

P E N N S Y L V A N I A

**Public Utility Commission
2002-03 Annual Report**



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The Honorable Edward G. Rendell
Governor of Pennsylvania

The Honorable Catherine Baker Knoll
Lieutenant Governor

Members of the General Assembly,

It is my pleasure to submit the 2002-03 Annual Report of the Pennsylvania Public Utility Commission. The Commission faced numerous challenges over the year, and I am proud to share some of our accomplishments.

In the energy industry, the Commission took several critical steps to improve the reliability of the electric distribution system. We started the process to implement tougher reliability standards on electric utilities. Also, in order to ensure that companies are devoting sufficient resources to maintaining reliability, we directed them to provide quarterly updates on staffing levels, on their progress in meeting line inspection and maintenance goals, and on the amount of money spent on maintenance activities compared to the amount budgeted.

In the water industry, the PUC approved the purchase of Pennsylvania-American Water by the Thames Water subsidiary of Germany-based RWE Inc. We determined that the merger would substantially benefit ratepayers, but said the company could not charge customers for the costs of the merger. In addition, the Commission adjudicated 10 water/wastewater rate cases, and conducted financial reviews of the companies that use a distribution system improvement charge to accelerate the replacement of aging infrastructures.

Pennsylvania's location makes our state an integral component to the country's transportation industry. As part of our goal to make roads, highways and railways safer, the PUC conducted more than 25,000 trucks, buses and vehicle inspections and approximately 30,000 train, railroad track and hazardous material inspections.

In the telecommunications industry, the Commission continued its efforts to enhance competition and provide a level playing field for competitors. Using guidelines issued by the Federal Communications Commission, we directed Verizon to recalculate the wholesale rates it charges competitors to lease portions of its network. We also adopted a new performance assurance plan which measures Verizon's service to competitors and provides for self-executing penalties when the service does not meet standards. In other telecommunications areas, we supported a pilot program called CapTel, which provides enhanced services to the hard of hearing community, and we eliminated the immediate need for several new area codes by successfully implementing measures to conserve numbers.

Finally, in response to House Resolution 361 dealing with homeland security, an internal security task force surveyed 72 companies, spanning nine utility industries, in order to evaluate the physical security and integrity of utility facilities and practices. Our report, called "Protecting Critical Infrastructure: Keeping Pennsylvanians Safe," concluded that utilities had a solid foundation in place for emergency response actions.

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

Sincerely,

A handwritten signature in black ink that reads "Terrance J. Fitzpatrick". The signature is written in a cursive, flowing style.

Terrance J. Fitzpatrick
Chairman

Introduction

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

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

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.

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

Although parts of the natural gas and electric markets are competitive, customers still receive transmission and distribution service from their local utilities. The local utilities also will continue to maintain the electric lines or natural gas pipelines to ensure that safe, reliable utility service is delivered to customers. Likewise, phone customers who do not select a

different supplier for local service will continue to receive reliable service from their existing company. In every case, for customers who do not or cannot choose a different company, the PUC will continue to regulate the utilities so that service is reliable and rates are fair.

In the interest of train and motor vehicle safety and service, the PUC examines the structural strength of railroad bridges and underpasses. In addition to a team of railroad safety 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 through the PUC's Bureau of Consumer Services. Trained customer service representatives help to resolve billing disputes, establish payment plans or restore service. An additional call center assists the PUC on competition-related issues.

Rates

When setting rates, the law prescribes specific guidelines. The Commission must determine a utility's allowable expense and revenue requirements -- how much money the company needs to operate properly. It must also decide how charges for residential, commercial, industrial and other types of customers should be structured to collect allowable revenue.



In any rate case, the public has an opportunity to provide comments. Decisions are reached at public meetings in conformity with the state's Sunshine

Law. Commission decisions may be appealed to the Commonwealth Court.

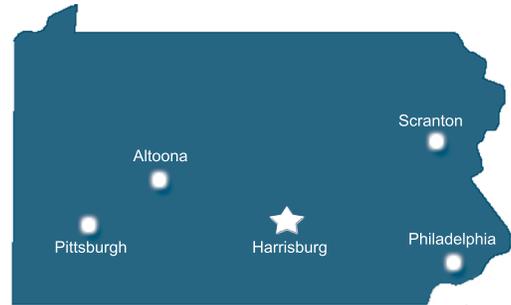
Organization

The Commission is comprised of five full-time members nominated by the Governor for staggered five-year terms. The appointments must be approved by a majority of the members of the state Senate. The Commissioners 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 and 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 electric distribution, natural gas, steam heat, water and wastewater companies the sole right to provide its service within a specified geographical area. Experience and past history have determined that the construction of facilities by more than one utility company in the same location would be extremely costly and disruptive to community life and property. In exchange for the geographic monopoly, the utility accepts regulation by state government to assure that rates are fair and service safe and adequate for customers who cannot choose a different company.

Utility Role



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

Ratepayer Role

Ratepayers must pay for the service they use, which includes a share of the cost

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

Filing for a Rate Increase

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



Consumer Information

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

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

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 timeframe, 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 or refer it to hearing. If no action is taken within 60 days, the increase is automatically postponed or suspended. The PUC then has seven months to decide whether any of the requested increase is justified, but it is expected to make a decision as soon as all the facts have

been considered. 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.

