9 million, respectively.

Section 1307 Audits

Section 1307 audits produced the following adjustments that have been refunded to customers:

UTILITY	REFUND
Duncannon	$ 127
Schuylkill Haven	300
St. Clair	2,479
Pike County-El.	17,095
Equitable Gas	1,504,693
Pine Roe Natural Gas	1,923
Herman Riemer Gas	2,237
GASCO-Kane	134,215
GASCO-Claysville	82,257
Andreassi & Hillwig Gas	5,342
NUI Valley Cities	306,859
Harrisburg Steam	4,971
Pittsburgh Thermal	16,222
TOTAL	**$ 2,078,720**

Financial Audits

UTILITY	TYPE OF AUDIT	DATE
Peddler's View	OC	As of 12/31/97
Little Washington	OC	As of 11/30/96
Mountville	OC	As of 6/30/97
Brandywine	OC	As of 11/30/98
PA American	CPR	As of 12/31/97

CPR = Continuing Property Record
OC = Original Cost

Management Audits

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

UTILITY	ANNUAL (recurring)	ONE-TIME
Philadelphia Gas Works	$ 57,600,000	$ 700,000
PA American Water	44,400	—
York Water	23,000	90,000
UGI Utilities	16,500	38,000
TOTAL	**$ 57,683,900**	**$ 828,000**

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 management efficiency investigations also identified certain savings or quantitative benefits actually achieved by utilities through implementation of recommendations from prior audits. The utilities and savings specifically identified are as follows:

UTILITY	ANNUAL (recurring)	ONE-TIME
National Fuel Gas	$ 9,400,000	$ 384,000
UGI Utilities	1,000,000	4,500,000
TOTAL	**$ 10,400,000**	**$ 4,884,000**

Utility Management Audits

PA American Water
PGW
York Water

Management Efficiency Investigations

Columbia Water
UGI
NFG

Special Audits or Projects

Penn Power—Audit of consumer education expenditures.
Verizon—Issuance of 26 biweekly project management reports related to OSS testing.
Telecom Companies—Completed interim administrative support related to implementation of the Universal Service Fund.
All Companies—Follow-up review of the utility assessment process.
Verizon—PwC performed the FCC/multi-state biennial audit.

Listing of Audits

Operational Audits

UTILITY	TYPE OF AUDIT	YEAR(S) COVERED
Duncannon	PPCA	1998–1999
Schuylkill Haven	PPEA	1999
St. Clair	PPCA	1998–1999
Pike County-El.	ECR	1997–1999
Honesdale Gas	GCR	1998–1999
Equitable Gas Co.	PGC	1995–1997
Pine Roe Natural Gas Co.	GCR	1994–1995
North East Heat & Light	GCR	1995–1996
Herman Riemer Gas Co.	GCR	1996–1998
GASCO-Kane	GCR	1995–1998
GASCO-Claysville	GCR	1996–1998
Walker Gas & Oil Co.	GCR	1996–1999
Chartiers Natural Gas Co.	GCR	1995–1999
Andreassi & Hillwig Gas Co.	GCR	1996–1999
NUI Valley Cities	GCR	1997–1998
Tri-Gen	SCR	1999
Harrisburg Steam	SCR	1998–1999
Pittsburgh Thermal	EPR	1997–1998

ECR—Energy Cost Rate
GCR—Gas Cost Rate
PGC—Purchased Gas Cost
SCR—Steam Cost Rate
PPEA—Purchased Power Expense Adjustment
EPR—Energy Price Rate
PPCA—Purchased Power Cost Adjustment

Special Projects

Williamsburg—Original cost studies ordered by the Commission determined $5,056,649 in water and $1,526,778 in wastewater plant.

GPU (2)—The first annual audits of Met-Ed's and Penelec's non-utility generation (Nug) clauses in accordance with the joint settlement found several procedural understatements.

Imperial Point Water—Performed an Original Cost Study of Imperial Point Water Service Company's water plant-in-service.

Water Project—Developed a population of water companies with Penn Vest delinquency and an independent list of companies with original cost studies to audit.

AT&T of Pa. (2)—TRS program audit has three findings: one required $165,436 in additional remittances and two were procedural findings.

Verizon-PA—Follow-up on accounting concerns of informal investigation. Company transferred $332,082 to Lobbying Expense.

PECO—Assisted the Law Bureau investigating an outage in Senator Bell's territory. There were five areas of observations requiring company attention.

Gas Cost Rate Filings—Reviewed 11 gas cost rate filings for the application year November 2000 through October 2001.

Superior Water—Original cost and contributions audit report was released at public meeting of 3/12/01. A 400,000 contribution understatement was reported and the need to have an original cost study was recommended.

GPU (4)—Met-Ed 1998–99 and Penelec 1998–99 consumer education audits found a total of $86,392 in overstated or inappropriate cost and required company refiling of related expense reports.

Eastern Region—Assisted PEMA in staffing disaster recovery centers in Neshaminey Mall and West Chester, Chester County.

Special Review—A special review of fuel procurement practices at eight small gas and steam utilities found:

- $148,024 of additional gas costs at GASCO-Kane & Claysville Divisions as a result of not maximizing use of storage capacity.
- The need for a fuel strategy at NRG Pittsburgh that includes gas supply from at least two or more sources with some degree of pricing provisions.
- Over reliance on sole gas suppliers at Community Central Energy Corporation and Harrisburg Steam.
- Acceptable practices at NUI-Valley Cities, Pike County-Gas, and North East Heat & Light Company.

Bureau of Conservation, Economics and Energy Planning

Z. Ahmed Kaloko

Director

The Bureau of Conservation, Economics and Energy Planning (CEEP) conducts research studies and performs policy/planning functions. CEEP develops energy, water and telecommunications policy; disseminates information and analysis on utility operational aspects; and researches a broad range of utility policy issues, including potential impacts of utility restructuring activities, market power, energy strategies, mandatory water-conservation plans and appropriate technologies, resource planning, and rate design. CEEP provides economic analysis of major issues affecting the energy, water and telecommunications industries. It reviews proposals and assesses the potential impact on rates; develops economic development rates; prepares periodic reports on the economic status of the Commonwealth; and prepares utility operational and efficiency reports. CEEP also prepares annual reports on electric and gas utilities' long-range demand forecasts and integrated resource plans. It reviews projections for transmission line expansion needs and monitors and reviews base load generating outages. CEEP responds to more than 1,000 inquiries per year from the General Assembly, the press, Commission and the public.

Highlights

Final Policy Statement on Maintaining Safety and Reliability for Natural Gas Supply and Distribution Service

On June 22, 1999, Governor Tom Ridge signed into law the Natural Gas Choice and Competition Act. The Bureau of CEEP, in collaboration with the Law Bureau and a collaborative working group, drafted Interim Safety and Reliability Guidelines. The Commission approved the interim guidelines on October 15, 1999, at L-00990144 and directed that these guidelines be incorporated into the Commission's regulations at Chapter 69, relating to policy statements. The guidelines address a number of matters that are critical to reliability, including delivery standards, supplying firm service, distinctions between types of service, role of the supplier, and requirements to ensure sufficient firm capacity.

On April 27, 2000, the Commission approved the proposed policy statement and directed that it be published for comment. The proposed policy statement was published in the June 10, 2000, issue of the *Pennsylvania Bulletin.* The Commission approved the final policy statement at a public meeting on October 25, 2000, and directed that it be incorporated into 52 PA. Code Chapter 69. The final policy statement was published in the *Pennsylvania Bulletin* on December 9, 2000.

Proposed 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 proposed 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 proposed regulations. Proposed 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 a proposed rulemaking on July 20, 2000 and the rulemaking was published in the *Pennsylvania Bulletin* on February 10, 2001. The final rule is in progress.

Electric Generation

The Bureau of CEEP is required by a legislative mandate to conduct studies and research on energy needs and provide advice to the Commission. The California electric crisis has focused attention on the progress of utility restructuring and on Pennsylvania's successful program. 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 MW

YEAR	GAS	COAL	WATER	WIND	UNKNOWN	TOTAL
2001	2,708	28	—	76	—	2,812
2002	5,451	—	—	66	330	5,847
2003	3,740	—	—	70	—	3,810
2004	550	5	67	—	3,009	3,631
TOTAL	12,449	33	67	212	3,339	16,100

The Pennsylvania-New Jersey-Maryland independent system operator (ISO) lists an additional 8,327 MW of proposed generation. However, there are no dates of completion or fuel information for this capacity. The Bureau of CEEP has provided information and assistance to more than 30 companies that have expressed interest in building new generation in Pennsylvania.

Pennsylvania Electricity Facts

- Second-largest producer of electricity in the United States
- $10 billion in annual revenues
- 1996 electric rates 15 percent higher than national average
- 2000 electric rates 1 percent lower than national average
- Produces 52 percent of the energy consumed in the Pennsylvania-New Jersey-Maryland (PJM) ISO
- 5.2 million customers
- 57 percent of energy is produced from coal
- 36 percent of energy is produced from nuclear power

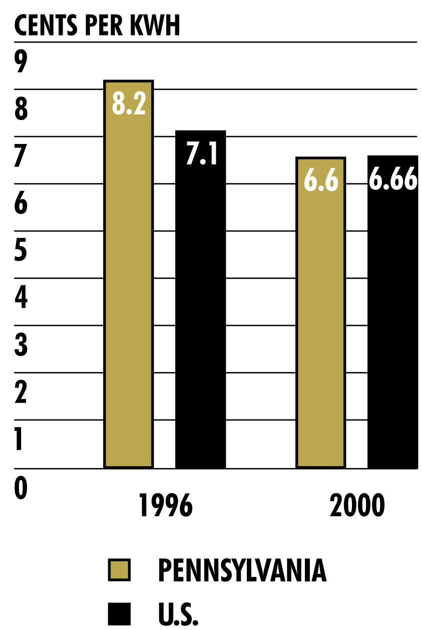
Electric Competition Saves Millions of Dollars Annually

Schools, businesses, government agencies, municipalities and residents save money.

SELECTED EXAMPLES	SAVINGS
Philadelphia School District	$3.6 million
PPG Industries	$3.5 million
Penn State University	$1.5 million
Monroeville Borough	$50,000

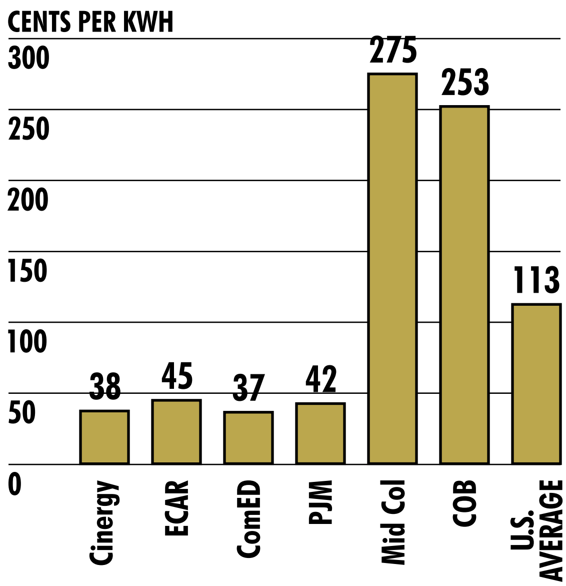
Comparison of Pennsylvania Average Retail Electric Rates with U.S. Average Retail Electric Rates

The bar graph provides a prospective of average electricity rates comparing 1996 and 2000 rates for the United States and Pennsylvania. Prior to electric competition Pennsylvania's retail electric rates were 15 percent higher than the national average. After electric competition was implemented in 1999–2000, Pennsylvania's average retail electric rates dropped to 1 percent below the national average. Between 1996 and 2000, Pennsylvania's average electric rates dropped by 16 percent as a result of competition.



Wholesale Electric Markets

There are 14 major trading hubs in the United States. The average national price for energy in 2000 and the first half of 2001 was $113 per megawatt-hour. The highest energy prices were recorded at the Mid-Columbia hub, supplying the Northwest United States, followed by the California-Oregon border hub. The lowest energy prices were recorded at the Commonwealth Edison (Chicago), Cinergy (Indiana) and Pennsylvania-Jersey-Maryland hubs, respectively. PJM has the largest and most liquid energy market in the United States. East Central Area Reliability covers Ohio and parts of Western Pennsylvania.



