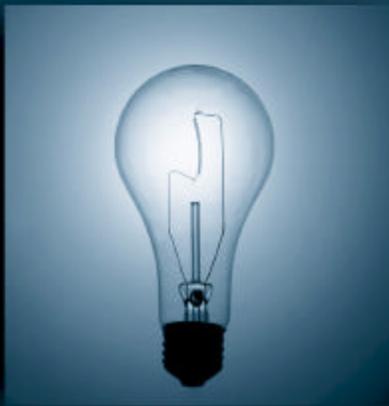


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**Pennsylvania Public Utility Commission**

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## LETTER TO THE GENERAL ASSEMBLY



*John M. Quain, Chairman,  
Pennsylvania Public Utility Commission*

The Honorable Thomas J. Ridge, Governor of Pennsylvania  
The Honorable Mark Schweiker, Lt. Governor  
Members of the General Assembly

I am pleased to provide the 1999–2000 Public Utility Commission Annual Report. This fiscal year we continued our progress in the deregulation of electric, natural gas and telecommunications markets, enabling customers to take advantage of the benefits of competition. Internally, we strengthened our customer service functions, providing easier access to public documents and improving the efficiency of our call center. We also laid the groundwork to assume jurisdiction of the Philadelphia Gas Works.

The Pennsylvania Electric Choice Program continued to flourish and uphold its promise of customer choice and savings while maintaining reliability of service. As you are aware, this stands in contrast to plans attempted by other states which have not been so successful. Our program reached a milestone in January 2000 when all electric customers became eligible to choose their electric supplier. As of October 1, 2000, more than 551,000 customers had selected an alternative supplier. By far, Pennsylvania leads the nation in the number of customers who have successfully taken advantage of electric choice in a viable competitive market.

This year we also successfully implemented the requirements of the 1999 Natural Gas Choice and Competition Act, allowing customers who heat their homes with natural gas the opportunity to select their supplier. Currently, suppliers are offering competing services in the territories of Columbia Gas, People's Gas and Equitable Gas. We fully expect that additional suppliers will enter the market this year and provide competitive services throughout the state.

The Commission also worked over the past year laying the groundwork to assume jurisdiction of the Philadelphia Gas Works. The natural gas competition act transferred jurisdiction of the city-owned utility from the Philadelphia Gas Commission to the PUC effective July 1, 2000. In anticipation of this new responsibility, we added more staff to our Bureau of Consumer Services and increased the responsibilities of our call center.

Also this year, the Commission continued its efforts to create viable competition in the local telephone market. An independent consultant is thoroughly testing Verizon's (formerly Bell-Atlantic and GTE) operational support system to ensure that it can handle the high volume of activity expected from full competition. In western Pennsylvania, AT&T has begun selling local phone service over its cable television lines. On August 16, 2000, MCI WorldCom began offering local service to its long-distance customers across the state.

Internally, we significantly improved our customer service functions by enhancing our website ([puc.paonline.com](http://puc.paonline.com)) and by providing electronic access to a greater number of documents. Consumers may now view daily filings submitted to the PUC, review daily actions and scan weekly hearing schedules. We have increased the number of public meeting orders available electronically and expect all orders to be available electronically within the next year.

Our goals are to ensure that all customers have access to safe, reliable and efficient energy services and to enable customers to take advantage of the benefits of competition. The following report highlights our accomplishments toward meeting these responsibilities.

Respectfully,

A handwritten signature in dark ink, appearing to read "John M. Quain".

John M. Quain  
Chairman

## INTRODUCTION



*From left: Commissioner Aaron Wilson, Jr., Chairman John M. Quain, Vice Chairman Robert K. Bloom, Commissioner Nora Mead Brownell, and Commissioner Terrance J. Fitzpatrick*

Utility service today is viewed as a necessity for residential and business customers alike. 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, household moving trucks or buses should be able to expect fair rates and adequate service.

The Pennsylvania Public Utility Commission has traditionally worked to ensure that all customers have access to safe and reliable transportation and energy services at a reasonable cost. In addition, in this time of energy deregulation, 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. We believe it is in the long-term public

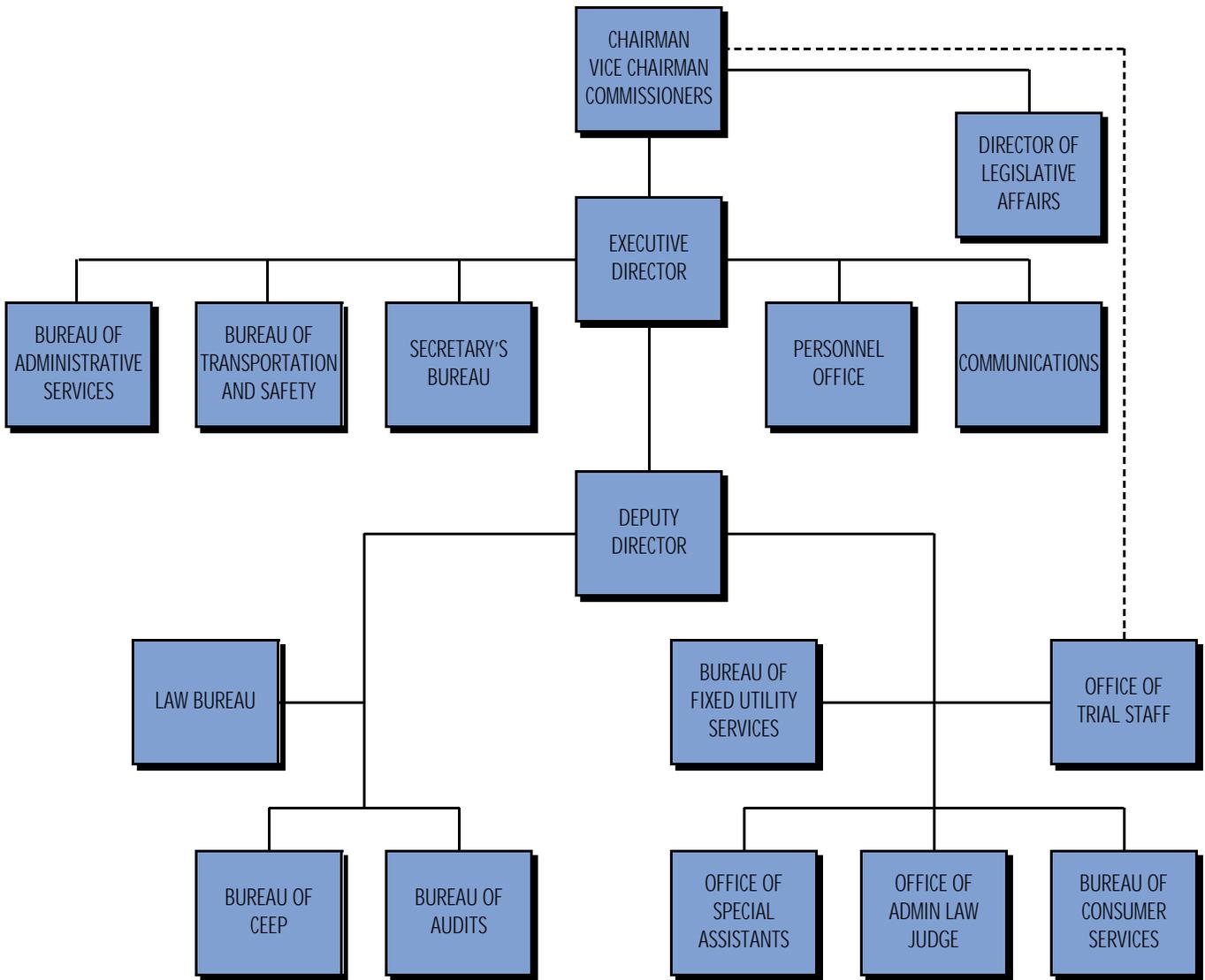
interest to permit a strong financial climate for investment in public utilities. By allowing a fair return to investors for the use of their money, companies can attract capital to provide and improve services for all customers.