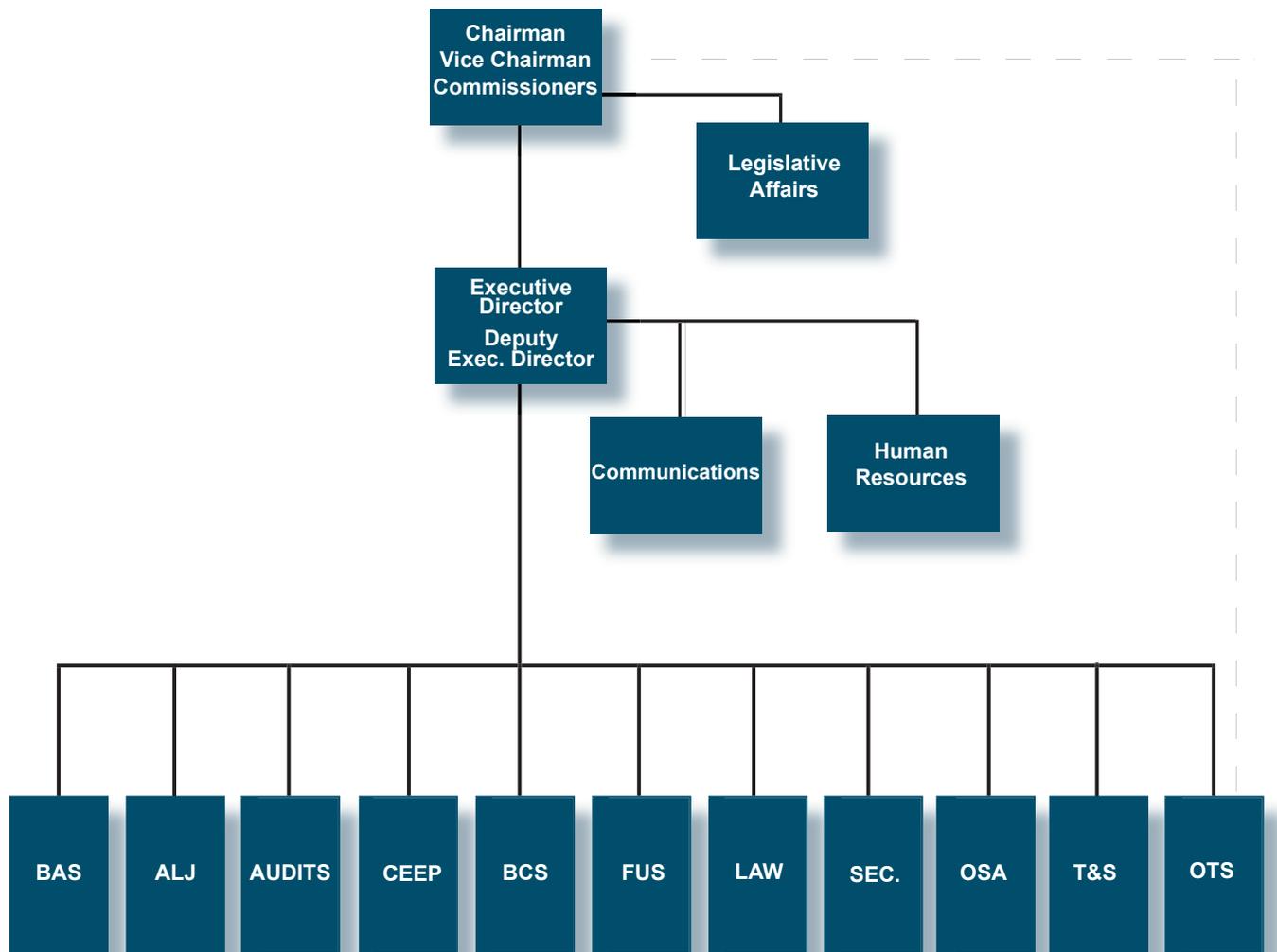
At a formal hearing, the company, the PUC's Office of Trial Staff and other parties present their cases and are subject to cross-examination. The ALJ presides over the hearing, which is open to the public and is conducted as a formal court proceeding. Customers may become participants in the case by 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.

Organizational Chart



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

Bureau Directors

Office of the Executive Director



Roni Smith
Executive Director

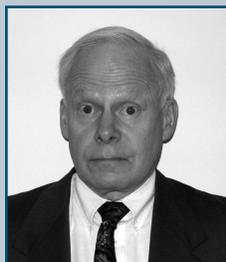
The Office of the Executive Director (OED) is comprised of the Executive Director, the Deputy Executive Director, administrative support staff, and the Offices of Communications and Human Resources. The office serves not only as the management link between the Commissioners and Bureaus, but exercises administrative control over all Bureaus/Offices. The office is responsible for strategic goals, procedures and policies, staff selection and training, case management, and assignments to Bureaus. OED oversees the PUC Emergency Preparedness Plan and coordinates and monitors special projects such as establishing working groups and implementation teams for telecommunications and energy restructuring.



Herm Umholtz
Director of Administrative Services

Bureau of Administrative Services

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



Robert A. Christianson
Chief Administrative Law Judge

Office of Administrative Law Judge

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



Tom Sheets
Director of Audits

Bureau of Audits

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

Bureau of Conservation, Economics and Energy Planning

The Bureau of Conservation, Economics and Energy Planning (CEEP) conducts research and performs policy/planning functions focusing mainly on the electric and gas utilities and facilitating the development of competitive energy markets.

Bureau of Consumer Services

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



Mitch Miller
Director of Consumer Services

Bureau of Fixed Utility Services

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



Robert A. Rosenthal
Director of Fixed Utility Services

Law Bureau

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



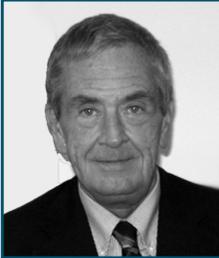
Bohdan R. Pankiw
Chief Counsel



June Perry
Director of Legislative Affairs

Office of Legislative Affairs

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



Jim McNulty
Secretary

Secretary's Bureau

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



Cheryl Walker Davis
Director of Special Assistants

Office of Special Assistants

The Office of Special Assistants (OSA) is the Commission's advisory support bureau, and is comprised of attorneys, rate case review specialists and administrative support staff. The office's primary function is to prepare Orders for Commission review on all jurisdictional utilities and to provide both legal and technical advisory services. The office is also responsible for the review and initial recommendations on petitions for reconsideration and modification, and requests for extensions of filing deadlines.



Mike Hoffman
Director of Transportation
and Safety

Bureau of Transportation and Safety

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

Office of Trial Staff

The Office of Trial Staff (OTS) represents the PUC in all public interest matters with the exception of cases involving transportation, safety, eminent domain, siting, service issues with no rate impact, and inability to pay cases. OTS may petition to intervene in those excepted proceedings. OTS prosecutes complaints against "slamming" and "cramming" by telecommunications providers, and may submit a request to initiate a proceeding when it is not prosecutory in nature or file its own complaint with the Secretary if it is prosecutory in nature. The Office consists of Legal and Technical divisions.

Commission Budget

Executive Government Operations		
General Government Operations	General Fund Actual 2002-03	Revenue Allocated 2003-04
State Funds		
Personnel	\$33,339,444	\$34,238,000
Operating	\$8,377,803	\$9,868,000
Fixed Assets	\$3,660	\$150,000
Total State Funds	\$41,720,907	\$44,256,000
Federal Funds		
Personal	\$1,106,657	\$1,350,000
Operating	\$50,076	\$150,000
Fixed Assets	\$0	\$0
Non Expense/ Interagency	\$0	\$0
Total Federal Funds	\$1,156,733	\$1,500,000
Commission Budget	\$42,877,640	\$45,756,000

Philadelphia Taxicab Medallion Budget		
	2002-03	2003-04
State Funds		
Personal	\$698,112	\$1,346,00
Operating	\$349,338	\$451,000
Mixed Assets	\$0	\$0
Total:	\$1,047,450	\$1,807,000

Revenue		
Type	2001-02 Receipts	2002-03 Receipts
Application Fees	\$397,235	\$262,763
Electric Generation Application Fees	\$7,350	\$5,250
Fines	\$216,734	\$514,732
Gas Pipeline Safety	\$308,824	\$331,523
Motor Carrier (MCSAP)	\$991,074	\$990,988
Philadelphia Taxicab Medallion Fees	\$1,350,864	\$782,501
Philadelphia Taxicab Medallion Transfers	\$55,200	\$68,950
Philadelphia Medallion Driver Certificate Fees	\$94,800	\$97,755
Philadelphia Medallion Fines	\$28,175	\$35,900
Philadelphia Driver Certificate Fines	\$18,200	\$16,525
Philadelphia Taxicab Copy Fees	\$3,724	\$3,470
Philadelphia Taxicab Medallion Interest	\$373,407	\$193,495
Total	\$3,845,587	\$3,303,852

The Fiscal Office transmitted \$39,296,493 in assessment billings for the 2002-2003 Fiscal Year and for the previous billings.