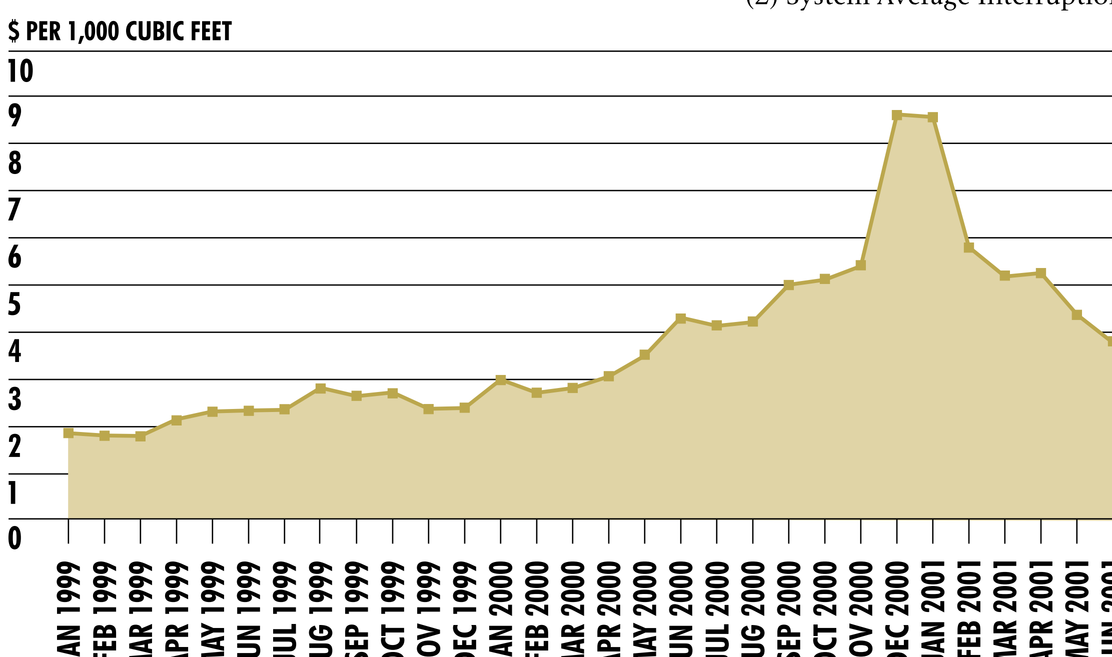
Wholesale Gas Market

During the 1990s, natural gas prices were very low and drilling for new gas supplies declined. In 1999, demand for natural gas was increasing but gas supply remained the same and then began to decrease. Wholesale spot prices of natural gas increased dramatically in 2000 and 2001. In 1999 wholesale gas prices averaged $2 per million BTUs (1000 cubic feet). In December 2000 and January 2001, the price was above $8—a 400 percent increase. This price increase caused Pennsylvania retail prices to rise. The price increase was cushioned for Pennsylvania customers because companies do not depend solely on spot market purchases. Pennsylvania companies have a portfolio of supplies that include longer-term contract gas, local production in Western Pennsylvania and gas from storage facilities. (Gas prices in California were above $50 per million BTU during this same period.) The chart below shows the wholesale gas spot market price from January 1999 through June 2001 at the Henry Hub in Louisiana. The Henry Hub is used as a benchmark for U.S. wholesale gas trading.

Electric Reliability Performance

The Electric 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 December 16, 1999, the Commission established electric service performance benchmarks and standards for the operating areas of each electric distribution company (EDC). Performance benchmarks were based on a five-year historic average, and 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. The measurement is based on the frequency and duration of unplanned electric service outages. This is done 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.

CEEP's 2000 Reliability Report concluded that in 1999, the reliability performance of several operating areas fared better than the benchmark, thereby improving average performance. Although meeting the performance standard, the remaining operating areas must continue to be monitored on an annual basis to detect negative trends.

Demand Side Response Issues

CEEP provides technical assistance to the work group whose goal is to reduce electricity demand during periods of high usage for reliability and safety purposes by managing demand upon the electric system. Strategies to manage demand include rates, programs and load management plans. Two subgroups were formed, one for education, and the other for evaluation and measurement.

Advanced Metering Issues

Advanced metering gives customers added flexibility in monitoring and controlling energy use. During the Fiscal Yyear, CEEP staff was involved in implementing and monitoring the Advanced Meter Deployment for Electricity Providers Regulations at 52 Pa Code §§57.251-57.259. CEEP staff reviewed applications for Advanced Meter Services Provider Certification (AMSP). CEEP also prepared the 1999–2000 Advanced Meter Activities Annual Report. In addition, CEEP staff participated in the Electronic Data Interchange (EDI) Competitive Metering Business Working Group.

As of March 31, 2001, 100 advanced meters were deployed on the request of 10 electric generation suppliers (EGSs). The four most frequently used advanced meters include General Electric kV (67), Siemens RXRS4, General Electric Phase III and Schlumberger Quantum. After obtaining an EGS license, a supplier must also obtain Commission approval for advanced meter services provider certification. The requirements for AMSP certification are located at Docket No. M-00991233.

Foreign Delegations

CEEP continues to be very active with international delegations, often through technical assistance exchanges. The bureau has conducted presentations for 440 high-level government and industry representatives from 59 countries. This is a 136 percent increase in the number of countries from the last report.

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. This is a win-win situation for the foreign countries, the PUC and the Pennsylvania electric utilities.

When foreign delegations visit, the Commission invites Pennsylvania electric utilities to meet and partner with them. Then, because of the relationships developed, the utilities can go overseas with the delegations to work on power projects. For example, PPL Global is working in several countries including Bolivia, Canada, Columbia, Costa Rica, Spain, Turkey, Ukraine and the United Kingdom—most of which have worked with the Commission. This type of global business is good for the Pennsylvania utilities because they get a high rate of return on their overseas investments.

In certain instances, CEEP representatives have traveled to Africa and Europe to conduct presentations. The main topic of interest for all of the foreign representatives is the restructuring of the electric industry in Pennsylvania. The primary questions asked by the international delegations are “Why did Pennsylvania’s plan work?” and “What went wrong in California?”

The presentations included:

- The Pennsylvania Experience—Transition from Public Service to Competitive Markets
- Electric Competitive Markets in Pennsylvania and the United States
- Market Structure Overview—Development of Competitive Markets
- Comparison of PJM-ISO with California-ISO
- PUC Management, Retail Competition and Wholesale Competition
- Economic Analysis—The Operations of the Wholesale Electricity Markets in the United States

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.

Looking at the big picture, the Commission’s international work is spreading democracy and capitalism as delegations take Pennsylvania’s best practices back to their countries. In the long run, the world benefits. These countries eventually will prosper. The information they receive through collaboration with the Commission and Pennsylvania electric utilities will allow them to move closer to forming stable capitalist, democratic systems.

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.

Sustainable Energy Funds

As part of their restructuring settlements, the 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. During the previous Fiscal Year, the Commission approved the by-laws 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. Organizational meetings were held throughout the year. CEEP provides expert technical advice to the Commission in the establishment and evaluation of these programs.

Competitive Default Service

Competitive Default Service (CDS) is a “supplier of last resort” pilot program unique to certain electric restructuring settlements. Four restructuring settlements require the CDS to be bid out on the open market and to be implemented. The four EDC programs include: APS, GPU, PECO Energy and PPL.

Generally, the CDS will be responsible for serving up to 20 percent of the EDC’s residential market. The CDS will receive compensation only when energy and services are supplied in the case of defaulted service by an EGS. Therefore, CDS bids to serve the market will be based on probable expectations of the residential market. The CDS will not be paid to stand ready, but instead will be paid, if and when, a customer ends his relationship with the EGS. Therefore, CDS bids to serve the market will be based on expectations of residential energy and capacity market needs.

During the past Fiscal Year, CEEP, in conjunction with the Law Bureau and the Bureau of Consumer Services, prepared various orders for the Commission’s consideration regarding PECO Energy and GPU. Staff also responded to petitions and hosted collaborative meetings relating to the implementation of the four CDS programs.

On November 29, 2000, the Commission approved the New Power Company as the CDS for PECO Energy’s service territory. Approximately 299,000 PECO residential customers will receive discounted electricity from the New Power Company. Customers choosing to participate in the program will receive electricity from New Power beginning in January 2001 through January 2004. PECO will continue to provide transmission and distribution service.

Market Share Data

CEEP designs the reporting format and collects data measuring Electric Distribution Company and Electric Generation Supplier market share.

Customer Information Disclosure—Natural Gas Regulations

CEEP assisted the Commission in promulgating final regulations addressing customer information disclosure necessary to implement the Natural Gas Choice and Competition Act. These regulations require adequate and accurate information to customers to enable customers to make informed choices regarding the purchase of natural gas services, and to protect the privacy of personal customer information.

Reporting Requirements Relating to the Submission of Gas Supply and Demand Data

The Commission adopted final regulations prepared by CEEP modifying the reporting requirements regarding gas supply and demand data. The purpose of this regulation is to consolidate existing forms and to eliminate other unnecessary information. These new reporting requirements will provide a clearer and more concise presentation and significantly simplify the reports.

Market Power—Telecommunication Companies

This study evaluated the market share and potential market power of telecommunication companies in Pennsylvania from 1997–1999. The Herfindal-Hirschman Index (HHI) was used to assess potential market power. The results demonstrated that Bell Atlantic (Verizon) enjoyed more than 70 percent of the market share in 1999, but its share decreased from the two previous years. The HHI measurement for the entire state, and by most area codes in Pennsylvania, indicated values that suggested potential market power.

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 for Fiscal Year 2000–01 consists of an E-commerce initiative that continues the reduction of paper work and the lowering of emissions to air, land and water.

Reports Issued by CEEP

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.

Market Structure and Development of Competitive Generation Markets—analyzes the use of futures and options for the mitigation of risk in price and supply volatility.

Transition from Public Service to Competitive Markets—restructuring of the electric industry is examined within the Commonwealth and around the nation.

Pennsylvania PUC Summer Reliability Assessment for the Year 2001—the Commission convened a conference on Summer Reliability Assessment for the Year 2001. CEEP prepared a summary of the presentations made by the conference participants.

Electric Outlook Report—this annual statistical report summarizes and discusses the current and future electric power supply-and-demand situation for Pennsylvania.

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, sewage 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 advises the Commission regarding issues of interest and concern to utility consumers. The division also works to insure 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. The information in the CSIS and bureau databases, as well as findings from the division's field reviews, permit BCS to analyze utility performance and produce 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 2000, BCS received 85,872 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.

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

BCS investigated 24,685 consumer complaints in 2000. Overall, the volume of consumer complaints increased by 40 percent from 1999 to 2000. Consumer complaints about the Chapter 56-covered industries (electric, gas, water, sewer and steam heat) increased by 32 percent from 1999 to 2000. Meanwhile, consumer complaints about the telephone industry increased by 47 percent. A portion of this increase was due to the growth in competition among telecommunications providers.

During 2000, BCS handled 60,573 requests for payment arrangements from residential customers. Payment-arrangement requests for the Chapter 56-covered decreased 9 percent, from 60,417 in 1999 to 54,638 in 2000. For the telephone industry, the volume of payment arrangement requests decreased by 8 percent (6,446 requests in 1999 compared to 5,927 in 2000). As in past years, the vast majority of requests for payment arrangements in 2000 involved electric or gas companies.

During 2000, the bureau received 80,571 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 2000–01, show that 85 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 78 percent rated the service they received from the PUC as "good" or "excellent."

Highlights

Improved Telephone Access to BCS

Since 1999, the customer call volume of the PUC's payment arrangement request (PAR) hotline, 1-800-692-7380, has been transferred to Diversified Data Services Call Center, Inc. (DDSCCI). DDSCCI also has provided low-income consumers with universal service education information. Due to the outsourcing of call center functions, accessibility to the services of the PUC is dramatically improved. In addition, changing the bureau's internal process to direct all other consumer complaint calls directly to investigators has also improved access.

The number of customers served on the BCS toll-free lines decreased slightly from 167,610 in 1999 to 165,829 in 2000.

Based on the bureau's 2000–01 Customer Satisfaction Survey, 86 percent of the customers said they reached BCS after making one or two attempts to call our 800 numbers. This result remains consistent with the prior year's survey results. Consumer responses also showed there has been no deterioration in the level of satisfaction with the service that they receive from BCS.

In summary, the net result is a considerable improvement in the level of service, both access and information, provided to the public.

Philadelphia Gas Works

BCS staff engaged in numerous activities in preparation for assuming regulatory responsibility over the Philadelphia Gas Works (PGW) on July 1, 2000. BCS staff continues to monitor the company's efforts to improve complaint handling and customer services in accordance with the Memorandum of Understanding (MOU) signed July 18, 2000. The bureau reviewed the company's winter collection program and provided comments to the chief financial officer. Staff worked with the Bureau of Audits to provide input on customer-service issues for the PGW Management Audit. BCS has been heavily involved in resolving several problems, such as telephone access and discontinuance of service, that have been identified through consumer complaints. BCS staff reviewed PGW document call center performance reports, and held on-site observations of customer/company contacts. Meetings with call center managers have taken place on a regular basis. As a result of these efforts, PGW has increased staff and the center's hours of operation, which in turn has increased the number of customer calls handled by the company on a monthly basis. PGW plans to take additional steps to reduce telephone call wait times to more acceptable levels in the near future.

Telecommunications

BCS became aware of consumer issues relating to local telephone competition through informal investigations of local slamming complaints, billing disputes and service complaints that involved CLECs and ILECs. BCS realized that we needed rules and procedures to address consumer problems. With other bureaus' input, BCS prepared and submitted a report to the Commission which included recommendations for the establishment of internal working groups to discuss and recommend ways to address specific telecommunication issues. The commissioners approved the report, and internal working groups are working on addressing the specific issues related to local telephone competition.

BCS worked with the Law Bureau to address how local exchange carriers should handle consumer complaints regarding long distance slamming and cramming. On July 20, 2000, the Commission issued its Final Rulemaking Order (Docket No. L-00990140). The Independent Regulatory Review Commission on October 19, 2000, approved these regulations.

BCS and the Law Bureau examined whether or not it would be feasible for the Commission to "opt in" to administer the Federal Communications Commission's (FCC) slamming liability rules. Based on this review and the initial information from the FCC forum, BCS provided the Law Bureau with its preliminary projections for additional staffing to administer the liability rules. Given the uncertainty of these staffing projections, BCS informed the Law Bureau that an attempt to administer these rules may not be beneficial to the Commission. BCS, in conjunction with the Law Bureau, recommended that the Commission decline to "opt in" at this time. The bureaus also recommended that the Commission revisit this issue within a year.