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

### **Broad Powers**

The Commission 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, util-

# ORGANIZATIONAL CHART



# INTRODUCTION

ities 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.

Many of these business transactions have resulted from the PUC's action in 1999 to deregulate the markets for both electricity generation and natural gas supply. Customers may now choose from a number of suppliers that generate their electricity or supply their natural gas. Over the last year, the number of telecommunications companies offering local phone service in competition with the incumbent phone companies has also increased. Competition among suppliers will lower prices, improve customer services and spur the development of new products.

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

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 in both rates and services areas 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 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 are also exempt from PUC regulation.

The Commission is funded by assessments of the regulated public utilities. Subject to budget approval, the PUC may assess utilities up to three-tenths of one 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 budget for Fiscal Year 1999–2000 totaled \$41.616 million, which included \$1.005 million in federal funds.

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 Commission's 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 often 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 the cost 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

## AN OVERVIEW OF THE RATEMAKING PROCESS

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 much 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 Executive Director's Office 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 Commission daily activities. Reporting directly to the Executive Director's Office are the Personnel Office, the Bureau of Administrative Services and the Communications Office.

*The Executive Director manages the Commission's daily activities, overseeing approximately 500 employees and a \$41.6 million budget.*

### The 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 the technical administrative services 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.

The bureau 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 Commission.

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

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

### Communications Office

Within the Executive Director's Office is a Communications Office comprised of a Media Relations Section and a Community Relations Section.

Media Relations distributes information and decisions of the Commission to the media, the public, utility customers, and state, local and federal government officials and agencies. The press secretary serves as the official spokesperson for the PUC.

The Community Relations Section develops educational materials on

# BUDGET SUMMARY

utility issues for the public. It also oversees utility consumer education programs to ensure that utilities adhere to the Commission's plain language guidelines when developing customer notification materials and other publications. Staff serves on the Council on Electricity Choice, which oversees the Electric Choice educational program. The section maintains a network with community leaders and monitors utility efforts to promote diversity in employment and in contracting for goods and services.

## A. EXECUTIVE BUDGET

GENERAL GOVERNMENT OPERATIONS	GENERAL FUND ACTUAL 1998-1999	REVENUE ALLOCATED 1999-2000
State Funds		
Personnel	\$ 31,386,361	\$ 33,083,000
Operating	7,092,407	7,428,000
Fixed Assets	305,824	100,000
<b>TOTAL STATE FUNDS</b>	<b>\$ 38,784,592</b>	<b>\$ 40,611,000</b>
Federal Funds		
Personnel	\$ 865,000	\$ 960,000
Operating	45,000	45,000
Fixed Assets	45,000	- 0 -
<b>TOTAL FEDERAL FUNDS</b>	<b>\$ 955,000</b>	<b>\$ 1,005,000</b>
<b>COMMISSION TOTAL BUDGET</b>	<b>\$ 39,739,592</b>	<b>\$ 41,616,000</b>

## B. PHILADELPHIA TAXICAB MEDALLION BUDGET

	1998-1999	1999-2000
State Funds		
Personnel	\$ 1,062,000	\$ 1,092,000
Operating	295,129	337,000
Fixed Assets	4,545	6,000
<b>TOTAL</b>	<b>\$ 1,361,674</b>	<b>\$ 1,435,000</b>

## C. REVENUE

TYPE	1998-1999 RECEIPTS	1999-2000 RECEIPTS
Application Fees	\$ 335,184	\$ 398,046
Electric Generation Application Fees	12,950	7,700
Testing Laboratory Fees	3,035	280
Fines	359,083	308,787
Gas Pipeline Safety	154,242	398,966
Motor Carrier (MCSAP)	556,105	853,091
Philadelphia Taxicab Medallion Fees	1,095,580	1,738,361
Philadelphia Taxicab Medallion Transfers	216,825	259,700
Philadelphia Medallion Driver Cert. Fees	42,310	31,561
Philadelphia Medallion Fines	63,025	71,175
Philadelphia Driver Cert. Fines	31,676	20,753
Philadelphia Taxicab Copy Fees	2,594	2,594
Philadelphia Taxicab Medallion Auction Fee	- 0 -	9,889,271
Philadelphia Auction Transfer Fee	- 0 -	197,225
<b>TOTAL</b>	<b>\$ 2,872,609</b>	<b>\$ 14,177,148</b>

# BUDGET SUMMARY

## Fiscal Operations and Assessments

The Fiscal Office transmitted \$45,143,919 in assessment billings for the 1999–00 fiscal year and for previous year billings:

1st Quarter Collections	\$ 12,516,162.00
2nd Quarter Collections	26,788,289.00
3rd Quarter Collections	(553,509.00)
4th Quarter Collections	5,285,959.00
<b>TOTAL</b>	<b>\$ 45,143,919.00</b>

The Fiscal Office collected \$2,109,900 in support of the Philadelphia Taxicab Medallion Program:

	MEDALLION FEES	TRANSFERS	DRIVER CERT.	FINES	DRIVER CERT. FINES	COPY FEES	TOTAL
1st	\$ 765,700	\$ 116,375	\$ 8,090	\$ 38,075	\$ 7,450	\$ 511	\$ 936,201
2nd	108,550	53,900	6,921	7,100	3,225	397	180,093
3rd	- 0 -	56,350	8,860	4,650	4,700	784	75,344
4th	846,950	35,525	7,940	22,100	4,878	869	918,262
<b>TOTAL</b>	<b>\$1,721,200</b>	<b>\$ 262,150</b>	<b>\$ 31,811</b>	<b>\$ 71,925</b>	<b>\$ 20,253</b>	<b>\$ 2,561</b>	<b>\$ 2,109,900</b>

The Fiscal Office collected \$10,086,481 for the medallion auction.

	FEES	TRANSFERS	TOTALS
1st	\$ - 0 -	\$ - 0 -	\$ - 0 -
2nd	- 0 -	- 0 -	- 0 -
3rd	- 0 -	50,225	50,225
4th	9,889,246	147,000	10,036,256
<b>TOTAL</b>	<b>\$ 9,889,256</b>	<b>\$ 197,225</b>	<b>\$ 10,086,481</b>

The Fiscal Office also processed Accounts Receivable receipts for a total of \$723,494.

	ELECTRIC GENERATION	FINES	FILING AND COPY FEES	TESTING FEES	TOTAL
1st	\$ 2,450	\$ 46,109	\$ 111,402	\$ - 0 -	\$ 159,961
2nd	2,100	65,255	94,710	- 0 -	162,065
3rd	1,400	148,428	89,753	280	239,861
4th	1,750	59,733	100,124	- 0 -	161,607
<b>TOTAL</b>	<b>\$ 7,700</b>	<b>\$ 319,525</b>	<b>\$ 395,989</b>	<b>\$ 280</b>	<b>\$ 723,494</b>

**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 715 decisions in Fiscal Year 1999–2000. Of this total, four were settlement decisions and 63 were bench decisions rendered by the judge at the conclusion of the hearing.

During the fiscal year, the OALJ was assigned 35 Philadelphia taxicab medallion cases and rendered decisions in 43 cases.

Also this year, the office handled 211 mediation cases. Of the 211 cases, 14 involved Non-Category I rate cases (7 percent) and 197 involved cases other than Non-Category I rate cases (93 percent).

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

The utilities involved in the three Category I rate cases asked for \$69,537,836 in annual revenue increases. The ALJ decisions would have authorized \$42,527,472 (61.16 percent of the initial requests). The Commission ultimately authorized \$42,527,472 (61.16 percent of the initial requests).

*The Public Utility Commission*

*encourages mediation and*

*settlements in order to avoid*

*lengthy and expensive litigation.*

*This year, the Office of*

*Administrative Law Judge handled*

*211 mediation cases.*

# OFFICE OF ADMINISTRATIVE LAW JUDGE

## Breakdown of Category I Rate Cases

DOCKET NUMBER	COMPANY NAME	COMPANY REQUESTED	ALJ RECOMMENDED	COMMISSION GRANTED
R-994605*	The York Water Company	\$ 1,535,946 100.00%	\$ 927,472 60.38%	\$ 927,472 60.38%
R-994638*	Pennsylvania-American Water Company	\$ 40,001,890 100.00%	\$ 24,600,000 61.50%	\$ 24,600,000 61.50%
R-994868*	Philadelphia Suburban Water Company,	\$ 28,000,000	\$ 17,000,000	\$ 17,000,000
R-994877*	Consumers Water Company (Roaring	100.00%	60.71%	60.71%
R-994878*	Creek Division, Susquehanna Division			
R-994879*	and Shenango Valley Division)			
<b>TOTAL</b>		<b>\$ 69,537,836</b> <b>100.00%</b>	<b>\$ 42,527,472</b> <b>61.16%</b>	<b>\$ 42,527,472</b> <b>61.16%</b>

\* Settlement

## Summary of Tables

### Table I

**Caseload Status Report**—A compilation of statistics reflecting caseload and performance.

	R.I.D.*	APPLICATIONS			COMPLAINTS					I.D.***	OTHER	TOTAL
		FIXED	RAIL	NON-RAIL	FIXED	RAIL	NON-RAIL	P.U.C.	S.T.**			
Cases Beginning of Period	16	25	11	29	379	4	5	57	62	24	64	676
Cases Assigned to OALJ	41	21	18	104	1,242	7	10	97	330	6	135	2,011
Cases Reassigned to Another Bureau****												
Cases Completed	38	24	14	113	1,384	5	12	126	358	23	111	2,208
Cases End of Period	19	22	15	20	237	6	3	28	34	7	88	479
Days of Hearing	107	40	19	59	547	12	3	58	186	6	66	1,103

\* Rate Investigation Docket

\*\* Service Termination

\*\*\* Investigation Docket

\*\*\*\* Cases Reassigned to Another Bureau are included in Item 4, Cases "Completed"

### 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 95–96 through FY 99–00.

TYPE OF FILING	FY 94–95	FY 95–96	FY 96–97	FY 97–98	FY 98–99	FY 99–00
Rate Investigations	23	23	34	25	16	19
Applications	83	86	81	89	65	57
Complaints	791	1,046	917	758	507	308
Other	29	59	67	102	88	95
<b>TOTALS</b>	<b>926</b>	<b>1,214</b>	<b>1,099</b>	<b>974</b>	<b>676</b>	<b>479</b>

# OFFICE OF ADMINISTRATIVE LAW JUDGE

## Caseload Percentages (%)

TYPE OF FILING	FY 94-95	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00
Rate Investigations	2.49	1.90	3.09	2.57	2.37	3.97
Applications	8.96	7.08	7.37	9.14	9.14	11.90
Complaints	85.42	86.16	83.44	77.82	77.82	64.30
Other	3.13	4.86	6.10	10.47	10.47	19.83
<b>TOTALS</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Table III

**Summary of Act 294 Case Activities**—Shows data for the actions taken for cases subject to the provisions of Act 294 with comparative figures for FY 95-96 through FY 98-99. A percentage breakdown for each time period is also shown.