Fiscal Operations and Assessments	
1 st Quarter	\$11,931,993
2 nd Quarter	\$26,880,109
3 rd Quarter	\$410,704
4 th Quarter	\$73,687
Total	\$39,296,493

The Fiscal Office collected 1,005,152 in support of the Philadelphia Taxicab Medallion Program.

	Medallion Fees	Transfers	Driver Cert. *	Fines	Driver Cert. Fines	Copy Fees	Total
1 st	\$38,000	\$12,600	\$21,300	\$9,950	\$5,650	\$2,629	\$90,129
2 nd	\$2,000	\$12,950	\$26,355	\$4,350	\$3,650	\$258	\$49,563
3 rd	\$156,500	\$20,650	\$25,750	\$7,100	\$4,050	\$537	\$214,587
4 th	\$586,001	\$22,750	\$26,050	\$12,800	\$3,225	\$47	\$650,873
Total	\$782,501	\$68,950	\$99,455	\$34,200	\$16,575	\$3,471	\$1,005,152

* certificates

The Fiscal Office also processed accounts receivable for a total of \$777,195.

	Electric Deregulation	Fines	Filing and Copy Fees	Testing Fees	Total
1 st	\$2,100	\$286,859	\$89,161	\$0	\$378,120
2 nd	\$700	\$35,227	\$57,650	\$0	\$93,577
3 rd	\$700	\$50,046	\$50,714	\$0	\$101,460
4 th	\$1,050	\$140,700	\$62,288	\$0	\$204,038
Total	\$4,550	\$512,832	\$259,813	\$0	\$777,195



Consumer Issues

Consumer Issues

Educating and solving problems for Pennsylvania consumers is very important to the Commission and its staff. Each day, Commission staff field consumer inquiries on a wide range of utility related topics, and work hard to provide clear and accurate information and resolutions to their concerns. In addition, the Commission informs the public about utility-related issues facing consumers.

The Commission's full-time investigators handle a variety of consumer inquiries related to billing, service delivery, repairs, etc. In addition, the bureau utilizes the services of a call center to handle its toll-free hotline numbers, which includes the Competition/Choice

line. In 2002-03, the PUC received nearly 289,000 calls from Pennsylvania consumers. In

order to monitor its own service to consumers, surveys are conducted with those consumers who have contacted the Commission with a utility-related inquiry or payment arrangement request. The results of this fiscal year's survey reveal that 89 percent of previous customer contacts would again contact the bureau and that 80 percent rated the service provided by the Commission as "good" or "excellent."

Overall, Complaints Decreased by 16 Percent

Consumer complaints concerning Chapter 56-regulated utilities (electric, gas, water, sewer and steam heat) decreased by 8 percent while the telephone industry saw a 25 percent decrease. In addition, payment arrangement requests from residential customers related to Chapter 56 utilities decreased by one percent. However, the telephone industry saw a 15 percent increase in

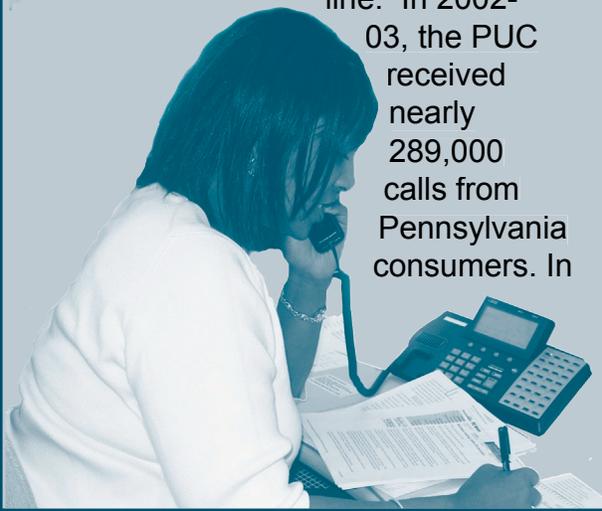
the number of payment arrangement requests.

Substantial Increases Seen in Households Without Electric or Gas Heating Services

Pennsylvania utilities reported an increase in the number of households without service during the 2002-03 heating season. The results of the annual Cold Weather Survey indicated a substantial increase in the number of occupied households without electric and/or gas heating service. The survey showed households without electric service increased by 172 percent and those without gas heating service by 165 percent (see Appendix A).



The Commission has refocused its efforts to assure that all consumers have service restored in a timely manner. The Commission also investigates all weather-related deaths and initiates enforcement action as appropriate.



Public Outreach

In 2002-03 the Commission continued to focus on its public outreach efforts related to Local Telephone Choice and Natural Gas Choice.

Grassroots Education

- Over the course of 2002-03, Commission staff participated in more than 70 community-based events, distributed more than 98,000 brochures and met with over 36,000 consumers.



Results from Outreach

- In May 2003, the Council for Utility Choice announced the findings of its second statewide survey. Among the key findings were:
 - More than 83 percent of Pennsylvanians are aware they can shop for their local telephone service provider. This is up from 72 percent in March 2001;

- Nearly 30 percent of those surveyed indicated they have shopped for local telephone service; and
- Over 62 percent of those surveyed know they can shop for their natural gas supplier.

- The Utility Choice program last year released a Telephone Penetration Report, undertaken to identify and understand the demographics of Pennsylvania households that lack telephone service. Data from the 2000 Census was analyzed to identify those areas of Pennsylvania that are likely to contain households without phone service, and whether those areas have common characteristics.

After subtracting an estimated 9,000 Pennsylvania households that lack telephone service for religious reasons, there remains an estimated 55,000 to 60,000 homes (representing nearly 1.4 percent of

households in the Commonwealth) that lack telephone service. Conversely, the report says nearly 98.6 percent of homes in the state have some type of telephone service, giving Pennsylvania one of the highest penetration rates in the nation.

Internet Achievement

- On May 5, 2003, in less than one year since its launch, the Utility Choice Web Site (www.utilitychoice.org) eclipsed the 10 million hits mark. The Web site offers detailed information on electric, natural gas and local telephone -- and provides important information on how to shop; questions to ask potential providers and suppliers; an online calculator to determine possible savings; consumer protections; lists of providers and suppliers; and glossaries of commonly used terms.