Both the Allentown and the Bethlehem police forces requested assistance regarding several nuisance pay telephones in their cities. The phones were being used by drug dealers and their customers, and creating a loitering problem. The bureau successfully negotiated with the phone's owners to remove several of these phones. BCS also set up a meeting between concerned citizens, local authorities and representatives of pay-phone companies so that the local community can initially take these problems directly to the owners of the phones.

Escalating service-quality complaints to the BCS from customers of Verizon (formerly Bell of Pennsylvania) caused the Commission to take action with the company. BCS and the commissioner's staff met with Verizon representatives to notify the company that it must improve its service to customers. As a result of the meetings, BCS and Verizon have agreed on a plan that should return the company's service to an acceptable level by the end of 2001. The company will provide the PUC with quarterly updates on its progress toward achieving this goal.

Natural Gas Competition

On June 8, 2000, the Commission adopted a final rulemaking order prepared by BCS that establishes uniform measures and standard data reporting requirements for natural gas distribution companies (NGDCs). The regulations provide a means by which the Commission can monitor the customer-service performance of the NGDCs covered by the Gas Competition Act. The NGDCs serving more that 100,000 residential customers will submit their first report to the Commission on or before August 1, 2001. The report will include data regarding telephone access statistics, bill issuance, meter reading and response to customer complaints. All NGDCs covered by the Competition Act will begin surveying customers about satisfaction with NGDC service in January 2002.

Electric Generation Competition

BCS continues to assist in the implementation of Electric Choice through a variety of activities. The bureau is part of the collaboration team for competitive default service and the collaborative leadership team for the provider of last resort rulemaking. BCS performs ongoing initial administrative oversight of the universal service programs, particularly CAPs and LIURP, that have increased in size and funding as a result of the Electric Choice Act. BCS also continues to assist Law Bureau in appropriate enforcement efforts relating to compliance with customer services regulations by either EDCs or suppliers. BCS also routinely reviews residential billing formats and customer-disclosure statements to ensure their compliance with customer-information requirements.

BCS worked with the Law Bureau, the Office of Communications, PECO and New Power on competitive default service implementation issues. BCS reviewed the PECO/New Power Joint Petition for competitive default service coordination agreement and provided comments to the Law Bureau regarding bill content, payment arrangements, budget billing and customer notification. BCS staff worked with the parties to address an acceptable name, reasonable implementation date and the content of letters to customers.

Electric Quality of Service

The deputy executive director and BCS met with select electric utilities regarding deterioration of service quality. BCS analyzes consumer complaints to the PUC to learn of service quality issues with the companies. Two companies that came under the Commission's scrutiny in 2000 were GPU and PECO Energy. As a result, both companies have pledged to improve, and agreed to submit quarterly reports to BCS that will chart its progress toward improved performance. In 2001, the bureau has reviewed these quarterly reports. Through a monthly analysis of complaints to the bureau, BCS continues to monitor the performance of several EDCs that have had problematic service performance in the past.

In addition, the BCS prepared its second report for the Commission on the quality of service performance of the major EDCs. The Commission released it to the public and made it available on its website in July 2001. The report is a summary of the statistics that the major EDCs reported in compliance with Reporting Requirements for Quality of Service Benchmarks and Standards at 52 Pa. Code §§54.153. The report includes 1999 and 2000 data about telephone access to the company, billing frequency, meter reading and timely response to customer disputes. The report also presents the results of uniform surveys of consumers who had interactions with the EDCs during 2000 as required by § 54.154. The EDCs were not required to conduct the survey in 1999. The purpose of the surveys is to assess consumers' perceptions regarding their interactions with the companies.

Universal Service

BCS received the program plans filed by UGI Utilities Inc., PPL Gas, PG Energy and PECO Energy. The bureau reviewed the information to ensure that their universal plans and revisions comply with the Electric and Natural Gas Choice and Competition Acts, the individual utility's restructuring final order, the reporting requirements, and the Commission's CAP policy statement. BCS then submitted to, and the Commission accepted, a recommendation regarding each plan. The Commission also approved BCS recommendations for regulations for natural gas universal service reporting requirements. As of December 31, 2000, EDCs and NGDCs had enrolled 131,529 customers into their CAPs, compared with 114,489 in 1999.

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, acting upon 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.

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.

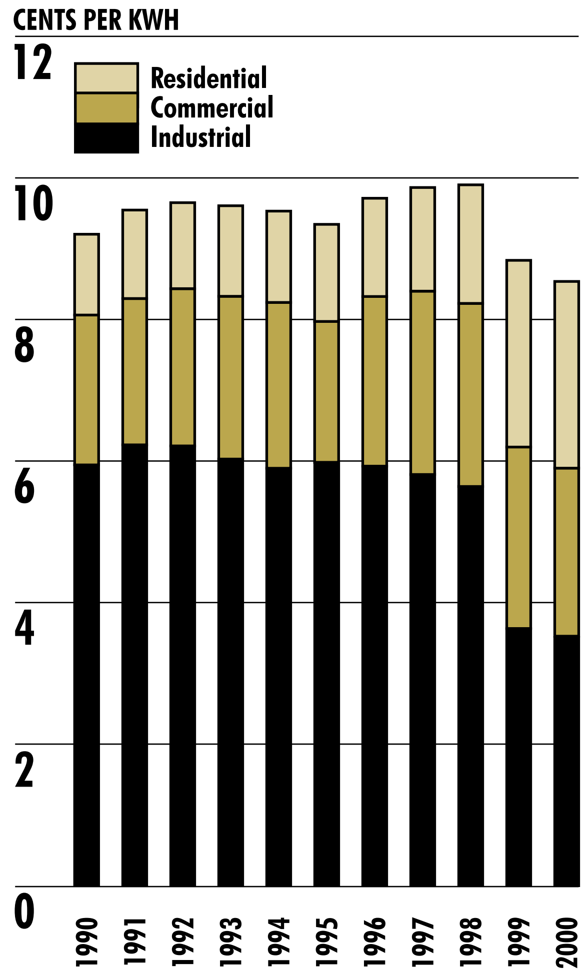
Comparative Electric Revenue

This section presents a study of average electricity revenue in the Commonwealth for 1990 through 2000. The study shows electricity prices for residential, commercial and industrial customer classes. "Average Electric Revenue" was calculated as revenues divided by energy sales and represents a weighted average cost of energy. Rates paid by customers have been capped since 1997. The change in average revenue over this period reflects both negotiated rate reductions implemented during the industry restructuring and the migration of customers to new generation suppliers resulting in reduced revenue to the local distribution company.

The study presents nominal and real changes. Real changes reflect inflation and are the product of nominal average revenue and the implicit price deflator for the Gross National Product.

Overview of Pennsylvania Electricity Revenue

The graph below represents the Pennsylvania weighted average revenue of electricity to residential, commercial and industrial customers from 1990 to 2000. The residential customer's weighted average revenue of electricity decreased from 9.22 cents to 8.59 cents, representing a decrease of 6.8 percent in nominal terms or -28 percent in real terms. The commercial customer's weighted average revenue of electricity decreased from 8.10 cents to 5.81 cents, representing a decrease of 28 percent in nominal terms, or -45 percent in real terms. The industrial customer's weighted average revenue of electricity decreased from 5.97 cents to 3.51 cents, representing a decrease of 41 percent in nominal terms or -55 percent in real terms. These data are presented in more detail for each customer class in subsequent sections.



Residential Electricity Average Revenue

The weighted average residential revenue of electricity decreased 6.8 percent over the 10-year period, from 9.22 cents/kwh in 1990 to 8.59 cents/kwh in 2000. In real terms (adjusted for inflation to 2000 dollars) the weighted average revenue decreased 28 percent.

The table below compares the weighted average residential revenue of the eight major electric utilities in Pennsylvania for the period. In nominal terms, UGI Electric's weighted average residential revenue decreased fastest at 44 percent. In real terms, the residential customers of all companies experienced a decrease in weighted average residential revenue.

Pennsylvania Major Electric Utilities Residential Weighted Average Revenue Per kwh 1990 – 2000 (cents/kwh)

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1990	12.35	8.01	7.86	9.81	7.92	12.53	7.36	5.40
1991	12.55	8.45	8.16	9.70	8.11	13.02	7.67	5.84
1992	12.79	8.60	8.27	9.92	8.27	13.18	7.93	5.96
1993	12.40	8.42	8.30	9.70	8.19	12.82	7.62	6.30
1994	12.36	8.35	8.50	9.58	8.15	12.75	7.58	6.55
1995	12.31	8.64	8.55	9.48	8.18	12.96	7.91	6.89
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	4.12	6.11
% Change								
Nominal	-13.9	9.6	10.2	-6.0	5.0	-23.4	-44.0	13.1
*Real	-33.8	-15.7	-15.3	-27.7	-19.2	-41.1	-56.9	-13.0

* Adjusted for inflation to 2000 dollars

LEGEND

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

Commercial Electricity Average Revenue

The weighted average revenue for electricity for Pennsylvania's commercial customers decreased 28 percent over the 10-year period, from 8.10 cents/kwh in 1990 to 5.81 cents/kwh in 2000. In real terms (adjusted for inflation to 2000 dollars), the weighted average revenue decreased 45 percent.

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

Pennsylvania Major Electric Utilities Commercial Weighted Average Revenue Per kwh 1990 – 2000 (cents/kwh)

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1990	8.68	7.07	6.83	8.02	7.59	11.75	7.20	4.85
1991	8.76	7.51	7.01	7.92	7.76	12.13	7.54	5.17
1992	8.89	7.62	7.11	8.00	7.89	12.48	7.79	5.27
1993	8.56	7.47	7.16	7.87	7.83	11.78	7.28	5.53
1994	8.50	7.37	7.34	7.78	7.78	11.58	7.29	5.72
1995	8.42	7.59	7.31	7.74	7.73	11.74	7.47	5.93
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	3.44	4.57
% Change								
Nominal	-19.5	-17.6	-22.0	-4.7	-24.1	-50.7	-52.3	-5.9
*Real	-38.1	-36.6	-40.0	-26.7	-41.6	-62.1	-63.3	-27.6

* Adjusted for inflation to 2000 dollars

LEGEND

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

Industrial Electricity Average Revenue

The weighted average revenue of electricity to Pennsylvania's industrial customers decreased 41 percent over the 10-year period, from 5.97 cents/kwh in 1990 to 3.51 cents/kwh in 2000. In real terms (adjusted for inflation to 2000 dollars), the weighted average revenue declined by 55 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 weighted average revenues.

Pennsylvania Major Electric Utilities Industrial Weighted Average Revenue Per kwh 1990 – 2000 (cents/kwh)

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1990	6.16	5.50	4.66	4.93	5.78	7.53	6.04	3.77
1991	6.42	5.96	4.99	4.82	5.98	7.91	6.39	4.14
1992	6.40	5.95	5.08	4.91	5.98	7.76	6.65	4.16
1993	6.13	5.67	5.22	5.10	5.74	7.31	6.11	4.35
1994	5.93	5.56	5.34	4.99	5.51	7.21	6.06	4.45
1995	5.94	5.76	5.32	4.76	5.45	7.18	6.40	4.54
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	2.54	3.34
% Change								
Nominal	-13.1	-52.2	-34.7	0.6	-33.5	-57.3	-58.0	-11.5
*Real	-33.2	-63.2	-49.8	-22.6	-48.9	-67.2	-67.7	-31.9

* Adjusted for inflation to 2000 dollars

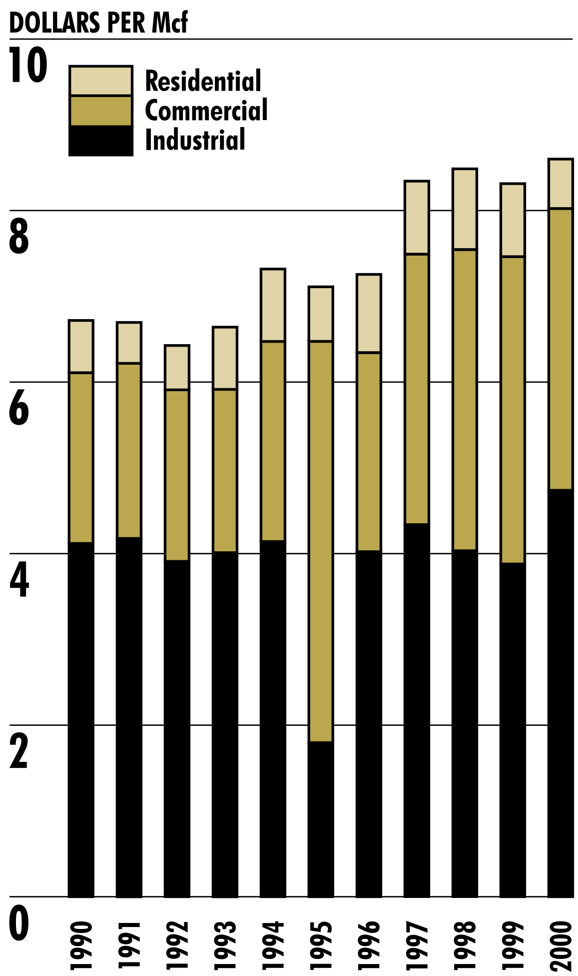
LEGEND

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

Comparative Gas Average Revenue

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 1990 through 2000. All revenue per Mcf provided is in dollars per Mcf and represents a weighted average.