CASE ACTIVITIES	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00
No Exceptions or Commission Review	750	949	861	640	400
Exceptions/OSA	88	119	105	107	86
Commission Review/No Exceptions	57	35	25	20	6
<b>TOTALS</b>	<b>895</b>	<b>1,103</b>	<b>991</b>	<b>767</b>	<b>492</b>

## Case Percentages (%)

CASE ACTIVITIES	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00
No Exceptions or Commission Review	83.80	86.04	86.88	83.44	81.30
Exceptions/OSA	9.83	10.79	10.60	13.95	17.48
Commission Review/No Exceptions	6.37	3.17	2.52	2.61	1.22
<b>TOTALS</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

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 FY 95-96 through FY 98-99 are included in the table. A percentage breakdown for each time period is also shown.

COMMISSION ACTION	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00
Approved, Without Change	91	86	77	42	34
Approved, As Amended	63	28	23	16	7
Remanded	2	1	2	0	0
Reversed	4	4	2	0	0
<b>TOTALS</b>	<b>160</b>	<b>119</b>	<b>104</b>	<b>58</b>	<b>41</b>

## Case Percentages (%)

COMMISSION ACTION	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00
Approved, Without Change	56.83	72.27	74.04	72.41	82.93
Approved, As Amended	39.37	23.53	22.12	27.59	17.07
Remanded	1.25	0.84	1.92	0.00	0.00
Reversed	2.50	3.36	1.92	0.00	0.00
<b>TOTALS</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

# OFFICE OF ADMINISTRATIVE LAW JUDGE

## Summary of ADR/Mediation Cases

During Fiscal Year 1999–2000, the mediators concluded 217 cases processed through the mediation system, consisting of 211 proceedings. The 211 figure takes into account consolidated cases. The following is a breakdown of the proceedings:

1. Proceedings resolved through interim order process . . . . . 159
2. Proceedings resolved following the notice requesting consent, or notice setting mediation, but before mediation commenced. . . . . 14
3. Unscheduled mediations . . . . . 5
4. Scheduled mediations . . . . . 33

Of the 38 proceedings covered by 3 and 4 above, 36 were resolved on all issues resulting in full settlements, and two were terminated. Therefore, the ADR/mediation process has resulted in a success rate of 95 percent.

The following data represents the 211 proceedings processed as categorized in two ways: (1) procedural type and (2) utility type.

### Procedural Type

1. Applications seeking permission to do a certain act . 24
2. Complaints against utilities . . . . . 171
3. Petitions to take certain actions . . . . . 1
4. Rate increase filings. . . . . 14
5. Other . . . . . 1

### Utility Type

1. Electric . . . . . 70
2. Gas . . . . . 29
3. Motor Carrier . . . . . 24
4. Rail . . . . . 4
5. Telecommunications . . . . . 56
6. Water/Wastewater. . . . . 28

TABLE V

**Summary of ADR/Mediation Cases**—Shows data for the actions taken during FY 96–97 through FY 99–00. A percentage breakdown for the time period is also shown.

TYPE OF CASE	FY 96–97	FY 97–98	FY 98–99	FY 99–00
Non-Category I Rate Cases	4	15	12	14
Other	17	40	99	197
<b>TOTALS</b>	<b>31</b>	<b>55</b>	<b>111</b>	<b>211</b>

### Case Percentages (%)

TYPE OF CASE	FY 96–97	FY 97–98	FY 98–99	FY 99–00
Non-Category I Rate Cases	45.16	27.27	10.81	6.64
Other	54.84	72.73	89.19	93.36
<b>TOTALS</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## Glenn Bartron *Director*

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

### Adjustment Clause Audits

Gas, steam-heat and certain municipal electric utilities require an annual adjustment clause audit as mandated by the legislature. 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 bureau performs audits of certain water utilities that 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 Commission-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 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.

### 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 a range of subjects such as asset sales to power outages.

### Management Audits and Management Efficiency Investigations

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

Management efficiency investigations examine management effectiveness and the operating

*Customers received approximately \$8.4 million in refunds this year from fuel cost adjustment audits alone. Overall, the bureau conducted 209 audits.*

# BUREAU OF AUDITS

efficiency of the utilities and also assess the utilities' progress in implementing recommendations from prior management audits.

The audits are mandated for approximately 32 large and medium-size fixed utilities. These utilities must be audited every five to eight years. There are a few hundred 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 1999–2000, the Eastern and Western Regions of the Bureau conducted 209 audits, including 37 regular audits and 172 special project audits. These included 27 Section 1307 audits with a finding value of \$8,411,157 and five financial audits resulting in rate base reductions of \$943,605.

The Management Audit Division completed work on two management audits, three management efficiency investigations, and four special audits or projects. Combined, the audits identified 69 opportunities for improvement with potential annual and one-time savings or benefits (where they could be quantified) of up to \$15.4 million and \$5.8 million, respectively. Actual net annual savings from implementation of prior management audit recommendations were approximately \$2.7 million, while one-time savings or benefits from special audits were \$2.1 million.

Special project audits including reviews of utility filings for Distribution System Improvement Charge, Competitive Transition Charge, Intangible Transition Charge, Gas Cost Rate, Steam Cost Rate and Pipeline Cost Rate resulted in net rate adjustments of approximately \$18,000.

## Section 1307 Audits

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

UTILITY	REFUND
Citizen's Electric	\$ 150,674
PECO Energy	8,243,765
Herman Oil & Gas	1,531
Harrisburg Steam	15,187
<b>TOTAL</b>	<b>\$ 8,411,157</b>

## Financial Audits

Financial audits have resulted in the following reductions to the utilities' rate base.

UTILITY	REDUCTION
Mountville	\$ 75,000
PA American (N.E. Div.)	868,605
<b>Total</b>	<b>\$ 943,605</b>

## 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
Equitable Gas	\$13,554,000	\$ 722,000
West Penn Power	1,119,000	5,000,000
United Water	670,000	-
Newtown Artesian	18,800	-
<b>TOTAL</b>	<b>\$15,361,800</b>	<b>\$ 5,816,200</b>

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.).