Telecommunication Relay Service (TRS)

- At the request of the Pennsylvania Relay Service Board, the Commission issued a secretarial letter in June 2003 directing AT&T to implement a proposal to educate all Pennsylvanians about Telecommunications Relay Service, which enables hearing Pennsylvanians to communicate with people who are deaf or hard of hearing, or who have speech-related disabilities. This campaign has been designed to reach ALL members of the hearing public in Pennsylvania and will include minority outreach.

Innovative Advertising Campaign

- A fourth Local Telephone Choice television commercial, "Predictions," was produced and aired during the month of June in the Philadelphia, Allentown, and Harrisburg television markets.



- To complement the Council for Utility Choice's television and grassroots education campaign, a series of 15-second educational vignettes will be produced for the Harrisburg, Lancaster, York and Philadelphia regions. The focus of the spots is to encourage consumers to visit www.utilitychoice.org or call the PUC for more information about Utility Choice.
- "Use Your Voice!" ... a series of billboards, promoting local telephone choice, appeared in rotation across the Pittsburgh, Philadelphia, Harrisburg, Lancaster, York and Allentown areas throughout spring/summer 2003.



Energy

Electric Overview

Based on the recommendations of an internal staff working group and the Legislative Budget and Finance Committee report on electric reliability, the Commission devoted significant time and resources on the issue of electric reliability in 2002-03. As a result of these efforts, the Commission took steps to improve the monitoring of system reliability, including tightening reliability performance standards for utilities; establishing additional reporting requirements for companies; and streamlining the internal review process. The Commission's focus continues to be on distribution system reliability (outages, complaints, and response and restoration timeframes).

Activity in the early part of the year focused primarily on the implementation of new line-extension rules which complemented economic



development efforts across the Commonwealth. In addition, the Commission supported Standard Market Design efforts by the Federal Energy Regulatory Commission (FERC) to improve wholesale electric power markets. The Commission also addressed the ongoing expansion of the PJM Interconnection by approving two major transmission lines that resulted from a needs assessment for area support for reliability. According to PJM, in Pennsylvania and nationwide, the bulk transmission systems for both PJM East and PJM West are expected to perform adequately.

Electric Suppliers Affected by Financial Adversity

The industry was affected by the financial downturn of trading and marketing companies, which reduced market liquidity and resulted in a number of electric suppliers abandoning the market due to financial conditions. On the generation side, however, supply has continued to grow with new facilities in many areas including the largest wind farms east of the Mississippi.

PUC Defines Role of Statewide Sustainable Energy Board

In April 2003, the Commission issued a tentative order to further define the role of the Statewide Sustainable Energy Board to oversee four sustainable energy development funds and to build on Pennsylvania's success with funding renewable energy projects. The funds -- Peco's Sustainable Development Fund, the PPL Sustainable Energy Fund of Central Eastern PA, the Met-Ed/Penelec Sustainable Energy Fund and the West Penn Power Sustainable Energy Fund -- were created as a result of the electric companies' restructuring plans. Portions of these funds have been set aside specifically to promote the development of sustainable and renewable energy programs and clean-air technologies, on both a regional and statewide basis. In addition, the funds have provided loans and grants for more than 100 projects throughout 2002-03.



PUC's Corporate Audit Study

The Commission conducted an internal review in the aftermath of a number of corporate accounting scandals to gather information provided by the state's 27 largest utilities. Overall, the results indicate that the majority of Pennsylvania's large utility companies have adequate corporate controls and auditing practices in place which, if consistently followed, would reasonably control corporate conduct and ensure an objective financial reporting process.

2001 Customer Service Performance Report for Electric Companies



Results of the Customer Service Performance Report showed that approximately 85 percent of consumers were satisfied with the overall quality of customer service they received from their local electric company in 2001. The report is an annual evaluation of the customer service performance of the state's seven major electric distribution companies (EDC), which include Allegheny Power, Duquesne Light Company, GPU Energy, PECO Energy Company, Penn Power, PPL

Utilities and UGI-Electric. The report's data falls into two categories: company reported performance information and customer survey results.

House Resolution 361: "Protecting Critical Infrastructure: Keeping Pennsylvanians Safe"

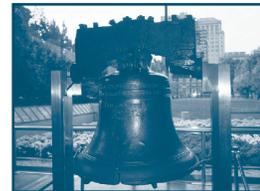
In response to HR 361, the Commission assembled an internal security task force to review security issues related to utility infrastructure in the aftermath of September 11th attacks. As directed by HR 361, the Pennsylvania Emergency Management Agency (PEMA) was an adviser in this effort. Seventy-two companies, spanning nine utility industries, were profiled during the review. The investigation looked at utility emergency operations plans; contingency plans; cyber security plans; and business continuity plans. The full report is available on the PUC's Web site (www.puc.paonline.com).

Noteworthy

- The Bureau of Audits conducted four Management Audits and Management Efficiency Investigations during the fiscal year. The results from implementing the bureau's recommendations

resulted in a \$12.3 million savings in recurring costs to Pennsylvania's ratepayers. The bureau reported that many of the potential benefits from recommendations in the audit reports are qualitative in nature. For example, they include improved service and safety levels, and enhanced system reliability.

- In September 2002, it was announced that Liberty Bell Pavilion at Independence National Historical Park will become the first national landmark



to purchase 100 percent renewable electricity. The federal government will purchase 11 million kilowatt hours of electricity through its three-year contract with Green Mountain Energy. Liberty Bell Pavilion joins a long line of green power buyers in Pennsylvania that includes colleges, universities, grocery stores and cafes.

- Duquesne Light became the first

major Pennsylvania utility to eliminate the Competitive Transition Charge (CTC) billed to customers to pay off “stranded costs.” Pennsylvania’s electric competition law allowed utilities to pass on the cost of power plants to consumers. Thanks to the elimination of the CTC, 558,000 Duquesne Light residential customers saw a 16 to 20 percent reduction on their overall monthly bills.

Natural Gas Overview

The natural gas industry was buffeted by a number of issues driven by escalating prices and extreme weather conditions, which led to the largest use of storage gas ever experienced.



In 2002-03, the Commission saw a steady increase in wholesale natural gas prices. Based on these increases (and the inability to purchase gas in advance), and an inability to meet market demands for flowing gas, a number of small gas distribution companies left the system. Because of this, Commission staff has been actively looking into supplier tariffs for possible changes that would facilitate participation in the

Pennsylvania Natural Gas Choice program.

The Commission has also launched an examination of the reliability of natural gas distribution systems, which is expected to result in new reporting requirements.

PUC’s Gas Safety Division Settles Complaints and Assists in Investigations

Throughout 2002-03, the Gas Safety Division completed informal settlements with two natural gas distribution companies, resulting in a fine of \$125,000. Three additional informal settlements with two natural gas companies are pending. No formal complaints were brought against natural gas distribution companies during this fiscal year.