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 implicit price deflator for the Gross National Product. 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 below presents the Pennsylvania weighted average revenue per Mcf to residential commercial and industrial customers from 1990 to 2000. The residential weighted average revenue per Mcf increased from \$6.53 to \$8.60, representing an increase of 32 percent in nominal terms or an increase of 1 percent in real terms. The commercial weighted average revenue per Mcf increased from \$6.13 to \$8.01, representing an increase of 31 percent in nominal terms or a 0.5 percent increase in real terms. Industrial weighted average revenue per Mcf increased from \$4.11 to \$4.70. This represents an increase of 14 percent in nominal terms or a 12 percent decrease in real terms. These data are presented in more detail for each customer class in subsequent sections.

Residential Gas Revenue Per Mcf

The weighted average residential revenue per Mcf increased 32 percent over the 1990–2000 period, rising from $6.53 in 1990 to $8.60 in 2000. In real terms (adjusted for inflation to 2000 dollars) the weighted average revenue per Mcf increased 1 percent.

The table below compares the weighted 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 weighted average residential revenue per Mcf rose the fastest at 54 percent over the period. In real terms, residential customers of PECO Gas experienced a decrease in weighted average residential revenue per Mcf.

Pennsylvania Major Gas Utilities Nominal Weighted Average Residential Revenue Per Mcf 1990 – 2000 (dollars/Mcf)

	CLMB	EQTBL	NFGC	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
1990	6.14	7.25	6.07	5.82	5.38	6.25	7.94	4.76	6.89
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
% Change									
Nominal	40.2	40.0	33.2	36.5	37.2	39.4	2.9	54.3	38.8
*Real	7.9	7.7	2.5	5.0	5.5	7.2	-20.8	18.7	6.8

* Adjusted for inflation to 2000 dollars
After 1987: Calculated from Annual Reports (FERC Form #1)

LEGEND

CLMB . . . . Columbia Gas of Pennsylvania Inc.
EQTBL. Equitable Gas Company
NFG. . . . . . National Fuel Gas Distribution Corporation
NoPNN . . . . North Penn Gas Co.
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.

(PPL) Units reported in Dth

Commercial Gas Revenue Per Mcf

Over the 1990–2000 period, the weighted average commercial revenue per Mcf increased 32 percent, going from $6.13 in 1990 to $8.01 in 2000. In real terms (adjusted for inflation to 2000 dollars), the weighted average revenue per Mcf increased 0.5 percent.

The table below compares the weighted average commercial revenue per Mcf of the nine major gas utilities in Pennsylvania for the period. UGI had the highest rate of increase at 47 percent in nominal terms. In real terms, commercial customers of PG Energy and Columbia Gas experienced decreases over the period.

Pennsylvania Major Gas Utilities Nominal Weighted Average Commercial Revenue Per Mcf 1990 – 2000 (dollars/Mcf)

	CLMB	EQTBL	NFGC	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
1990	5.85	6.57	5.70	5.07	5.28	5.99	7.04	4.40	6.18
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	n/a	6.39	9.08
% Change									
Nominal	29.2	46.3	38.5	43.3	22.9	35.7		45.2	46.9
*Real	-0.6	12.6	6.6	10.3	-5.4	4.3		11.7	13.0

* Adjusted for inflation to 2000 dollars
PECO Gas reports commercial and industrial revenues (and Mcf) as one total.

LEGEND

CLMB . . . . Columbia Gas of Pennsylvania Inc.
EQTBL. Equitable Gas Company
NFG. . . . . . National Fuel Gas Distribution Corporation
NoPNN . . . . North Penn Gas Co.
Owned by PPL—Units reported in 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 weighted average industrial revenue per Mcf increased 14 percent over the 1990–2000 period, going from $4.11 to $4.70. In real terms (adjusted for inflation to 2000 dollars) the weighted average revenue per Mcf decreased 12 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 weighted average industrial revenue per Mcf of the nine major gas utilities for the period. In nominal terms, Columbia Gas Co. had the highest increase at 209 percent.

Pennsylvania Major Gas Utilities Nominal Weighted Average Industrial Revenue Per Mcf 1990 – 2000 (dollars/Mcf)

	CLMB	EQTBL	NFGC	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
1990	9.56	5.37	5.64	4.17	4.28	3.81	4.14	3.20	4.84
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	n/a	3.99	8.03
% Change									
Nominal	-20.0	67.1	-11.7	36.8		66.0		24.8	65.9
*Real	-38.5	28.5	-32.1	5.2		27.7		-4.0	27.6

* Adjusted for inflation to 2000 dollars

PECO Gas reports commercial and industrial revenues (and Mcf) as one total.

LEGEND

CLMB . . . . Columbia Gas of Pennsylvania Inc.
EQTBL. Equitable Gas Company
NFG. . . . . . National Fuel Gas Distribution Corporation
NoPNN . . . . North Penn Gas Co.
Owned by PPL—Units reported in Dth
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PECO . . . . PECO Energy Company
PHLPS . . . . T.W. Phillips Gas and Oil Company
UGI . . . . UGI Utilities Inc.

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. With the advent of Pennsylvania's Choice program, the transportation revenue reflects the addition of the small residential and commercial customer transportation service, which is billed at relatively higher rates than large industrial or commercial customers.

The table below compares the weighted average revenue per Mcf of gas transportation of the nine major gas utilities for the period. In nominal terms, Columbia Gas Company had the highest rate of increase at 209 percent. In real terms, TW Phillips and North Penn Gas had a decrease in weighted average transportation revenue per Mcf.

Pennsylvania Major Gas Utilities Nominal Weighted Average Transportation Revenue Per Mcf 1990 – 2000 (dollars/Mcf)

	CLMB	EQTBL	NFGC	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
1990	0.492	0.732	0.483	0.650	0.468	0.691	0.544	0.764	0.959
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	1.521	2.183	1.450	0.746	0.520	1.821	0.698	0.657	1.313
% Change									
Nominal	209.1	198.2	200.3	14.7	11.1	163.5	28.2	-14.0	36.9
*Real	137.8	129.4	131.0	-11.8	-14.5	102.7	-1.4	-33.8	5.3

* Adjusted for inflation to 2000 dollars

LEGEND

CLMB . . . . Columbia Gas of Pennsylvania Inc.
EQTBL. Equitable Gas Company
NFG. . . . . . National Fuel Gas Distribution Corporation
NoPNN . . . . North Penn Gas Co.
Owned by PPL—Units reported in 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 1990 through 2000. 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 implicit price deflector for the Gross National Product.

"Weighted Average Revenue Per Local Access Line" is calculated as the sum of the local operating revenues of the utilities divided by the sum of the total access lines in service, including both residential and business customers. Revenue per local access line, therefore, represents the weighted average amount of local charges paid, per line, by subscribers.

The weighted average annual revenue per access line increased 11.4 percent during the period, going from $234.24 to $260.93. In real terms (adjusted for inflation to 2000 dollars), the customer cost of local service decreased 14 percent.

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

Pennsylvania Major Telephone Utilities Weighted Average Revenue Per Local Access Line 1990 – 2000 (dollars/access line)

	ALLTEL	VERIZON-PA	CONEST	COMMON	VERIZON-NO	UNTD	AVG. PRICE NOMINAL
1990	221.20	244.62	122.19	105.26	230.66	199.77	234.24
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
% Change							
Nominal	18.3	9.9	28.6	44.8	10.4	24.0	11.4
*Real	-9.0	-15.4	-1.1	11.4	-15.1	-4.6	-14.3

* Adjusted for inflation to 2000 dollars

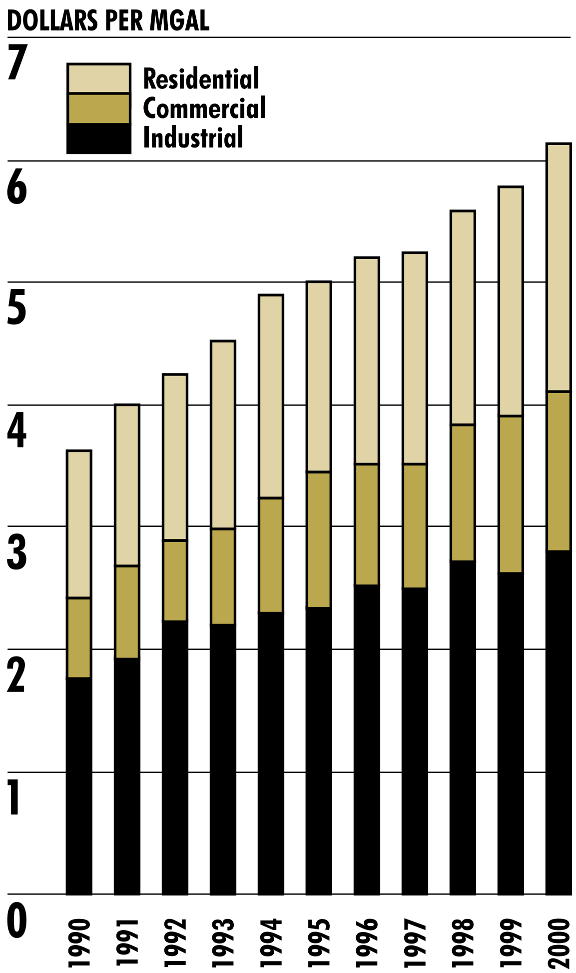
LEGEND

ALLTEL . . . . ALLTEL of Pennsylvania
BELL . . . . Bell-Atlantic–Pennsylvania
CONEST . . . . . . Conestoga Telephone & Telegraph Co.
COMMON . . . . . Commonwealth Telephone Company
GTE N . . . . GTE North Inc.
UNTD . . . . United Telephone Company of Pa.

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 1990 through 2000. All data represent a weighted 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 implicit price deflator for the Gross National Product. The study is based on the data from the annual reports filed with the Commission by the major water utilities.



Overview of Pennsylvania Water Revenue Per MGal

The graph below presents the Pennsylvania weighted average revenue per MGal to residential, commercial and industrial customers during the period. The residential customer's weighted average revenue per MGal increased from $3.59 to $6.13, representing an increase of 71 percent in nominal terms, or 31 percent in real terms. For commercial customers, the revenue per MGal over the period went from $2.37 to $4.09, representing an increase of 72 percent in nominal terms, or 33 percent in real terms. Industrial customers saw the weighted average revenue per MGal increase from $1.70 to $2.79. This represents an increase of 64 percent in nominal terms, or 26 percent in real terms. These data are presented in more detail for each customer class in subsequent sections.

Residential Water Revenue Per MGal

The weighted average residential revenue per MGal of water increased 71 percent from 1990–2000, going from $3.59 to $6.13. In real terms (adjusted for inflation to 2000 dollars) the weighted average revenue per MGal increased 31 percent.

The table below compares the average residential revenue per MGal of the four major companies for the period. In nominal terms, PAWC revenues per MGal rose fastest at 71 percent, while York Water's was slowest at 35 percent. In real terms, the residential customers of York Water experienced an increase of only 4 percent in weighted average revenue per MGal.

Pennsylvania Major Water Utilities Nominal Weighted Average Residential Revenue Prices 1990 – 2000 (dollars/1,000 gal)

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1990	3.51	4.11	3.36	3.20
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
% Change				
Nominal	58.3	70.6	58.4	34.9
*Real	21.8	31.2	21.8	3.8

* Adjusted for inflation to 2000 dollars

LEGEND

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

Commercial Water Revenue Per MGal

The weighted average revenue per MGal of water to Pennsylvania's commercial customers increased 72 percent from 1990 to 2000, going from $2.37 to $4.09. In real terms (adjusted for inflation to 2000 dollars), the weighted average revenue per MGal increased 33 percent.

The table below compares the weighted average commercial revenue per MGal of the four major water companies for the period. PAWC had the highest rate of increase at 71 percent in nominal terms. In real terms (adjusted for inflation to 2000 dollars), the commercial customers of Philadelphia Suburban increased 17 percent.

Pennsylvania Major Water Utilities Nominal Weighted Average Commercial Revenue Prices 1990 – 2000 (dollars/1,000 gal)

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1990	2.52	2.79	2.36	1.41
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
% Change				
Nominal	53.1	70.5	51.4	59.3
*Real	17.8	31.1	16.5	22.5

* Adjusted for inflation to 2000 dollars

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

Industrial Water Revenues Per MGal

The weighted average revenue per MGal of water to Pennsylvania's industrial customers increased 64 percent from 1990–2000, going from $1.70 to $2.79. In real terms (adjusted for inflation to 2000 dollars), the weighted average revenue per MGal increased 26 percent.

The table below compares the average industrial revenue per MGal of the four major water utilities for the period. PAWC had the highest rate of increase at 71 percent in nominal terms. In real terms, industrial customers of York and United-Pa. experienced decreases of 8 percent and 10 percent, respectively.

Pennsylvania Major Water Utilities Nominal Weighted Average Industrial Revenue Prices 1990 – 2000 (dollars/1,000 gal)

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1990	2.03	1.83	2.05	1.24
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
% Change				
Nominal	17.0	70.7	31.0	19.6
*Real	-10.0	31.3	0.8	-8.0

* Adjusted for inflation to 2000 dollars

LEGEND

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

Bohdan R. Pankiw
Chief Counsel

The Law Bureau is a multi-function legal staff consisting of prosecutory, advisory, representational and enforcement function. The Law Bureau provides legal support directly to the Commission and other PUC bureaus on a wide 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 is also a bureau responsibility.