Also, the completed management efficiency investigations identified certain savings or quantitative benefits actually achieved by utilities through implementation of recommendations in prior audits. The utilities and the savings include:

UTILITY	ANNUAL (recurring)
Equitable Gas	\$ 2,405,000
United Water	251,000
<b>TOTAL</b>	<b>\$ 2,656,000</b>

# BUREAU OF AUDITS

## Special Audits

Special audits or projects completed by the Management Audit Division resulted in the following savings or benefits to utilities:

UTILITY	ONE-TIME
West Penn Power	\$ 1,390,807
PPL	725,822
<b>TOTAL</b>	<b>\$ 2,116,629</b>

## List of Audits

### Operational Audits

UTILITY	TYPE OF AUDIT	YEAR(S) COVERED
Wellsboro	ECR	1996
Wellsboro	ECR	1997
Schuylkill Haven	PPEA	1998
Citizen's Electric	ECR	1997
Citizen's Electric	ECR	1998
Duquesne Light	ECR	1995
Duquesne Light	ECR	1996
Duquesne Light	ECR	1997
Pike County	GCR	1997
Pike County	GCR	1998
PECO Energy	PGC	1998
PFG, Inc.	PGC,GCR,TCRS	1997
PFG, Inc.	PGC,GCR,TCRS	1998
NFG	PGC,TCRS	1995
T.W.Phillips	PGC	1995
T.W.Phillips	PGC	1996
UGI Utilities	PGC,TCRS	1997
Herman Oil & Gas	GCR	1994
Herman Oil & Gas	GCR	1995
Herman Oil & as	GCR	1996
Herman Oil & Gas	GCR	1997
Herman Oil & Gas	GCR	1998
CCEC	SCR	1998
Harrisburg Steam	SCR	1996
Harrisburg Steam	SCR	1997
Pgh. Thermal	EPR	1995
Pgh. Thermal	EPR	1996

ECR — Energy Cost Rate  
 EPR — Energy Price Rate  
 GCR — Gas Cost Rate  
 PGC — Purchased Gas Cost  
 PPEA — Purchased Power Expense Adjustment Clause  
 SCR — Steam Cost Rate  
 TCRS — Transition Cost Recovery Surcharge

### Financial Audits

UTILITY	TYPE OF AUDIT	YEAR(S) COVERED
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

PECO Energy  
 West Penn Power Company

### Management Efficiency Investigations

Equitable Gas  
 United Water  
 Newtown Artesian Water

### Special Audits

West Penn Power Company — Review of Compliance with retail access interim code of conduct.  
 PPL — Review of pilot program regulatory asset.  
 Penn Power — Review of pilot program regulatory liability.

LP Water and Sewer — Follow-up review of recommendations contained in the prior report on financial operations for the 12 months ended December 31, 1996.

# BUREAU OF AUDITS

## Special Projects

Utility            Type of Work

Wally Gas Co. . . . .	On-site review of rates being charged to customers during 1997, 1998, and 1999. A compliance issue.
Major Electric Companies (7) . . . . .	Report on the review of pilot program regulatory assets/liabilities for: Duquesne, GPU(2), PPL, Penn Power, UGI, and West Penn. Except for PPL, the reviews showed that the utilities generally followed the Commission's orders. PPL's net regulatory asset was reduced by \$725,822 as a result of audit adjustments.
11/1/99 GCR Filings. . . . .	Reviewed 12 gas cost rate filings for the application year November 1999 through October 2000.
Tafton Water(PSW). . . . .	U.S. Dept. of Justice working with EPA has R. Freeman and Tafton(PSW) in settlement discussion pending heavy fines and threats of jail time.
Met Ed. . . . .	Generation divestiture audit determined that Met-Ed adhered to the auction process as required by R-00974008.
Penelec. . . . .	Generation divestiture audit determined that Penelec adhered to the auction process as required by R-00974009.
Duquesne Light . . . . .	Performed initial audit of Duquesne Light's consumer education program.
Franklin Manor. . . . .	Performed an original cost study of Franklin Manor's Wastewater Plant-In-Service.
Water Project . . . . .	Developed an audit population of water companies in the Western Region.
UGI-El. . . . .	Consumer education audit reported \$2,436 in non-consumer education expenses and a 5 percent reduction (3,710) for less than accurate allocating of costs between consumer education and non-consumer education expenses.
PECO Energy. . . . .	Consumer education audit reported \$3,780,269 in adjustments, \$3,770,269 in state (not local) expenditures, and \$10,000 never expended. Plus many charges not adequately documented.
York Water(2). . . . .	Distribution System Improvement Charge audit for 1997-1998. Recommended a tariff revision.
PPL . . . . .	Consumer education audit reported a 5 percent reduction (\$11,662) in allocated expenses that were not properly documented.
Allegheny Power. . . . .	Performed initial audit of West Penn Power division's consumer education program.
Wally Gas Co. . . . .	Staff participated in complaint hearing against Wally Gas Co.

## 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, competitive bidding 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.

### Highlights

#### **Electric Service Performance Benchmarks and Standards**

On April 23, 1998, the Commission adopted final regulations that established standards and procedures for continuing and ensuring the safety, adequacy and reliability of the electric system in Pennsylvania. Certain sections of that order addressed temporary reliability performance standards in the form of indices. The purpose of the reliability indices is to measure the performance of electric distribution companies' (EDC) transmission and distribution systems in terms of the frequency and duration of unplanned electric service outages to ensure that current levels of reliability do not deteriorate. On December 16, 1999, the Commission adopted permanent performance standards.

#### **Advanced Metering Issues**

Significant events for the year included Commission approval of: (1) a revised final rulemaking on advanced meter deployment; (2) Advanced Meter Standards Report; (3) Reference manual on advanced meter qualification and review; Competitive Metering Specifications/Advanced Meter Services Provider Certification (Reference Manual); and (4) Listing of "grandfathered" advanced meters, meter-related devices and/or networks submitted by jurisdictional EDCs.