The Gas Safety Division was involved in several major investigations of gas safety incidents throughout the year. Bureau investigators assisted the Pennsylvania State Police in the investigation of a fatality near Ford City, Armstrong County and assisted the Department of Environmental Protection in the investigation of a house explosion near Bridgeville, Allegheny County. In both cases, the migration of natural gas from abandoned wells was a major contributing factor.

The Gas Safety Division also conducted 672 inspections related to

compliance; discontinued service, transmission line, etc.; and performed a total of 98 investigations covering reportable and non-reportable incidents, major outages and safety complaints.

Commission Approves PGW Restructuring Tariff

In March 2003, the Commission approved a restructuring plan for the Philadelphia Gas Works (PGW) to ultimately open the market to alternate natural gas suppliers beginning on September 1, 2003. To help prepare customers for possible new choices, PGW, the Council for Utility Choice and the Commission will team to educate consumers about how to shop for and select an alternate natural gas supplier.

Natural Gas Choice

As of June 2003, more than 200,000 customers in the Commonwealth were served by alternative natural gas supplier. Approximately 11 percent of Pennsylvania residential customers are now shopping for a natural gas supplier. Also in November 2002, the Commission launched a statewide Utility Choice consumer-education campaign to inform Pennsylvanians about Natural Gas Choice along with local telephone and electric competition.



Telecommunications

Ensuring Level Playing Field for Competitors and Fairness for Consumers

In October 2002, the Commission directed Verizon, the state's largest local phone company, to recalculate the wholesale rates it charges competitors to lease portions of its network. The order was not a final determination of whether Verizon's wholesale rates -- called unbundled network elements or UNEs -- should be lowered, raised or maintained. But it tentatively resolved some of the major issues related to UNE pricing.

To ensure that the new rates would be calculated correctly, the case was remanded to an administrative law judge (ALJ). In March 2003, the ALJ issued his recommended decision. In November 2003, the full Commission ruled on the judge's decision, voting 5-0 to modify several tentative variables in the methodology to calculate UNE rates.

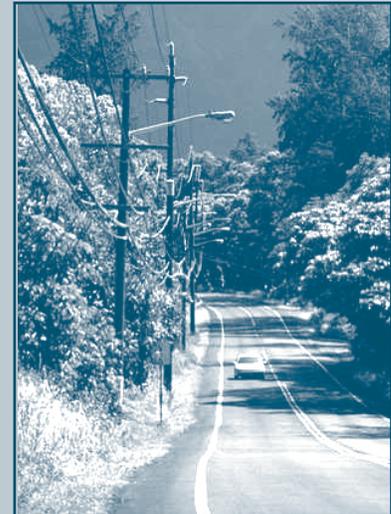
In January 2004, Verizon submitted a compliance filing with the recalculated UNE rates. The Commission is currently reviewing the compliance filing. As a result, new UNE rates are not in effect yet.

Shortly after ordering the recalculation of Verizon's wholesale rates, the PUC adopted a new performance assurance plan that measures the company's service to competitors. Testing and performance assurance plans are integral components of local telephone competition. They are used to monitor competition and to determine if incumbent local phone companies are providing the same level of service to competitors as they are providing to their own retail customers.

Under the plan, Verizon will provide self-executing billing credits to competitors when it does not meet minimum standards on performance tests, called metrics. Verizon will provide up to a maximum of approximately \$197 million per year for the credits.

Removing Barrier to Local Phone Competition

In January 2003, the PUC removed a barrier that previously prevented competitors from serving rural areas. The Commission removed a provision that had allowed 28 rural phone companies to prevent



competitive local exchange companies, called CLECS, from connecting to their networks.

The Federal Telecommunications Act of 1996 said local phone companies must allow competitors to interconnect to their networks and to lease parts of the networks, which competitors then resell to customers. The PUC approves interconnection agreements between companies.

However, the federal act gave state utility commissions authority to grant rural phone companies suspensions from interconnection obligations. The PUC subsequently gave the 28 rural phone companies a

two-year suspension from the interconnection obligations, which became effective in July 1997. The PUC then granted three additional, one-year suspensions to the companies. The five-year period was meant to give rural telephone companies the opportunity to modernize their networks, expand into new markets and prepare for interconnection obligations.

In June 2002, the 28 rural companies petitioned the PUC for an additional three-year extension to the interconnection obligation suspension. The PUC denied the extension, paving the way for the possibility of competition in rural areas.

Preserving Area Codes

Number conservation measures have been a vital component of the PUC's efforts to preserve area codes. Companies must verify that numbers in their inventories are assigned to customers or return them to the area code. To date, more than 2 million numbers from across the state have been returned to the North American Numbering Plan

Administrator (NANPA), the Federal Communications Commission contractor responsible for distributing area codes.

The success of the PUC's number conservation measures has alleviated the need for new area codes that were originally planned for the 570 and 717 regions in 2002 and 2003. Now, NANPA predicts that the 717 area code will not run out of numbers until the fourth quarter of 2007 and the 570 area code until the third quarter of 2008.

Until 1993, Pennsylvania had only four area codes. By 1999, five new area codes were added to the Commonwealth. In August 2000, just one month after receiving authority from the FCC to do so, the PUC started implementing its number conservation measures.

New Program Assists Hard of Hearing

Also this fiscal year, the Commission supported the initiation of a pilot program for the Telecommunications Relay Service involving captioned service in

handsets, called CapTel. This pilot is expected to provide better service to a segment of the deaf and hard of hearing community that will remove much of the delay experienced in conventional relay service.

The CapTel telephone is designed specifically to interact with a captioning service to display captions to the CapTel telephone user. It works by the user placing a telephone call in the same way as dialing a traditional phone. As the user dials, the CapTel phone automatically connects to a captioning service. When the phone call goes through, a computer using voice-recognition software instantaneously translates the other individual's words into captions on the caller's CapTel phone.

The trial will be funded by the Telecommunications Relay Service (TRS) surcharge -- a monthly charge of 7 cents for residential telephone customers and 15 cents for business telephone customers. There is no additional cost to participants.





Water/ Wastewater

The Pennsylvania Public Utility Commission's role in water and wastewater consists of reviewing and analyzing requests for rates and tariff changes from Pennsylvania water companies. The PUC also plays a role in the Distribution System Improvement Charge program (DSIC) – encouraging investment in infrastructure.

Task Force Continues to Help Small Water Companies

Pennsylvania is dotted with small water companies which serve fewer than 3,000 customers. Built decades ago, some now face operational, technical and financial challenges that adversely affect customer service. Many struggle to meet compliance standards established by the federal Safe Drinking Water Act in 1974 and amendments to the Act in 1996.



The Public Utility Commission's Small Water Company Task Force continued to help 120 small water companies maintain viability so they can adequately serve customers. The primary goal is to share information between PUC bureaus and other state agencies, so all are working toward common solutions for the companies.