The bureau has been delegated prosecutory authority to initiate non-rate proceedings which 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 (fixed utility service matters); 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.

Highlights

Duquesne Provider of Last Resort Plan

The Commission facilitated a collaborative of interested parties and approved a settlement resolving issues relating to provider of last resort (POLR) obligations of Duquesne Light Company during the post-transition period (following the termination of stranded cost recovery through 2004). As a result, customers in Duquesne's service territory will be adequately protected from the volatility of the wholesale market, and the development of the market will be advanced by Duquesne's regional transmission organization commitments.

Notice Requirements Imposed on Electric Generation Suppliers

The PUC initiated a proceeding to re-examine the notice requirements applicable to electric generation suppliers (EGSs) when proposing price changes. EGSs have sought waivers of the regulation requiring 90-, 60- or 30-day notices of proposed price changes, while consumer representatives have expressed concerns about ensuring that customers have sufficient timeto select an alternative supplier. After reviewing comments of interested parties, the Commission adopted guidelines to reduce the notice requirements for proposed price changes so that customers receive such notice 45 days prior to the effective date of the change.

Issues Relating to Regional Transmission Organizations

The Law Bureau participated in numerous Federal Energy Regulatory Commission (FERC) proceedings involving the development and practices of regional transmission organizations, and has intervened in the appeal of FERC Order 2000. Additionally, the bureau attended various meetings of PJM, the independent system operator for most of Pennsylvania's control area, to monitor key issues affecting the continuing development of a competitive wholesale market. Some key issues during this period related to the installed capacity obligation, capacity deficient rate, load response program, and reliability assurance agreement.

Federal Trade Commission (FTC) Comments

The Commission filed comments in response to the FTC request for information concerning electric retail access programs. The comments provided details about Pennsylvania's electric restructuring legislation and its implementation. Issues addressed include benefits of retail competition, successful features of Pennsylvania's program, consumer education, consumer protections, electronic data exchange, licensing requirements, codes of conduct, provider of last resort obligations, universal service and energy conservation programs, development of regional transmission organizations, and price fluctuations in the wholesale electric market.

Demand Side Response (DSR) Working Group

The DSR Working Group first convened in January 2001 following a Commission-sponsored roundtable discussion in November 2000. The working group has primarily focused on programs that are being offered to large commercial and industrial customers during the summer of 2001, such as voluntary load reduction on peak days and the use of real-time pricing information to encourage demand side responses. The DSR Working Group also is looking at methods that can be used to evaluate the effectiveness of such programs, and has taken steps to begin educating residential consumers as to the effect on wholesale electric prices of using electricity at peak times.

GPU Petition for Deferral of POLR Costs

During the pendency of its merger proceeding with FirstEnergy, GPU sought permission to defer, for ratemaking and accounting purposes, the generation supply costs it incurs above the rate caps to serve retail customers who have remained with or returned to its POLR service. In approving a settlement stipulation filed by several parties, but opposed by non-utility generators and marketers, the Commission permitted GPU to defer these costs and carry them on its books through 2010. After that time, any losses that have not been offset by wholesale power profits or otherwise recovered within the rate caps would be written off. Approval of the deferral mechanism preserved the rate caps, while enabling GPU to access financial markets and continue to purchase generation supply for its POLR customers.

Regulation of Philadelphia Gas Works (PGW)

The PUC addressed the merits of PGW's interim base rate proposal and its gas cost rate filing, authorizing increases subject to compliance with various conditions relating to customer service, the adequacy and safety of its facilities, and the management of its operations. Thereafter, the bureau negotiated a settlement of the interim base rate proceeding with PGW, resulting in withdrawal of its appeal and implementation of an interim rate increase designed to preserve PGW's financial ability to meet its bond requirements. Under the settlement, the City of Philadelphia has committed to simplify PGW's governance structure and to conduct a search for independent, long-term management for PGW. The Law Bureau participated in the pending base rate proceeding to present the management audit into the record. The bureau also reviews the progress reports filed by PGW in compliance with the interim base rate and gas cost rate orders, as well as working with PGW to improve the effectiveness of its customer call center.

Final Rulemaking on Licensing Requirements for Natural Gas Suppliers

On April 19, 2001, the PUC adopted final regulations establishing licensing requirements for natural gas suppliers (NGSs). In this rulemaking, the Commission exempted non-traditional marketers and marketing services consultants from licensing. Non-traditional marketers are community-based organizations or civic, fraternal or business associations that works as an agent of a licensed supplier to market service to its members or constituents. A marketing services consultant is a commercial entity that is under contract to a licensed NGS and acts as an agent to market service to consumers, or is under contract to a consumer and acts as an agent to recommend the acceptance of offers to provide service.

Entry Standards for Limousine Applicants

The Commission adopted a final policy statement relaxing the entry standards for limousine applicants. Specifically, the requirement that applicants establish a particular public need for the proposed service was eliminated. The PUC retained the need, however, for a limousine applicant to demonstrate its technical and financial ability to provide the proposed service, and stressed that it would not grant authority if the record demonstrates that the applicant lacks the propensity to operate safely and legally.

ILEC/CLEC Tariff Parity Rulemaking

Final regulations were published December 2, 2000, at 30 PaB 6202 streamlining Commission tariff filing regulations so as to reflect Pennsylvania's competitive local exchange carrier environment.

Internal Enforcement Procedures Delinquency Prosecutions

On November 1, 2000, the Law Bureau sent to the executive director a comprehensive redraft of the PUC's Internal Procedures Manual Rule 503 (relating to Collection of Unpaid Fines and Assessments, Overdue Annual Reports, and Failure to Submit Initial Tariffs). This represented a unified and cohesive multi-bureau "roadmap" for enforcement of basic utility compliance under the current competitive environment. Under new Rule 503, Law Bureau prosecutory staff has been deliberately finetuning and diligently implementing procedures for prosecuting utilities delinquent in the filing of their annual reports and in paying their annual assessments. Furthermore, prosecutory staff diligently prosecuted Bureau of Fixed Utility Service referrals of EGS licensees derelict in their compliance with Commission bonding requirements. Prosecutory staff successfully prosecuted all 87 telecommunication service providers that had failed to pay their 2000 Universal Service Fund Assessments with a total arrearage of $161,000. Staff also completed collection initiatives involving 82 telecoms delinquent in the payment of their 2000 Consumer Education Fund assessments totaling more than $300,000.

Global Order

On October 25, 2000, the Commonwealth Court, in a unanimous en banc decision, upheld the PUC's Global Order entered September 30, 1999. The Global Order resolved numerous interrelated issues regarding telecommunications services, rates and changes appropriate to advance the development of local telephone competition and to ensure just and reasonable rates in furtherance of Chapter 30 and TA-96. Among the most important issues addressed in the Global Order that were affirmed by the court in its decision were the Commission's rulings: a) requiring Verizon to structurally separate its retail and wholesale operations; b) mandating reductions in Verizon's UNE rates charged to competitors; c) finding that Chapter 30 does not create a "regulatory bargain" or "contract" prohibiting the PUC from revising rates without Verizon's approval; and d) creating separate universal service and consumer education funds.

Structural Separation Implementation Proceeding

After further efforts to settle the Global Order litigation failed, the structural separation implementation proceeding was initiated on April 27, 2000. During the proceeding, the bureau drafted recommendations on two separate petitions requesting an answer to material questions regarding its scope and exclusion of certain evidence. After exceptions and reply exceptions were filed, the Law Bureau and OSA developed a recommendation and draft order for the Commission. At the March 22, 2001, public meeting, the Commissioners instead adopted the Chairman and Vice Chairman's joint motion modifying staff's recommendation. The motion offered Verizon the option of accepting functional/structural separations with certain market opening conditions, provided that it withdraw all pending legal challenges. Verizon subsequently accepted the option and withdrew all court challenges to the Global Order.

Section 271 Procedures Order

The Law Bureau, in cooperation with FUS, OALJ, and OSA, drafted a comprehensive procedural order that detailed the manner in which the PUC would manage and consider Verizon's anticipated application for Section 271 approval to provide InterLATA long-distance service in Pennsylvania. The procedures order addressed comments, discovery, technical conferences and en banc hearings before the Commissioners.

Verizon Section 271 Proceedings

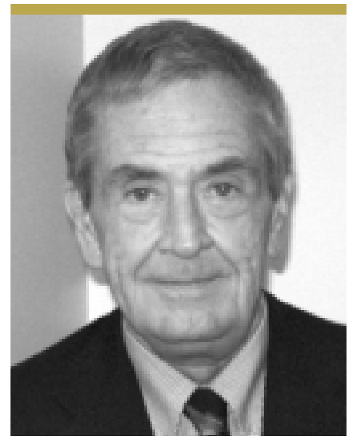
The bureau took the lead role in an inter-bureau effort to review Verizon's bid for entry into the long distance market in Pennsylvania. The Law Bureau worked in conjunction with FUS, OALJ, OSA and CEEP, and acted as liaison with interested federal entities, namely, the U.S. Department of Justice and the Federal Communications Commission (FCC). The PUC team reviewed and evaluated Verizon's assertion, and active challenges thereto, that Verizon is in compliance with the TA-96 requirement that the company irrevocably open its local markets to competition as a condition to being granted the ability to provide in-region interLATA toll service. On June 25, 2001, the Law Bureau submitted, with the PUC's approval, a comprehensive report to the FCC finding that Verizon had taken each of the necessary steps to open its local markets to competition and, in particular, had satisfied the 14-point check list in TA-96. The report was the culmination of a unique five-month proceeding, including 24 days of technical conferences, three days of en banc hearings, and a Commission vote at the public meeting of June 6, 2001.

Number Conservation Issues

Following a July 27, 2000, grant of authority from the FCC for Pennsylvania to implement number conservation measures, the Law Bureau was successful in securing Commission approval of a tentative order entered October 13, 2000, for initiating a 1,000-number pooling trial in the Philadelphia MSA whereby numbers are released to new carriers in blocks of 1,000 as opposed to the traditional 10,000-number blocks. Close on the heels of the Philadelphia trial, the bureau obtained public meeting approval of a second trial in the Pittsburgh area pending action by the FCC to roll-out mandatory pooling on a nationwide basis. This was in addition to related ongoing conservation initiatives for NXX code reclamation, rate center consolidation, and NXX code sharing.

Sovereign Immunity under TA-96

During the year, the Law Bureau prepared and filed briefs in the U.S. Supreme Court supporting the right of state commissions and their individual commissioners to be free from private party suit in federal court. This is a national issue that has been addressed in many federal courts across the country at the behest of state commissions. On June 21, 2001, the bureau presented oral argument in the U.S. Court of Appeals for the Third Circuit in two sovereign immunity cases arising from PUC decisions in interconnection agreement cases under TA-96. The Law Bureau has built and maintained a network of contacts in other states, and the Commission is looked upon as a leader on this important issue.



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 10,533 documents, comprised of 1,105 certificates of public convenience; 21 securities certificates; 259 complaint orders; 255 rate investigation orders; 271 transportation orders; 124 petition orders; 470 Act 294 orders; six emergency orders; 301 miscellaneous orders; 726 fixed utility application orders; 11 investigation orders; eight proposed rulemaking orders; 96 affiliated interest agreements; 5,793 secretarial letters, 738 ALJ decisions, and 349 medallion documents.
- Processed 1,549 reports and orders for consideration at 26 public meetings.
- Received 8,207 new cases comprised of 1,825 applications; 4,666 formal complaints and 1,716 miscellaneous.
- Docketed 75,754 filings.
- Prepared 10,122 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

Hoffman Industries Inc. v. PPL Electric Utilities Corp. (C-00003811, R-00006034, et al.)

Hoffman filed a complaint objecting to a provision in PPL's Commission-approved electric tariff that requires commercial and industrial customers returning to provider of last resort (POLR) service to retain that service for successive one-year terms. PPL submitted a proposed GRA mechanism, agreed to by the other parties to the proceeding, that would allow the customer to "buyout" this commitment and re-enter the competitive supply market prior to expiration of the 12 months. This "buyout" essentially results in the customer compensating PPL for additional generation charges to reflect "market-based" rates for the period the customer purchased POLR supply from PPL. PPL entered into a stipulation in settlement that would result in approval of its GRA mechanism (as proposed) and affirmation that its current tariff contains a renewing 12-month supply service commitment for customers returning to POLR service. The Commission found the ALJ's recommendation that PPL's GRA rider be approved to be reasonable. The ALJ's recommendation is consistent with our previous ruling in the West Penn Power GRA proceeding.

Joint Application for Approval of the Merger of GPU Inc. with FirstEnergy Corp. (A-110300F0095)

The joint application of GPU, Inc., with FirstEnergy Corp. for approval of a merger was granted, with conditions. The concomitant request for rate cap relief was held in abeyance to afford the parties an opportunity to resolve this issue in a Commission-facilitated collaborative, which was to conclude no later than June 20, 2001. The exceptions of the numerous parties to the proceeding were granted and/or denied in accordance with the final opinion and order.

Gas

Pa. PUC v. T.W. Phillips Gas & Oil Co. (R-00994790)

Approval of Natural Gas Choice and Competition Restructuring Filing. Order entered 9/7/00.