During the fiscal year, the Commission approved (1) the EDC tariff supplement filings for advanced meters in the Advanced Meter Catalog; and (2) an order denying Citizens' Electric Company request for waiver from certain sections of the advanced meter deployment regulations. CEEP staff also participated in the Electronic Data Interchange Business Practices Working

*The bureau provides economic analyses of major issues affecting the energy, water and telecommunications industries. This year it hosted representatives from 28 countries to discuss Pennsylvania's role as a national leader in electric competition.*

# BUREAU OF CONSERVATION, ECONOMICS AND ENERGY PLANNING

Group on Competitive Advanced Metering and prepared the 1998–1999 Advanced Meter Activities Annual Report. In June 2000, CEEP staff participated as a program speaker on Pennsylvania’s advanced metering program at the NMRC Annual Conference in Las Vegas, Nevada. CEEP staff also monitored advanced meter deployment levels and advanced meter services provider certification activities. (see tables)

## Summary of Advanced Meter Deployment Activities by Electric Distribution Company (EDC) Territory & Electric Generation Supplier (EGS)

EDC	ADVANCED METER	EGS	YEAR-TO-DATE TOTALS
Allegheny Power	0	0	0
Citizens’ Electric	0	0	0
Duquesne Light	0	0	0
GPU	General Electric kV	DTE Energy	16
	General Electric kV	Duke Solutions	1
	General Electric kV	PPL Energy Plus, LLC	19
	General Electric kV	Conectiv	4
PECO	0	0	0
PPL	Siemens RXR S4	DTE Energy	5
	Siemens RXR S4	GPU Advanced Resources	6
	Siemens RXR S4	PPL Energy Plus	20
	General Electric Phase III	First Energy Trading	1
	General Electric Phase III	PPL Energy Plus	2
	Schlumberger Quantum	PPL Energy Plus	14
PennPower	0	0	0
UGI	0	0	0
Wellsboro	0	0	0
<b>TOTAL</b>			<b>88</b>

## Summary of Electric Generation Supplier License (EGS) Advanced Meter Services Provider Certification (AMSP) Status as of June 2000

ELECTRIC GENERATION SUPPLIER	DOCKET	EGS LICENSE	AMSP
C3 Communications	A-110132	April 27, 2000	Not submitted
Ameren Communications	A-110134	Pending	Not submitted

### Renewables

The Commission adopted a final order on April 13, 1999, which established guidelines that the EDCs are required to follow in implementing low-income renewable energy pilot programs. These guidelines cover all aspects of this two-year program.

As part of their restructuring settlements, the EDCs established sustainable energy funds which 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 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.

### 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.

In general, 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. Staff also prepared data collection forms to record EDC and EGS market share data.

### **Proposed 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 a suggested policy statement for the Commission's consideration as Interim Safety and Reliability Guidelines. The Commission approved the interim guidelines at the public meeting on October 15, 1999, at L-00990144. These guidelines are to be incorporated in 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. These and other critical requirements provide a strong framework for inclusion in each utility's tariff and operational procedures. On April 27, 2000, the Commission approved the proposed policy statement for comment.

### **Proposed Rulemaking on Natural Gas Emergency Plans and Emergency Actions**

Commission staff established a collaborative working group to proceed with the implementation of the gas emergency plans and emergency actions as proposed regulations for the Commission's consideration. The proposed rulemaking sets forth procedures the Commission intends to follow in executing its responsibilities under the Natural Gas Choice and Competition Act.

The proposed regulations address a number of matters that are critical to emergencies and curtailment, including load shedding, voluntary and/or mandatory usage reduction, reports to the media on emergency situations, notice of affected customers and procedures for emergency measures. The Commission already has adequate authority to issue emergency orders and impose penalties for violations. This rulemaking will, however, address and review issues to strengthen procedures and compliance during periods of emergencies.

The Commission will issue a proposed rulemaking, for comments, in the near future.

### **Customer Information Disclosure – Natural Gas Regulations**

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

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

The Commission, on March 2, 2000, 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.

### **Other Activities**

#### **Foreign Delegations**

The Bureau of CEEP is very active with international

# BUREAU OF CONSERVATION, ECONOMICS AND ENERGY PLANNING

delegations, often through technical assistance exchanges. CEEP conducted presentations before representatives of 28 countries, and in certain instances, traveled to Africa and Europe to conduct the presentations. The main topic of these presentations was the restructuring

of the electric industry in Pennsylvania. However, looking at the bigger picture, the Commission's international work is a means to spread democracy and capitalism as delegations take the best practices back to their countries.



## Governor's Green Government Council

Governor Tom 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 2000–2001 consists of an E-commerce initiative that continues the reduction

of paper and lowering emissions to air, land and water.

## National Trends – Water Rates

CEEP completed a research analysis study on national trends of water rates throughout the United States. As part of the project 73 investor-owned water utilities operating in 25 states were analyzed. As shown below, CEEP compared selected water utility rates for the study period.

### RESIDENTIAL CUSTOMERS – PENNSYLVANIA AVERAGE RATES VERSUS THE NATIONAL AVERAGE (\$)

COMPANY	1994	1995	1996	1997	1998
Consumers Pennsylvania – Roaring Creek	251	322	357	369	394
Consumers Pennsylvania – Shenango	211	214	200	212	246
Consumers Pennsylvania – Susquehanna	243	242	264	287	310
Pennsylvania American	315	327	358	333	359
Philadelphia Suburban	298	322	315	328	348
United Pennsylvania	275	283	275	287	311
York Water Co.	219	227	230	242	241
<b>Pennsylvania Average Annual Rate</b>	<b>259</b>	<b>277</b>	<b>286</b>	<b>294</b>	<b>316</b>
<b>National Average Annual Rate</b>	<b>\$ 294</b>	<b>\$ 305</b>	<b>\$ 310</b>	<b>\$ 331</b>	<b>\$ 337</b>

**Telecommunications**

CEEP provided assistance to FUS on telecommunications matters such as access line growth, market concentration, new entrants, broadband growth and performance factors.