The task force - which includes representatives from the Office of Consumer Advocate, the Department of Environmental Protection and PENNVEST - works with utilities to prioritize improvements and discuss proposed rate schedules to safely operate its systems. The PUC offers legal and accounting assistance, rate case and application counseling and technical and financial advice. In addition, PUC processes have been designed to meet the specific needs of small water companies, such as a streamlined rate case filing process, special emergency funds and rate case mediation.

Only when it is clear a small water company cannot sustain itself does the task force recommend that it merge with a larger, financially secure systems, a practice known as regionalization. Companies benefit from regionalization because operations become more efficient through economies of scales, and customers typically get better quality water and improved service.

Pennsylvania's two largest water companies, Pennsylvania Suburban Corporation and Pennsylvania American Water Company, continue to acquire most of these small companies.

Also, PA-American was purchased by the Thames Water subsidiary of RWE Inc. The Commission approved the acquisition with conditions, finding that the proposed merger provided substantial benefits to the public.

With the actions of the General Assembly calling for new statewide and county plans for water and wastewater, the Commission conducted some outreach to local community associations and county officials on the participation in the Commission application review process.

In addition to approving business consolidations, the Commission audited four water utilities authorized to charge ratepayers a Distribution System Improvement Charge (DSIC). The DSIC enables water utilities to accelerate compliance with the Safe Drinking Water Act and accelerate the replacement of aging infrastructure. Audits are conducted to ensure that only PUC-authorized expenses are included in the DSIC rates.

PUC Reviews Rate Requests

The Commission also reviewed and approved numerous rate requests:

- Philadelphia Suburban Water Company was granted a \$21.2 million (10.2 percent) base rate increase, less than the \$28 million (13.4 percent) the company had originally requested. The increase affects approximately 382,000 customers in 13 counties;
- A settlement agreement allowed Audubon Water Company to increase water rates by \$215,000 (17.5 percent), less than the \$416,757 (34 percent) the company had requested. The increase will affect approximately 2,180 residential customers in Montgomery County;
- A settlement agreement allowed Meadowcrest Water Company to increase water rates by \$34,003 (57.2 percent) in Kingston Township, Luzerne County. The rate increase will affect approximately 374 residential customers;
- Pennsylvania Suburban Water Company's Paupack Division was granted an annual reduction in rates of \$30,000 (10 percent). The Paupack Division serves approximately 1,716 customers in Palmyra and Blooming Grove townships, Pike County;
- In Carbon County, D's Water Company requested an increase in annual revenue of \$36,224 but received an increase of approximately \$31,000;
- Schuylkill Haven Water Company received a settlement agreement that allowed water rates to increase by \$385,790 (63.9 percent) in Schuylkill Haven, Schuylkill County. The rate increase will affect approximately 786 residential customers;
- A settlement agreement allowed Hanover Municipal Water Works to increase water rates by \$214,450 (5.67 percent) in West Manheim and the Township of Penn, both in York County, and the Borough of McSherrystown and Conewago Township in Adams County. The rate increase will affect approximately 8,940 residential customers;
- A settlement agreement allowed York Water Company to increase water rates by \$1.7 million in York County. The rate increase will affect approximately 46,187 residential customers;
- The Commission voted to allow the Borough of Indiana to increase residential sewer rates by \$683,812 (31.5 percent). The Commission has jurisdiction over only the rates charged to customers who live the outside the borough limits. The Borough of Indiana serves 2,875 residential customers in White Township, Indiana County; and
- The Commission denied PA-American Water Company's request for a facility protection charge to pay for security costs, but said the company could try to recover the costs in its pending application to increase base rates. The water company wanted to charge residential customers approximately \$15 a year to help pay for security-related measures put in place following September 11, 2001.



Transportation and Safety

Motor Carrier Services and Enforcement

Supporting state government's goal of making Pennsylvania's roads the safest in the nation, the Public Utility Commission made truck safety enforcement in high-accident corridors and inspections of truck drivers top priorities in 2002.

Over the course of the year, PUC enforcement officers conducted 2,057 truck-safety inspections, placing 463 drivers and 927 vehicles out of service. The most frequent out-of-service driver violations were not maintaining a log book and exceeding hours of service. The most frequent out-of-service vehicle violation was defective brakes.

Enforcement staff continues to be an active participant in inspection programs with the State Police, the Department of Transportation and local law enforcement. As a result, over the past decade, serious vehicle and driver violations have declined to the point that placing a truck out of service is the exception, not the rule.

In addition, the division began participating in a new federal motor carrier entrant program funded by the Motor Carrier Safety Assistance Program. Enforcement officers from each of the five district offices in Altoona, Harrisburg,

Philadelphia, Pittsburgh and Scranton were trained to audit interstate motor carriers registered in Pennsylvania. The officers make sure that the carriers receive safety fitness information before obtaining a US DOT number for interstate commerce.

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

- 22,365 truck, bus and small passenger vehicle inspections (non-medallion);
- 2,993 medallion taxicab driver/vehicle inspections;
- 883 informal complaint investigations;
- 561 safety fitness reviews;
- 2,339 cases reviewed; and
- 1,015 prosecutory actions.

The PUC was given authority over limousine service in Pittsburgh's Allegheny County, and jurisdiction over taxis and limousines in Philadelphia is expected to be transferred to the Philadelphia Parking Authority in late 2004, pending legislation.

Through June 30, 2003, the Commission has received approximately 85 applications for permanent limousine authority within Allegheny County.

Rail Safety

In 2002-2003, the Commission was the lead agency in a focused inspection with the Federal Railroad Administration (FRA) in Norfolk Southern Railway Company's Conway Yard in Beaver County. Inspectors examined hazardous materials, equipment and operating practices. The division and the FRA spent three days, 24 hours a day, auditing hazardous materials through the yard.

In a joint effort with Federal Railroad Administration hazardous material inspectors, the Rail Safety Division conducted a two-week assessment of the Genessee and Wyoming Railroads, including the Buffalo & Pittsburgh Railroad Inc., Allegheny & Eastern Railroad Inc., and the Pittsburgh & Shawmut Railroad Company. The assessment involved reviewing training records, proper handling of rail cars, operations, shipping papers, cargo and overall regulation compliance.

The Commission is an active participant in the national Operation Lifesaver Program, a non-profit, nationwide public education program dedicated to eliminating collisions, deaths and injuries at highway-rail intersections and on railroad rights of way. In 2002 the division conducted approximately 16 presentations to various groups.

Additional rail safety activities include:

- 23,957 railroad car inspections;
- 489 locomotive inspections;
- 3,736 miles of railroad track inspected;
- 640 operating practice inspections; and
- 1,700 hazmat unit inspections.