Pa. PUC, et al. v. National Fuel Gas Distribution Corporation (R-00994898)

1307(f) proceeding.

Joel Pete v. T.W. Phillips Gas & Oil Co. (C-00003609)

The concept of standing requires that an aggrieved party have an interest that is substantial, direct and immediate. To have a substantial interest means that there must be some discernible adverse effect to some interest of the complaining party other than the abstract interest of all citizens in having others comply with the law. To have a direct interest means that the aggrieved party must show causation of the harm to his interest by the matter of which he complains. To have an immediate interest means that the nature of the causal connection between the action complained of and the injury to the person challenging it is sufficiently close to present a justiciable controversy.

Telecommunications

Joint Petition of Nextlink Pa. Inc., et al. for Order Establishing Formal Investigation of Performance Standards, Remedies and OSS Testing for Bell Atlantic-Pennsylvania Inc. (P-00991643)

AT&T filed exceptions to Bell-Atlantic's compliance filing.

Focal Communications Corporation of Pennsylvania (A-310630F0002)

Arbitration of interconnection agreement.

Covad Communications of Pennsylvania; Rhythms Links Inc. (A-310696F0002, A-310698F0002)

Application of AT&T and TCG Pittsburgh (A-310125F0002)

This proceeding was the application of AT&T to amend its certificates of public convenience, so as to be permitted to supply facilities-based local exchange telephone service in the territories of eight small/rural incumbent local exchange companies. They also sought to significantly reduce the evidentiary showing needed for such facilities based competitive entry.

Structural Separation of Verizon Pennsylvania Inc., F/K/A Bell Atlantic-Pennsylvania Inc., Retail and Wholesale Operations (M-00001353)

On September 30, 1999, an opinion and order was issued by the PUC at Docket Nos. P-00991648 and P-00991649, commonly referred to as the "Global Order." Among other things, that order directed Bell, now Verizon, to submit a plan to create a separate affiliate to supply retail telecommunications services. Thereafter, on April 27, 2000, an order instituting the current structural separation proceeding was entered. On January 26, 2001, the recommended decision of ALJ Weismandel was issued. Various participants submitted exceptions, reply exceptions and other pleadings. By opinion and order entered April 11, 2001, the Commission adopted a functional/structural separation that directed Verizon to functionally separate its wholesale and retail operations through the application of a code of conduct. Verizon also was ordered to establish a separate advanced data services affiliate; initiate a rulemaking proceeding and additional proceedings and/or collaboratives regarding, among other things, code of conduct; remedies payments; unbundled network elements; line splitting; design and deployment of fiber; and NGDLC, CLEC access to DSLAM equipment at the Verizon RT. Additionally, Verizon had to commit to terminate certain pending litigation.

Application of AT&T to Commence Service in the Territories of Eight Rural Local Exchange Companies (A-310125)

The Commission established new standards for consideration of all such applications.

Petition of Focal Communication of PA for Arbitration to Establish Interconnection with Bell Atlantic-PA Inc. (A-310630F0002)

Keith McCall v. Bell Atlantic PA Inc. and Palmerton Telephone Company, et al. (C-00981941)

Order directing Verizon to implement extended area service.

Sandra Feigley v. AT&T Communications of Pennsylvania Inc. (C-00981434)

In this case, Mrs. Sandra Feigley, whose spouse is incarcerated in a Pennsylvania state prison institution, brought suit individually, and in conjunction with a national group known as Citizens United for the Rehabilitation of Errants (CURE), alleging that rates for collect telephone calls placed from Pennsylvania penal institutions were excessive and unlawful. Persons in state prisons, as is the case mostly throughout the United States, are not permitted to directly dial locations outside of the prisons. Such persons are only permitted to make collect calls, after receiving an identifying number and providing a list of friends, relatives, attorneys, etc. to whom they are permitted to call. The telephone system, because of security concerns, is a specialized system, which is installed and maintained by a private contractor, in this case AT&T, pursuant to a state awarded contract.

Further Pricing of Verizon Pennsylvania Inc.'s Unbundled Network Elements (R-00005261, et al.)

On June 8, 2001, the Commission entered an opinion and order (interim) providing for the appropriate cost study methodology, which Verizon should implement to determine the pricing for unbundled network elements (UNEs). UNEs are those portions of the incumbent local exchange carrier's network, including features and capabilities, which are necessary for the provision of competing service without access to which, a competitor would be impaired from providing service. The order established recently declared UNEs such as dark fiber and sub-loops. The order was interim in nature due to the necessity for Verizon to submit a revised cost study using the Commission-directed inputs.

PUC v. Verizon Pennsylvania Inc. (R-00994697)

This is the PUC's formal investigation of Verizon's collocation rules, rates and practices, particularly as they related to collocation and alternatives to collocations, as directed by the Global Order. Collocation refers to the ability of a competitive local exchange carrier to locate facilities needed to provide competitive service at or near the premises of the incumbent local exchange carrier. The ability to collocate on reasonable terms and conditions is mandated by the Telecommunications Act of 1996, and is an essential component of meaningful competition. The PUC established rates, terms and conditions for collocation for Verizon.

Transportation

Investigation into the Maintenance of the Crossing Carrying State Route 3009 above the Tracks of SEPTA in the City of Philadelphia (I-00960064)

In Southeastern Pa. Transportation Authority v. Pa. PUC (1993), the Commission entered into a consent decree with SEPTA which prevents the PUC from assessing costs against SEPTA for maintenance and construction of any highway bridge. We reversed the ALJ's recommended decision and granted SEPTA's exceptions.

Stephen B. Gothreau and United Transportation Union, Pa. State Legislative Board v. Norfolk Southern Railway Co. (C-00003668)

It is the Commission's policy to encourage settlements between and among parties. See Section 5.231 of the Public Utility Code, 52 Pa. Code Section 5.231. See also Section 69.391 et seq. of the Public Utility Code, 52 Pa. Code Section 69.391 et seq., which deals with mediation process regulations. It is also the PUC's policy to accept settlements as agreed upon between and among parties unless such settlements are clearly contrary to the public interest or to public safety.

Pa. PUC v. Superior Moving and Storage (A-00103923C0001)

The Bureau of Transportation and Safety (BTS) alleged in its complaint that Superior Moving & Storage violated the Public Utility Code by transporting household goods from one Morrisville location to another Morrisville location without the proper authority. In the PUC's opinion and order, it was held that Superior Moving had not exceeded its authority nor violated the Public Utility Code because the relevant move was determined to be one continuous move and was terminated in Philadelphia, and not in Morrisville, as alleged by the BTS. As a result, the BTS' exceptions were denied, and the ALJ's initial decision was adopted as the action of the Commission.

Water

Application of Consumers Pennsylvania Water Co.—Shenango Valley Division (A-212750F0007)

The ALJ was found to have correctly dismissed Pennsylvania-American Water Company's motion to dismiss as "improvidently filed." This decision was reached because it was concluded that an ALJ or other presiding officer cannot countenance a party's filing of a motion to dismiss that is addressed to another party's motion to dismiss. Otherwise, such a process could proceed ad infinitum.

PA PUC, et al. v. City of Lancaster (R-00005109)

The city proposed rates designed to produce an increase in jurisdictional annual operating revenues of $349,970 (or some 46 percent above the overall level of pro forma revenue under existing rates). The Commission granted an increase of $223,189.

Application of Pennsylvania-American Water Company for Approval by Sale of all the Water Works Property and Rights of the City of Coatesville Authority Water System (A-212285F0071)

Application of Philadelphia Suburban Water Company (A-212370F0059)

Philadelphia Suburban Water Company (PSW) filed an application to enlarge its service territory to serve a planned residential development. Chester Water Authority, a municipal authority, filed a protest to the application. The ALJ recommended approval of the application. Chester Water Authority filed exceptions arguing that the ALJ erred in recommending approval of the application. PSW filed exceptions arguing that while it agreed with the ALJ's ultimate conclusion to grant its application, the ALJ erred in failing to find that the municipal authority's proposed main extension was barred by Section 306(b)(2) of the Municipality Authorities Act (Act), 53 P.S. §306(b)(2).

In a decision adopted at the June 21, 2001, public meeting, the Commission denied Chester Water Authority's exceptions, thereby adopting the ALJ's recommendation to approve PSW's application to expand its service territory to serve the residential development. In denying the PSW's exceptions, the PUC noted that the record indicated that while PSW had existing facilities in close proximity to the main entrance to the tract, PSW had no existing facilities in place actually ready to provide water service to the tract. The Commission concluded that the threshold consideration, whether the municipal authority's project would duplicate or compete with the utility's existing facilities in place, was not met and as such, the ALJ properly concluded that the Chester Water Authority's proposal to serve the subject tract was precluded by the Act.

Pa. PUC v. Emporium Water Co. (R-00005050, et al.)

By order entered on March 8, 2001, Emporium Water Company was granted an annual revenue increase of $33,371, of the $115,075 requested. On March 12, 2001, Emporium filed a petition for review to the Commonwealth Court. On May 29, 2001, Emporium and the PUC's Law Bureau filed a joint petition for full settlement, with reference to the appeal of the Commission's March 8, 2001, order. OTS, OCA and Emporium filed comments to the joint petition. By opinion and order entered herein on June 21, 2001, the Commission granted the joint petition and adopted the full settlement. As a consequence of the PUC's adoption of the full settlement, Emporium withdrew its appeal to the Commonwealth Court, and the company was permitted to collect an increase in annual revenues of $24,129 in addition to the $33,371 increase approved by the Commission's March 8, 2001, order herein.

Miscellaneous

Objections of United Parcel Service, Inc. to its General Assessment (M-00981098)

Objection of the Pennsylvania Telephone Association, on behalf of its Members, to the General Assessment (M-00970994)

PUC v. Pennsylvania Telephone Association (P-00981397)

OCA v. Pennsylvania Telephone Association (P-00981397C0002)

This matter was the highly contested dispute raised by the Pennsylvania Telephone Association (PTA), a trade association representing all of the incumbent, i.e. non-competitive, local exchange carriers in Pennsylvania, seeking a determination that AT&T Communications of Pennsylvania Inc. (AT&T) had improperly reported its gross intrastate operating revenues for purposes of the PUC's authorized assessment. Utilities regulated by the PUC are assessed a percentage of the PUC's approved operating budget based on a complex formula using gross intrastate operating revenues assigned to a particular class of utilities. The PTA asserted that AT&T understated revenues when it excluded access charge revenues in its reports. The PUC agreed with the PTA. However, the PTA membership also engaged in practices analogous to AT&T's. Thus, a generic series of collaboratives was instituted in addition to the determination that AT&T's practice was improper. The matter has been appealed.

Telecommunications Interconnection/Resale Proceedings

With Bell Atlantic-Pennsylvania Inc., n/k/a Verizon Pennsylvania Inc.

2nd Century Communications (A-310836F0002)

A. R. C. Networks – Amendment 2 (A-310448F0003)

A.R.C. Network (A-310448F0003)

A.R.C. Networks Inc. (A-310448F0003)

Adoption by Broadview of an Agreement Between Bell and MCIMetro Access (A-310932F0002)

Adoption by e.spire of an Agreement Between Bell and MCIMetro Access Transmission Services (A-310607F0003)

Adoption by ICG Telecom Group of an Agreement Between Bell and MCIMetro Access (A-310687F0002)

Adoption by Williams Local Network of an Agreement Between Bell and Dieca Communications (A-310905)

Allegiance Telecom of Pennsylvania – Amendment 1 (A-310751F0002)

Aquis Wireless (A-311020)

Arch Wireless Holdings (A-311037)

AT&T Wireless Service (A-310518)

ATX Licensing Inc. (A-310104F0002)

Bell Atlantic Network Data Inc. (A-310935F0002)

Broadband Office Communications (A-310904F0002)

Broadstreet Communications – Amendment 1 & 2 (A-310927F0002)

Broadstreet Communications Inc. (A-310927F0002)

Cardinal Communications (A-310886F0002)

Cardinal Communications (A-310886F0002)

Cavalier Telephone – Amendment 1 (A-310838F0002)

Cavalier Telephone Mid-Atlantic – Amendment 2 (A-310838F0002)

Choctaw Communications Inc. (A-310883F0002)

Ciera Network Systems Inc. (A-310965)

Claricom Networks Inc. (A-310472F0003)

Comcast Telecommunications (A-311019F0002)

COMM South Companies Inc. (A-310863)

Compass Telecommunications Inc. (A-310940F0002)

Conectiv Communications Inc. (A-310547F0002)

Conestoga Communications (A-310059F0002)

Conversent Communications of Pa. (A-310921F0002)

Core Communications (A-310922F0002)

Cricket Communication Inc.