Reports Issued by CEEP

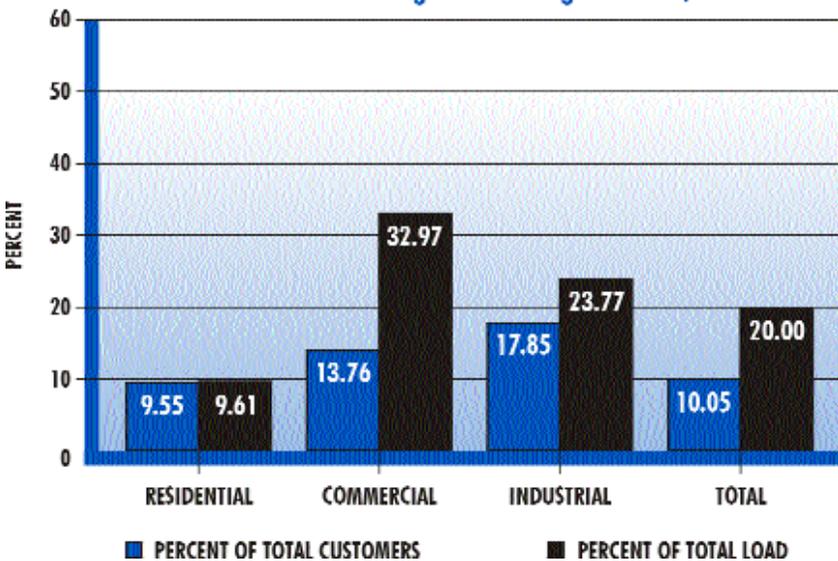
**Electric Utility Operational Reports** – analyzes monthly and cumulative data for generation, sales revenues, and prices of Pennsylvania’s investor-owned electric utilities.

**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.

**Comparative Analysis of Electric Customers Switching Generation Suppliers and Customer Savings in Competition** – analyzes Pennsylvania’s current state of electricity competition and includes the percent of customers switching and corresponding load to the competitive market.

Customer Switching Data Through June 30, 2000



# BUREAU OF CONSERVATION, ECONOMICS AND ENERGY PLANNING

**The Wholesale Market – An Economic Analysis** – examines the wholesale electric energy market for bulk

power and transactions for over a decade and a half. Sales, purchases and trends were examined.

## Pennsylvania EDCs Bulk Power Transactions 1984 – 1998

YEAR	PURCHASES GWH	PURCHASES \$ MILLION	PURCHASES \$/MWH	SALES GWH	SALES \$ MILLION	SALES \$/MWH
1984	27,367	950.96	34.75	29,092	1,139.94	39.18
1985	26,637	793.20	29.78	36,098	1,276.80	35.37
1986	16,196	409.44	25.28	30,384	941.26	30.98
1987	22,540	608.13	26.98	35,490	1,058.10	29.81
1988	27,379	696.05	25.42	37,549	1,094.76	29.16
1989	26,868	609.30	22.68	40,834	1,208.60	29.60
1990	22,859	555.90	24.32	42,459	1,231.60	29.01
1991	23,690	346.10	14.61	42,170	1,298.10	30.78
1992	25,434	629.60	24.75	44,002	1,249.10	28.39
1993	21,751	586.00	26.94	37,637	1,142.50	30.36
1994	20,508	629.51	30.70	36,695	1,203.45	32.80
1995	31,954	758.68	23.74	40,426	1,193.81	29.53
1996	34,923	900.40	25.78	47,630	1,418.25	29.78
1997	55,070	1,603.00	29.11	63,150	1,711.00	27.09
1998	72,339	2,487.00	34.38	91,186	2,909.50	31.91

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

**Preliminary Analysis of USDOE's P.O.S.T. Interim Report on Summer 1999 Reliability Events**

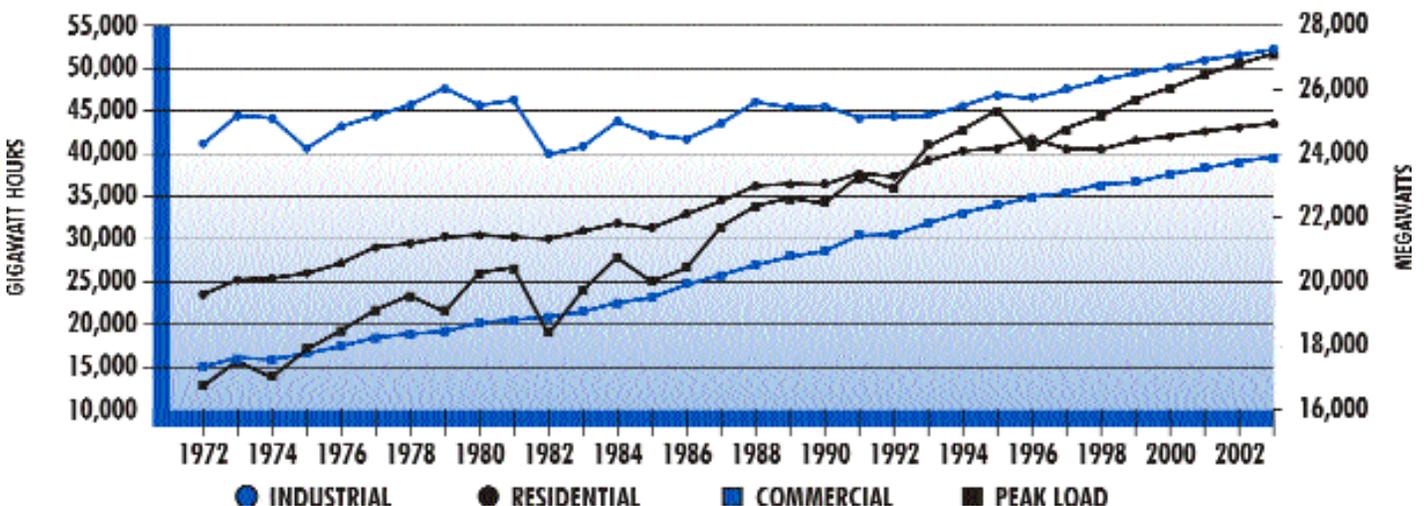
**Preliminary Analysis of CUBR's Electric System Reliability – Economic and Financial Analysis of Bell Atlantic Stock Performance**

**Pennsylvania PUC Summer Reliability Assessment**

**for the Year 2000** – the Commission convened a conference on Summer Reliability Assessment for the Year 2000. 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. For 1999, we have chosen an energy sales table and a peak load graph as an example of the information contained in the report.