Utility Finances

Utility Revenues for Residential, Commercial and Industrial Classes

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

PENNSYLVANIA MAJOR ELECTRIC UTILITIES RESIDENTIAL WEIGHTED AVERAGE REVENUE PER KWH 1996 - 2002 (cents/kwh)								
	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1996	12.17	8.83	8.70	9.44	8.47	12.82	8.25	6.55
1997	12.17	9.14	8.98	9.57	8.51	13.09	8.65	6.83
1998	11.98	8.95	8.70	9.20	8.57	13.30	8.76	6.92
1999	11.38	8.49	8.35	9.23	7.99	10.76	3.78	6.66
2000	10.64	8.78	8.66	9.22	8.32	9.60	8.33	6.11
2001	10.37	8.83	8.69	9.08	8.40	12.98	8.65	6.13
2002	8.54	9.10	8.88	9.00	8.36	12.02	8.75	
% Change								
Nominal	-29.8	3.1	2.0	-4.7	-1.3	-6.2	6.0	
*Real	-39.5	-11.2	-12.0	-17.8	-14.9	-19.2	-8.6	

* Adjusted for inflation to 2002 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

**PENNSYLVANIA MAJOR ELECTRIC UTILITIES COMMERCIAL
WEIGHTED AVERAGE REVENUE PER KWH
1996 - 2002
(cents/kwh)**

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1996	8.28	7.86	7.48	7.72	7.84	11.56	7.85	5.72
1997	8.23	8.06	7.71	7.79	7.81	11.66	8.06	5.83
1998	8.03	7.84	7.41	7.41	7.78	11.17	8.00	5.88
1999	7.06	5.54	5.29	6.81	5.84	7.88	3.21	5.09
2000	6.98	5.83	5.32	7.64	5.76	5.79	7.75	4.57
2001	7.40	7.19	6.84	7.35	6.96	8.92	7.99	5.09
2002	6.11	7.82	7.55	7.69	7.40	11.04	8.10	
% Change								
Nominal	-26.3	-0.5	0.9	-0.3	-5.7	-4.5	3.1	
*Real	-36.4	-14.2	-13.0	-14.1	-18.7	-17.6	-11.1	

* Adjusted for inflation to 2002 dollars

**PENNSYLVANIA MAJOR ELECTRIC UTILITIES INDUSTRIAL
WEIGHTED AVERAGE REVENUE PER KWH
1996 - 2002
(cents/kwh)**

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1996	5.77	6.03	5.45	4.82	5.54	7.24	6.53	4.45
1997	5.45	6.16	5.52	4.98	5.49	7.18	6.69	4.38
1998	5.36	5.85	5.27	5.00	5.50	6.69	6.65	4.32
1999	5.26	2.39	2.56	4.52	4.03	3.89	2.00	3.99
2000	5.35	2.63	3.04	4.96	3.84	3.21	6.74	3.34
2001	5.27	4.59	4.46	5.18	5.03	5.92	6.80	3.79
2002	4.96	4.47	4.95	5.31	5.23	7.19	6.89	
% Change								
Nominal	-14.0	-25.9	-9.1	10.2	-5.6	-0.7	5.4	
*Real	-25.9	-36.1	-21.7	-5.0	-18.6	-14.4	-9.1	

* Adjusted for inflation to 2002 dollars

Inflation Factor

1.3 Bureau of labor statistics CPI-U

1.16 Electric 1996-2001

**PENNSYLVANIA MAJOR GAS UTILITIES
NOMINAL WEIGHTED AVERAGE RESIDENTIAL REVENUE PER MCF
1992 - 2002
(dollars/mcf)**

	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
1992	6.31	8.06	5.74	5.63	5.03	6.01	6.92	5.12	7.09
1993	6.22	8.20	6.36	6.86	5.54	6.46	6.82	5.01	7.18
1994	6.96	8.93	7.27	7.40	6.17	7.03	7.48	5.01	7.86
1995	6.78	9.25	6.81	5.84	5.92	6.59	7.66	5.22	7.48
1996	6.93	9.06	6.87	6.44	5.44	7.27	6.98	6.11	8.55
1997	7.98	10.43	7.85	7.83	7.21	8.23	8.17	6.65	9.15
1998	7.92	10.55	8.15	8.43	7.19	8.11	8.47	6.99	9.37
1999	8.01	10.06	7.97	8.04	7.61	7.77	8.42	6.95	9.08
2000	8.61	10.15	8.09	7.94	7.38	8.71	8.17	7.34	9.56
2001	10.96	12.61	10.43	11.25	10.01	10.74	11.23	10.34	12.25
2002	8.00	10.49	8.60	10.74	9.39	8.01	9.32	8.75	10.51
% Change									
Nominal	26.8	30.1	49.8	90.7	86.8	33.2	34.7	71.0	48.2
*Real	-2.5	0.1	15.3	46.7	43.7	2.5	3.6	31.5	14.0

* Adjusted for inflation to 2002 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 - (PPL) Units reported in dth
- PG En-** P G Energy
- PEPLS-** Peoples Natural Gas Company
- PECO-** PECO Energy Company
- PHLPS-** T.W. Phillips Gas and Oil Company
- UGI-** UGI Utilities, Inc

PENNSYLVANIA MAJOR GAS UTILITIES
NOMINAL WEIGHTED AVERAGE COMMERCIAL REVENUE PER MCF
1992 - 2002
(dollars/mcf)

	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO **	PHLPS	UGI
1992	5.63	7.30	5.25	4.99	4.90	5.94	6.08	4.39	6.48
1993	6.22	8.20	6.36	6.86	5.54	6.46	6.82	5.01	7.18
1994	6.14	6.95	6.83	6.80	6.11	6.82	6.48	4.55	7.15
1995	5.87	9.04	6.42	5.19	5.73	6.13	6.70	4.59	6.64
1996	5.86	6.44	6.56	5.83	5.44	6.71	6.21	5.08	7.75
1997	6.97	10.29	7.52	7.07	6.67	7.80	7.41	5.54	8.30
1998	7.16	10.38	7.86	7.63	6.48	7.48	7.55	5.78	8.34
1999	6.98	9.78		7.24	6.74	7.17		5.72	8.33
2000	7.56	9.61	7.90	7.27	6.49	8.13	.	6.39	9.08
2001	10.92	12.38	10.28	9.95	9.01	9.56	10.40	8.91	11.66
2002	7.29	9.94	8.42	8.87	8.23	7.03	8.29	7.39	9.87
% Change									
Nominal	29.5	36.1	60.3	77.7	68.0	18.3	36.4	68.4	52.3
*Real	-0.4	4.7	23.3	36.7	29.2	-9.0	4.9	29.5	17.1

* Adjusted for inflation to 2002 dollars

** PECO Gas reports small commercial and industrial revenues combined

NATURAL GAS

PENNSYLVANIA MAJOR GAS UTILITIES NOMINAL WEIGHTED AVERAGE INDUSTRIAL REVENUE PER MCF 1992 - 2002 (dollars/mcf)