D&E Systems Inc. – Amendment 4 (A-310738F0002)

Dieca Communications – Amendment 1 (A-310696F0002)

Digital Broadband (A-310961F0002)

DSLNet Communications – Amendment 1, 2 & 3 (A-310824F0002)

DSLNet Communications – Amendment 4 (A-310824F0002)

Essex Communications Inc. (A-310951F0002)

Eureka Telecom (A-311001F0002)

Fairpoint Communications Solutions Inc. – Amendment 2 (A-310725F0002)

Fuzion Wireless Communications Inc. (A-311088)

Global NAPS Inc. (A-310771)

GTE North Inc. (A-310935F0002)

HJN Telecom Inc. (A-310717F0002)

Hooks Communications Group Inc. (A-310891)

Jato Operating Two Corp. (A-310851)

KMC Telecom V Inc. (A-310957F0002)

Level 3 Communications (A-310633F0002)

Line Systems Inc. (A-310917F0002)

MCI Worldcom (A-310203F0002)

Media Log Inc. (A-311003)

Mercury Message Paging (A-311042)

MGC Communications, d/b/a Mpower Communications Corp. (A-310727)

MMT, Gori Inc. (A-310920)

MVX.com Communications (A-310872)

Navigator Telecommunications (A-310898F0002)

NET2000 Communications Services (A-310626F0002)

Net-Tel Corporation – Amendment 1 (A-310464F0002)

Net-Tel Corporation (A-310464F0002)

Network Access Solutions Corporation (A-310535)

Network Access Solutions Corporation (A-310535)

New Edge Networks Inc., d/b/a New Edge Networks (A-310884F0002)

Nextlink PA Inc. (A-310260F0002)

North American Telecommunications Corporation (A-310624F0002)

Northeast Telephone Services (A-310333f0002)

Northpoint Communications (A-310692F0002)

Northpoint Communications (A-310692F0002)

Onestar Long Distance Inc. (A-310569F0002)

Onsite Access Local (A-310919F0002)

Paetec Communications Inc. (A-310743F0002)

Palmerton Long Distance Company, d/b/a Blue Ridge Telephone (A-310147F0002)

Pathnet Inc. – Amendment 1 (A-310946F0002)

Pathnet Inc. (A-310946F0002)

Phone-Link Inc. (A-310984)

Plan B Communications Inc. (A-310976F0002)

Public Telecommunications Inc. (A-310983)

Purepacket Communications of the Northeast (A-310937F0002)

Rhythms Links Inc. – Amendment 1 (A-310698F0002)

SBC Telecom Inc. – Amendment 1, 2 & 3 (A-310894F0002)

SBC Telecom Inc. (A-310894F0002)

Servisence.com Inc. (A-310908F0002)

South Canaan Communications (A-311069)

Sprint Communications – Amendment 1 (A-310183F0002)

Telergy Network Services Inc. (A-310867F0002)

TSR Wireless (A-310945)

Unidial Communications (A-310415F0003)

Unified Messaging Inc (A-310791F0002)

Urban Media of Pennsylvania Inc. (A-310942F0002)

US West !nterprise Inc. – Amendment 1 (A-310437F0002)

US West !nterprise Inc. – Amendment 2 & 3 (A-310437F0002)

VITTS Network Inc. – Amendment 1 & 2 (A-310829)

We Connect Communications Inc. (A-310865)

Weblink Wireless Inc. (A-311043)

Z-Tel Communications (A-310706F0002)

With GTE North Inc. (now Verizon North)

@Link Networks Inc. (A-310760)

Adoption by Fiber Network of an Agreement Between GTE North and AT&T (A-310892F0002)

Adoption by Sprint of an Agreement Between GTE North Inc. and AT&T (A-310183F0002)

AT&T Communications (A-310957F0002)

Bell Atlantic Network Data Inc. (A-310935F0002)

Broadstreet Communications Inc. (A-310927F0002)

CAT Communications International Inc., d/b/a CCI (A-310701)

D&E Systems Inc. (A-310738F0002)

Dieca Communications (A-310696F0002)

Direct2Internet Corporation (A-311066)

Edge Connections Inc. (A-311009F0002)

Eureka Telecom (A-311001F0002)

Full Service Computing (A-310204F0002)

Max-Tel Communications (A-311064)

Metrocall Inc. (A-310870)

New Edge Networks (A-310884F0002)

Omniplex Communications Corporation (A-310966)

Pathnet Inc. (A-310946F0002)

Pathnet Inc. (A-310946F0002)

Penn Telecom Inc. (A-310074F0002)

Preferred Carrier Services Inc. (A-310403F0002)

Reflex Communications Inc. (A-311061)

Sprint Communications (A-310183F0002)

Suretel Inc. (A-310991)

TSR Wireless LLC (A-310945)

Unified Messaging Inc. (A-310791F0002)

With ALLTEL Communications Services Corp.

ACC of Pennsylvania (A-311068)

AT&T Wireless (A-310518)

Dobson Cellular Systems (A-311067)

With United Telephone Company d/b/a Sprint Communications

@Link Networks Inc. (A-310760)

1-800-RECONEX (A-310593)

AT&T Wireless (A-310518)

Broadband Office Communications (A-310904F0002)

CAT Communications (A-310701)

Cellular Rentals Inc., d/b/a PA Telecom (A-310482)

Choctaw Communications, d/b/a Smoke Signal Communications (A-310883F0002)

D&E Systems Inc. (A-310738F0002)

D&E Systems Inc. (A-310738F0002)

Direct-Tel USA (A-310845F0002)

DSLNet Communications – Amendment 1 (A-310824F0002)

Fairpoint Communications (A-310725F0002)

Jato Operating Two (A-310851)

Lightship Telecom (A-310943F0002)

Max-Tel Communications Inc. (A-311064)

Metrocall Inc. (A-310870)

Metropolitan Telecommunications of PA (A-310933F0002)

Mobile Communications Corporation of America (A-311037)

New Edge Networks Inc. (A-310884F0002)

Northpoint Communications Inc. (A-310692F0002)

Pagenet Inc. (A-310941)

Rhythms Links Inc. (A-310698F0002)

Sprint Communications (A-310183F0002)

Sprint Spectrum (A-310513F0002)

With D&E Telephone Company

D&E Omnipoint Wireless Joint Ventures, d/b/a PCS One (A-310738F0002)

NPCR Inc. (A-311050F0002)

Sprint Spectrum (A-310513F0002)

With North Pittsburgh Telephone Company

USA Digital Inc. (A-310994F0002)

Michael 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 four divisions: the Motor Carrier Services and Enforcement Division; the Rail Safety Division; the Gas Safety Division; and the Legal 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 Technical Unit reviews the work of the district offices for violations and prepares informal and formal enforcement actions regarding motor carriers. This unit also processes all uncontested motor carrier applications. The compliance office's Insurance Filing Unit processes motor carrier tariff filings and ensures that all motor carriers operating in Pennsylvania maintain appropriate insurance.

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 5,000 bridges and 7,500 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.

Legal Division

The Legal Division, in cooperation with the motor carrier services and enforcement division, prosecutes motor carriers that violate PUC regulations in proceedings before the Commission. The division also works closely with the rail safety division in Commission proceedings presenting evidence necessary to promote safety and prevent accidents at rail-highway crossings. In addition, the legal division provides advice to the other divisions on legal issues arising in the performance of their duties.

In conjunction with the Commission's Law Bureau, the legal division represents the PUC in selected appeals and original jurisdiction actions. Finally, the division suggests changes to provisions of the Public Utility Code and regulations based on changes in federal law and in response to requests from the commissioners.

Highlights

The following paragraphs contain highlights of the bureau's activities for FY 2000–01. Statistical highlights are contained in the bullets following the narrative paragraphs under each division.

Motor Carrier Services and Enforcement Division

From July 28 through August 6, 2000, 40 division employees participated in enforcement and administrative efforts regarding for-hire passenger transportation surrounding the Republican National Convention in Philadelphia. From 8 a.m. until midnight, at various locations where passenger transportation providers assembled, enforcement officers conducted inspections and provided a presence to discourage customer-service problems. In addition, administrative staff was available in the district office to receive complaints and to provide other assistance.

During January and February 2001, the division developed consumer-information brochures that contain the Commission's requirements for passenger and household goods carriers. The brochures were distributed by enforcement staff to consumer organizations at locations with high public access. The division also worked closely with the Communications Office to place the consumer information on the PUC's website.

Since April, the Scranton district office enforcement staff has been participating in the Safe 80 project in the Stroudsburg area of Northeastern Pennsylvania. The purpose of Safe 80 is to help make Interstate 80 safer. Commercial vehicle and driver inspections have been the focus of the Scranton enforcement staff's efforts.

The following is a brief synopsis of other division activities:

- 17,075 truck, bus, small passenger vehicle inspections (non-medallion);
- 5,170 medallion taxicab driver/vehicle inspections;
- 788 informal complaint investigations;
- 679 safety fitness reviews;
- 13,342 cases reviewed; and
- 4,931 prosecutory actions.

Rail Safety Division

During 2000–2001, the Rail Safety Division participated in meetings to discuss possible train routes and inspection points to be used in moving spent fuel from West Valley Nuclear in New York through Pennsylvania. The division also participated in a FRA High-Speed Track class, which included attendees from New England to Washington, D.C., in preparation for Amtrak's new Acela High Speed Train that travels from Boston to Washington. The division assisted Norfolk Southern Corporation in presenting a train session for law-enforcement officers. The course, "Grade Crossing Collision Investigation Training," dealt with train consist interpretation; railroad operations; grade crossing signal systems; operation lifesaver; braking systems; emergency contact personnel; and railroad equipment.

Additional rail safety activities include:

- 23,103 railroad car inspections;
- 555 locomotive inspections;
- 5,958 miles of railroad track inspected;
- 432 operating practice inspections; and
- 2,556 hazmat unit inspections.

Gas Safety Division

The Gas Safety Division commenced gas safety inspections of the Philadelphia Gas Works (PGW) on July 1, 2000. During this first year of pipeline safety jurisdiction a major gas incident occurred on Dec. 22, 2000, at the PGW's Passyunk Liquefied Natural Gas (LNG) Plant. The incident resulted in damage to the LNG facility which remains shut down pending the completion of the division's investigation to determine the cause of the incident and PGW meeting Commission safety requirements.

The gas safety division also has investigated nine other reportable incidents since July 2000. An informal investigation related to a previous reportable incident was closed with the imposition of a $100,000 fine to be used for pipeline safety training for small gas utilities.

Other gas safety activities include:

- 843 inspections (represents compliance, regulator and relief station, discontinued service, corrosion control, transmission line, and compressor station inspections)

- 10 reportable incidents;
- 115 non-reportable incidents; and
- 20 informal complaints.

Legal Division

In addition to the cases it processed, the Legal Division has undertaken a major revision of the medallion regulations at 52 Pa. Code Chapter 30. The revisions are designed to enhance enforcement efforts and to raise the level of taxicab service in Philadelphia. The proposals were submitted to the executive director for review and comment on Dec. 18, 2000.

A brief overview of additional legal division activities include:

- 467 new assignments;
- 505 closed cases;
- 61 hearing and court appearances;
- 100 agency pleadings;
- eight public meeting reports;
- 1,465 counseling hours; and
- 790 conferences.

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 Commission secretary. 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 2000–01, OTS actively participated, by hearing, review or report process, in approximately 91 proceedings, of which 51 were closed during the Fiscal Year, while 40 cases in progress were carried forward to 2001–02. The 91 proceedings were comprised of 37 general rate investigations, 36 non-general tariff or rate investigations, and 18 1307(f) purchased gas cost proceedings. Of the 51 cases closed during the Fiscal Year, review and hearings were held on two Category I rate investigations; 17 Non-Category I rate investigations (rate requests under $1 million); nine 1307(f) proceedings; and 23 non-general tariff or rate investigation filings. In addition, OTS reviewed or analyzed approximately 703 tariff revisions and petitions.

OTS participated in 105 evidentiary and/or prehearings, 30 ADR/mediation conferences, and 31 public input hearings.

OTS submitted 65 sets of testimony, filed five answers, one comment, and two responses.

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

Joint Application of GPU Inc., Metropolitan Edison Company, Pennsylvania
(A-110300F0095)

Electric Company & FirstEnergy Corporation for Approval of Merger
(A-110400F0040)

On Nov. 9, 2000, the above-identified companies filed with the Commission a joint petition for approval of merger. Under the planned merger, FirstEnergy Corporation would acquire all of GPU Inc.'s outstanding shares of common stock, and GPU Inc. would be merged into FirstEnergy Corporation. The planned merger is at the holding company level.

OTS raised the following merger issues in the proceeding: (1) amount of merger savings; (2) the proper allocation of savings to customers; (3) the need for a prohibition against GPU companies removing transmission facilities from PJM; and (4) the need for a study to determine whether FirstEnergy should be required to join PJM. This matter was fully litigated before the PUC. Ultimately, the Commission adopted a settlement offered by parties other than OTS, which approved the merger, passed through merger savings to GPU customers and required the GPU companies to maintain their transmission facilities in PJM.

Columbia/NiSource Merger Application
(A-120700F0003)

OTS actively participated in the extensive negotiations conducted regarding this important merger proceeding that resulted in the submission of a joint petition for settlement ultimately approved by the ALJ and the Commission.

Important terms of the approved settlement were: (1) Columbia is not permitted to increase base rates prior to Jan. 1, 2004, as defined in Section 2211(a) of the Public Utility Code and subject to the exceptions set forth in Section 2211(d) of the Public Utility Code; (2) Columbia cannot seek recovery, in any future rate proceeding, of costs incurred to close the merger whether incurred directly or through a service corporation; and (3) Columbia's headquarters will remain in Pittsburgh and its principal corporate officers will continue to be stationed in Pennsylvania for a period of at least five years.