	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO ***	PHLPS	UGI
1992	4.25	6.25	5.01	3.79	3.45	4.89	4.80	3.13	4.78
1993	4.25	5.25	6.27	5.57	3.77	3.54	4.37	2.92	4.99
1994	5.21	4.14	6.77	6.07	4.83	5.62	5.44	2.75	5.33
1995	4.88	5.91	6.73	4.24	4.39	3.32	0.51	2.59	4.40
1996	5.50	3.93	5.44	4.48	4.43	3.41	4.45	2.98	5.73
1997	5.82	9.64	7.24	5.25	5.48	4.51	5.28	3.28	6.35
1998	5.22	9.53	8.34	5.27	4.45	5.98	5.38	3.28	6.25
1999	5.07	9.04		6.48		5.51		3.34	6.92
2000	7.65	8.97	4.98	5.71	4.77	6.33		3.99	8.03
2001	8.42	6.10	10.21	8.80	8.10	8.14	6.83	5.27	11.20
2002	8.27	10.49	6.30	7.74	8.46	6.17	6.26	4.14	9.44
% Change									
Nominal	94.6	67.8	25.8	104.1	145.2	26.2	30.5	32.3	97.5
*Real	49.7	29.1	-3.3	57.0	88.6	-2.9	0.4	1.8	51.9

* Adjusted for inflation to 2002 dollars

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

PENNSYLVANIA MAJOR GAS UTILITIES
NOMINAL WEIGHTED AVERAGE TRANSPORTATION REVENUE PER MCF
1992 - 2002
(dollars/mcf)

	Maybe there were no	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
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	1.423	2.566	1.022	1.101	0.500	1.965	0.725	0.614	1.311
2001	1.470	2.353	0.885	1.011	0.558	2.298	0.710	0.518	1.295
2002	1.523	2.017	0.250	1.156	0.523	2.134	0.628	0.484	1.309
% Change									
Nominal	182.1	47.2	-50.0	48.2	4.7	137.1	6.5	-22.0	22.4
*Real	117.0	13.2	-61.5	14.0	-19.5	82.4	-18.1	-40.0	-5.9

* Adjusted for inflation to 2002 dollars

**PENNSYLVANIA MAJOR WATER UTILITIES
NOMINAL WEIGHTED AVERAGE RESIDENTIAL REVENUE PRICES
1992 - 2002
(\$/1000 gal)**

	UTD-PA	PA-AMER	PA-SUB	YORK
1992	3.70	4.72	3.66	3.49
1993	3.87	5.09	3.96	3.60
1994	4.80	5.28	4.20	3.63
1995	4.85	5.47	4.47	3.80
1996	4.93	5.76	4.50	3.86
1997	4.84	5.77	4.64	3.97
1998	5.46	6.34	4.83	3.96
1999	5.42	6.59	4.87	4.06
2000	5.56	7.01	5.32	4.32
2001	5.48	7.07	5.77	4.38
2002	5.60	7.41	6.10	4.56
% Change				
Nominal	51.3	57.1	66.6	30.6
*Real	16.4	20.8	28.2	0.5

* Adjusted for inflation to 2002 dollars

LEGEND

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

**PENNSYLVANIA MAJOR WATER UTILITIES
NOMINAL WEIGHTED AVERAGE COMMERCIAL PRICES
1992 - 2002
(\$/1000 gal)**

	UTD-PA	PA-AMER	PA-SUB	YORK
1992	2.69	3.21	2.62	1.93
1993	2.81	3.36	2.68	1.95
1994	3.12	3.44	2.95	2.00
1995	3.32	3.60	3.03	2.02
1996	3.40	3.84	3.27	2.05
1997	3.44	3.89	3.19	2.14
1998	3.81	4.36	3.44	2.11
1999	3.75	4.57	3.39	2.16
2000	3.86	4.76	3.57	2.25
2001	3.89	4.83	3.84	2.32
2002	3.98	5.21	4.04	2.37
% Change				
Nominal	47.8	62.3	54.2	22.8
*Real	13.7	24.9	18.6	-5.6

* Adjusted for inflation to 2002 dollars

**PENNSYLVANIA MAJOR WATER UTILITIES
NOMINAL WEIGHTED AVERAGE INDUSTRIAL PRICES
1992 - 2002
(\$/1000 gal)**

	UTD-PA	PA-AMER	PA-SUB	YORK
1992	2.14	2.17	2.24	1.04
1993	2.26	2.36	2.29	1.10
1994	1.53	2.42	2.48	1.09
1995	1.89	2.57	2.62	1.15
1996	1.97	2.72	2.85	1.21
1997	2.03	2.78	2.25	1.35
1998	2.20	3.01	2.55	1.37
1999	2.29	2.85	2.58	1.37
2000	2.37	3.12	2.69	1.48
2001	2.24	3.27	2.87	1.57
2002	2.22	3.53	3.11	1.65
% Change				
Nominal	3.6	62.8	38.8	58.2
*Real	-20.3	25.3	6.8	21.7

* Adjusted for inflation to 2002 dollars

PENNSYLVANIA MAJOR TELEPHONE UTILITIES - ILEC
WEIGHTED AVERAGE REVENUE PER LOCAL ACCESS LINE
1992 - 2002
(\$/access line)

**AVG
PRICE**

	ALLTEL	VERIZN-PA	CONEST	COMMON	VERIZN-NO	UNTD	D & E	NO. PITTS	Nominal
1992	215.07	247.88	133.93	108.54	235.03	211.95			238.09
1993	188.15	254.21	138.65	111.88	237.18	191.14			242.67
1994	192.52	264.03	134.46	110.38	232.77	202.11			250.43
1995	195.89	265.95	117.25	130.50	226.97	210.58			252.14
1996	209.30	271.79	119.61	133.29	222.53	220.74			257.25
1997	227.00	274.87	119.82	135.89	221.25	232.29			260.51
1998	236.18	271.53	135.98	143.61	230.70	236.50			259.64
1999	248.68	278.39	146.17	148.51	222.30	241.78			264.98
2000	261.57	268.96	157.09	152.39	254.73	247.64			260.93
2001	263.75	260.97	150.55	175.98	246.18	266.86			254.54
2002	278.81	263.74	153.90	193.94	239.48	282.89	370.36	235.23	257.92
% Change									
Nominal	29.6	6.4	14.9	78.7	1.9	33.5			8.3
*Real	-0.3	-18.2	-11.6	37.4	-21.6	2.7			-16.7

* Adjusted for inflation to 2002 dollars

LEGEND

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

**PENNSYLVANIA TELEPHONE UTILITIES - CLEC
WEIGHTED AVERAGE REVENUE PER LOCAL ACCESS LINE
2002**

	CTSI	ATT COMM	XO PENNA	CHOICE	COMCAST
2001	\$407.26	\$159.71	n/a		
2002	\$414.42	\$125.40	\$271.88	\$357.57	\$266.38

LEGEND

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

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