Consultative Report on Application of Verizon Pennsylvania Inc. for FCC Authorization to Provide In-Region, InterLATA Service in Pennsylvania
(M-00001435)

On Jan. 8, 2001, Verizon Pennsylvania Inc. filed a notice of intent, with accompanying materials, seeking a favorable consultative report from the Commission concerning Verizon's application to the FCC for authority to provide in-region, interLATA service in Pennsylvania. In so doing, Verizon was required to demonstrate compliance with a 14-point checklist, as set forth in 47 U.S.C. §271(c)(2)(B).

OTS actively participated in this proceeding, through its involvement in numerous technical conferences, discussions, and en banc proceedings, its preparation and filing of initial and final comments, and its sponsorship of witnesses, including the presentation of testimony of a small reseller that would not otherwise have been heard in this proceeding.

On June 6, 2001, the PUC caused to be issued a secretarial letter to Verizon, which placed certain conditions upon a favorable consultative report. One of these conditions concerned remedies to the billing problems, which had been the subject of OTS-sponsored testimony. Subsequently, by letter dated June 25, 2001, the Commission filed its consultative report with the FCC, which recommended that Verizon's application to the FCC be granted.

Petition of Metropolitan Edison Company and Pennsylvania Electric Company for Interim Relief
(P-00001860, P-00001861)

This proceeding of first impression involved an interpretation of the Electric Competition Act was fully litigated, and included the conduct of a collaborative following the Commission's initial order. The case began on Nov. 29, 2000, when Met-Ed and Penelec, d/b/a GPU Energy, filed a petition seeking PUC approval to (1) use a deferral tracking mechanism to record the net difference between the cost of electricity purchased to furnish provider of last resort (POLR) service and revenues received from providing such service; (2) defer such recorded differences for future recovery, with carrying costs; and (3) add such recorded differences to stranded costs. The petition also sought a Commission guarantee to allow for the ultimate recovery of any such differences.

OTS filed a responsive document to the petition on Dec. 19, 2000, recommending PUC denial of the petition in its entirety. On Jan. 16, 2001, OTS filed a motion to dismiss arguing that the petition sought a remedy not authorized by the Competition Act and that failed to invoke the exclusive statutory remedy that requires a showing that the companies individually were not earning a fair rate of return.

The petition was subsequently consolidated for hearing and briefing with the ongoing merger application of GPU, Inc. and FirstEnergy Corp, docketed at A-110300F0095 and A-110400F0040. OTS actively participated in the direct and cross-examination of POLR issues raised during the consolidated hearings held the entire week of March 12 to 16, 2001, in Harrisburg. The previously distributed OTS testimony and exhibits of four OTS technical experts on POLR issues were admitted into the record during the hearings. OTS filed extensive main briefs, reply briefs, exceptions, and reply exceptions.

The ALJ's recommended decision was issued April 23, 2001, and the first Commission order was adopted on May 24, 2001. Pursuant to that order, OTS and the other active parties participated in a collaborative that was subsequently unsuccessful in achieving a consensus resolution of all matters. On June 11, 2001, a number of the active parties submitted a settlement to the Commission that was accepted by on June 20, 2001.

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) (P-00011872)

On Feb. 14, 2001, Pike County filed a petition with the PUC, requesting relief from the rate caps set forth in Sections 2804(4)(i) and (ii) of the Electricity Generation

Customer Choice and 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 Met-Ed/Penelec petition).

OTS has actively participated in this proceeding, which is on going. This participation includes the preparation and filing of an initial response to the petition, the conducting of discovery, the preparation and submission of direct testimony on our issues, the participation in evidentiary hearings, and the filing of briefs. Exceptions have been filed and the case is moving forward.

Duquesne Light Company Petition for Approval of Plan for Post-Transition Period POLR Service (R-00974104)

On June 30, 2000, Duquesne Light Company submitted a proposal addressing its POLR obligation during the period between the completion of its transition period and Dec. 31, 2004. Duquesne requested that the Commission grant approval of its proposal by Sept. 1, 2000. By this POLR II petition, Duquesne proposed the rates, terms and conditions applicable to the provision of POLR service by Duquesne during the period between the completion of Duquesne's recovery of stranded costs and Dec. 31, 2004. On Sept. 13, 2000, the Commission issued an order proposing a collaborative to resolve issues related to Duquesne's petition.

The collaborative first met on Oct. 4, 2000 and subsequently met several times throughout October and November 2000. OTS actively participated in all aspects of the discussion and on Nov. 28, 2000, OTS and the other active parties submitted a joint petition that was ultimately approved by the PUC.

City of Lancaster—Sewer Fund (R-00005109)

On Feb. 28, 2000, the City of Lancaster filed Supplement No. 24 to Tariff Sewer–Pa. P.U.C. No. 7 to become effective on May 1, 2000. Lancaster proposed rates designed to produce an increase in jurisdictional annual operating revenues of $349,970 (or some 46 percent above the overall level of pro forma revenue under existing rates). By order of the PUC entered June 2, 2000, the rate proposes in the city's Supplement No. 24 were suspended by operation of law until Jan. 3, 2001. In a June 8, 2000 order, the Commission offered the city the alternative of accepting a lesser rate increase amount In a letter dated June 14, 2000, Lancaster rejected the Commission's alternative. The matter was then assigned to the Office of Administrative Law for hearing and the issuance of a recommended decision.

At a July 25, 2000 prehearing conference, the city represented that it had reached a full settlement with the Office of Consumer Advocate (OCA) and Lancaster Township. On Nov. 21, 2000, the city, Lancaster Township and the OCA filed a stipulation of rate investigation. The stipulation provided, inter alia, that the city be permitted to increase rates to jurisdictional customers to produce additional revenues by an amount no greater than $312,167 in lieu of the filed request of $349,970. OTS did not join the stipulation.

Since the OTS did not join the stipulation, evidentiary hearings were held Aug. 24 to 25, 2000. Staff presented testimony and exhibits addressing several issues. The significant issues of note addressed rate case expense and rate of return. In the area of rate case expense, OTS challenged the $235,000 claim as unreasonable, since it represented nearly 44.8 percent of the total revenue increase. The Commission adopted the staff's recommended allowance of $60,000 as reasonable. In addressing the City's rate of return, the Commission employed the OTS-recommended 28 percent tax factor in addressing municipal owned public utilities.

The Commission expressly did not approve the stipulation executed by the city, the OCA and Lancaster Township on November 21, 2000, establishing the level of additional revenues by an amount not to exceed $312,167. Instead, the PUC by its order entered Feb. 2, 2001, authorized the city to file tariffs or tariff supplements designed to produce from its sewer fund customers located outside its municipal boundaries, additional annual operating revenues not in excess of $223,189.

PFG Gas Inc. and North Penn Gas d/b/a PPL Utilities base rate proceeding (R-00005277)

On June 30, 2000, PFG Gas Inc. and North Penn Gas Company, doing business as PPL Utilities, filed Supplement No. 33 to Tariff Gas–Pa. P.U.C. No. 2, proposing an annual increase in rates of $14,400,000 (12.88 percent), based upon the projected level of operations for the future test year ending Dec. 31, 2000. By order entered July 20, 2000, the Commission initiated an investigation and directed OTS to participate. The proposed increase was suspended by operation of law for up to seven months, or until March 29, 2001. OTS fully participated in the proceeding and presented testimony and exhibits of four witnesses. Following extensive negotiations, OTS and the other active parties submitted a joint petition for settlement to the presiding ALJ on Nov. 28, 2000. On Dec. 18, 2000, the presiding ALJ issued a recommended decision accepting the settlement. By order entered Jan. 12, 2001, the PUC adopted the ALJ's recommended decision approving the settlement and authorized an increase in annual operating revenues of $9.3 million.

Philadelphia Gas Works (R-00005619)

On Aug. 2, 2000, the Philadelphia Gas Works (PGW) filed its petition requesting the PUC to order an expedited review and hearing schedule to consider and rule upon its 2000–2001 gas cost rate (GCR) filing which was filed concurrently with its petition. By order entered on Aug. 17, 2000, the Commission established an expedited hearing and review schedule relating to the PGW's 2000–01 GCR which omitted the need for a recommended decision by an ALJ.

OTS actively participated in the proceeding. Evidentiary hearings were scheduled to be held in Philadelphia on Oct. 4 and 5, 2000. All active parties agreed to waive cross-examination of the other parties' witnesses. The hearings were cancelled and the prefiled statements and exhibits were admitted to the record. By order of Oct. 3, 2000, the ALJ certified the record for the Commission's consideration. On Oct. 13, 2000, OTS filed its main brief outlining its recommendations to the PUC. Based upon the record evidence, the Commission allowed PGW's original request for a $97 million increase in its GCR. Additionally, the Commission accepted OTS' adjustment to offset PGW's natural gas costs by the three-year average off-system sales level of $219,000, and OTS' recommendation that PGW's threshold for application for relief be lowered from 5 to 2 percent, effectively modifying Section 11.2 of PGW's tariff.

Philadelphia Gas Works (R-00005654)

On July 1, 2000, the PUC assumed jurisdiction over the public utility services being furnished by PGW within the City of Philadelphia (66 Pa. C.S. §2212). Prior to the passage of the Natural Gas Choice and Competition Act, PGW's rates, terms and conditions of service were exempt from the jurisdiction, regulation, and control of the Commission. Instead, PGW was regulated by the Gas Commission, a local agency of the City of Philadelphia provided for by the Philadelphia Home Rule Charter §§3-100, 3-909 and 5-902, 351 Pa. Code §§3.3-100, 3.3-909 and 5.5-902.

On Aug. 8, 2000, PGW, pursuant to 52 Pa. Code §§5.41 and 66 Pa. C.S. §§331(f), 2212(d) and (e), and Chapter 13 of the Public Utility Code, filed a petition for establishment of interim rate procedures and for a declaratory order. On Aug. 17, 2000, the Commission entered an order that granted PGW's request for an expedited proceeding to establish interim rates subject to certain conditions. On Aug. 22, 2000, OTS filed a notice of appearance in the proceeding.

In this proceeding, PGW contended that the Commission is required by Section 212(e) of the Gas Choice Act to adhere to the "cash flow" methodology to calculated its revenue requirements. By using the cash flow method, PGW requested an interim rate relief of $52 million that would provide a $35 to 40 million cushion of cash at the end of the Fiscal Year ending Aug. 31, 2001. The PUC determined that due to the unique nature of this interim rate proceeding, the only legally required standard to which the Commission is bound is that the resulting rates must be "just and reasonable."

Using PGW's cash flow method, OTS recommended a $27.5 million interim rate increase. In its order, the Commission authorized PGW to submit a revised tariff to increase its annual base rate revenues by the amount of $11 million. In a settlement approved by the Commission between PGW and the PUC's Law Bureau, PGW was permitted to charge and collect the authorized $11 million interim rate increase, together with the recovery of an additional $7 million through its GCR.

Generation Rate Adjustment (GRA) Proceedings

West Penn [Allegheny] Petition (R-00005538, R-00005539)

Pa. PUC v. Pennsylvania Power Company (R-00005643, R-00005808)

UGI Utilities Inc.—Electric Division Tariff Filing (R-00005733)

Hofmann Industries Inc. v. PPL Electric Utilities Corp (C-00003811)

Pa. PUC v. PPL Electric Utilities Corp. (R-00006034)

Met-Ed & Penelec Tariff Filings (R-00016219, R-00016220)

The filing of these petitions and tariff provisions were a direct result of the Commission's order issued June 22, 2000, at Docket No. M-0960890.F0017. In its order, the PUC issued guidelines for the return of commercial and industrial customers from alternative Electric Generation Suppliers (EGSs) to Electric Distribution Companies (EDCs) for POLR service. As stated in a subsequent Commission order entered Sept. 12, 2000, the Commission invited EDCs that required shopping commercial and industrial customers returning to POLR service to remain with the EDC for 12 months, to submit filings pursuant to 52 Pa. Code §5.592, that offer commercial and industrial customers the option of paying market-based rates for short-term POLR service as an alternative to remaining with POLR service for 12 months. The Commission set forth guidelines for the use of a GRA mechanism and authorized the EDCs to use compliance filings, effective on one day's notice.

OTS entered an appearance in each of these petition and/or tariff proceedings, and submitted testimony and briefs as necessary to advance the OTS recommendation as to the necessary and proper tariff terms and conditions for the establishment of each EDC's GRA mechanism.

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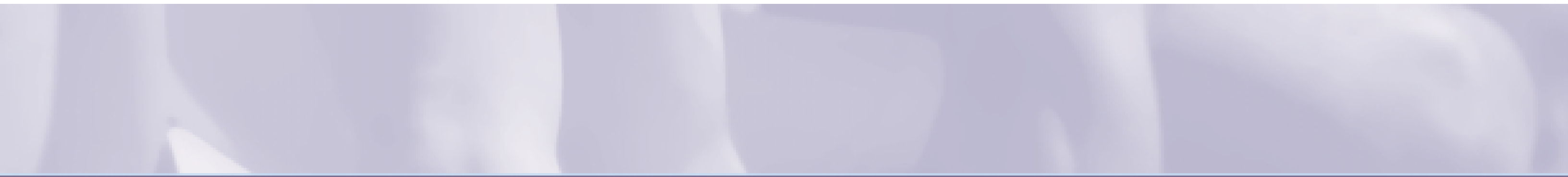

mission statement

The Pennsylvania Public Utility Commission ensures safe, reliable and reasonably priced electric, natural gas, water, telephone and transportation service for Pennsylvania consumers, by regulating public utilities and by serving as responsible stewards of competition.