**Historic and Forecast Energy Demand and Peak Load for Pennsylvania**



# BUREAU OF CONSERVATION, ECONOMICS AND ENERGY PLANNING

## 1999 Energy Sales in Kilowatt-hours

COMPANY	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	OTHER	TOTAL
Duquesne	3,525,851	5,953,559	3,481,277	70,517	13,031,204
Met-Ed	4,265,581	3,487,483	4,084,602	107,152	11,944,818
Penelec	3,864,012	4,318,558	4,865,875	42,548	13,090,993
Penn Power	1,350,900	1,143,000	1,619,100	6,038	4,119,038
PPL	11,703,603	11,002,262	10,179,417	159,620	33,044,902
PECO	11,132,000	7,154,000	15,477,000	767,000	34,530,000
West Penn	6,019,808	4,136,664	8,237,373	52,189	18,446,034
<b>PENNSYLVANIA TOTAL</b>	<b>41,861,755</b>	<b>37,195,526</b>	<b>47,944,644</b>	<b>1,205,064</b>	<b>128,206,989</b>
<b>PERCENT OF TOTAL</b>	<b>32.7%</b>	<b>29.0%</b>	<b>37.4%</b>	<b>0.9%</b>	<b>100.0%</b>

**Mitchell A. Miller**  
*Director*

The Bureau of Consumer Services 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.

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 the bureau 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 can also call the division's 1-888-782-3228 line if they have questions about utility competition and the restructuring of the electric industry.

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 the bureau to analyze utility performance and produce evaluative reports for the PUC, utilities and the public.

*The Bureau of Consumer Services is the PUC's customer service center, responding to consumer complaints. In calendar year 1999, BCS investigated 17,661 complaints. Over 84 percent of customers surveyed by BCS rated the bureau's service as good or excellent.*

# BUREAU OF CONSUMER SERVICES

## Highlights

The bureau began investigating utility consumer complaints and writing decisions on service termination cases in April 1977. Since then, it has investigated 651,309 cases (informal complaints), and has received an additional 469,144 opinions and requests for information (inquiries). The bureau received 84,533 utility customer contacts that required review in 1999. To manage and use its complaint data, the bureau maintains a computer based consumer services information system through a contract with the Pennsylvania State University. This system enables it to aggregate and analyze complaints so that it can address generic as well as individual problems.

The Commission has assigned the bureau 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, staff 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. The bureau 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.

The bureau investigated 17,661 consumer complaints in 1999. Overall, the volume of consumer complaints increased by 33 percent from 1998 to 1999. Consumer complaints about the Chapter 56-covered industries (electric, gas, water, sewer and steam heat) increased by 29 percent from 1998 to 1999. Meanwhile, consumer complaints about the telephone industry increased by 36 percent. A portion of this increase was due to the

growth in competition among telecommunications providers. However, more local telephone customer complained about service problems related to installations and repairs in 1999 than in 1998.

During 1999, the BCS handled 66,872 requests for payment arrangements from residential customers. Payment arrangement requests for the Chapter 56-covered increased 35 percent, from 44,646 in 1998 to 60,417 in 1999. For the telephone industry, the volume of payment arrangement requests increased by 6 percent (6,088 requests in 1998 compared to 6,446 in 1999). As in past years, the vast majority of requests for payment arrangements in 1999 involved electric or gas companies.

During 1999, the bureau received 83,077 inquiries. Inquiries include information requests and opinions from consumers, most of which did not require investigation. The 1999 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, the BCS surveys customers who have contacted it with a utility-related problem or payment arrangement request. The purpose is to collect information from the consumer's perspective about the quality of the complaint handling service. The BCS mails a written survey form to a sample of consumers who have been served by the BCS field services staff.

The results of the survey for Fiscal Year 1999–2000 show that 86 percent of consumers reported that they would contact the PUC again if they were to have another problem with a utility that they could not settle by talking with the company. Over 84 percent rated the service they received from the PUC as “good” or “excellent.”

**Outsourcing of Call Centers** – Diversified Data Services Call Center, Inc. is currently operating a toll-free electric competition hotline to answer customer calls on electric competition and to provide consumer information and education on these matters.

In addition in 1999, Diversified began to answer consumer calls to the PUC's payment arrangement hotline. This outsourcing provides an education and information program for customers who are payment troubled, i.e., have experienced or are experiencing difficulty in keeping current with their utility bills.

# BUREAU OF CONSUMER SERVICES

Consumers contacting this hotline are given information about universal service programs that are available to them. BCS and Diversified provided 32,373 low-income consumers with universal service education information. This would have been nearly impossible for BCS employees alone to provide this service.

**Improved Telephone Access to BCS** – Due to the outsourcing of call center functions, accessibility to the services of the PUC has dramatically improved. In addition, changing BCS' internal process to direct all other consumer complaint calls directly to investigators has also improved access. BCS has also noticed a dramatic decrease in the number of legislative complaints about accessibility to the PUC.

- The number of customers served on the BCS toll-free lines went from 123,678 in 1998 to 167,610 in 1999.
- Based on the BCS' 1999–2000 Customer Satisfaction Survey, 88 percent of customers said they reached BCS after making one or two attempts to call our 800 numbers compared to the prior year's survey results of 64 percent.
- Based on the BCS Customer Satisfaction Survey, consumer responses showed that there has been no deterioration in the level of satisfaction with the service that they receive from BCS. In fact, there is a slight improvement in the level of satisfaction with the first person the consumer spoke to.

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

**HHS Vending Investigation** – Bureau staff worked with the Law Bureau on the formal complaint against HHS Vending. In 1999, the Commission approved the final order resolving this complaint. In addition to fining HHS \$990,000, the Commission ordered all local exchange carriers to terminate service at all locations where HHS provides service.

**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. These activities include on-site visits to the utility, review of company documents, and meetings with PGW representatives. As a result, the BCS developed procedures to be used by both the utility

and the BCS in responding to consumer complaints. In early July 2000, these procedures were established in a memorandum of understanding signed by representatives of the Commission and PGW.

**Enforcement Activities** – The Commission approved agreements between two electric generation suppliers and a natural gas supplier and the Commission's Law Bureau/BCS prosecutory staff. The agreements related to restitution for customers who alleged that their supplier had been changed without their consent. This unauthorized switch is commonly referred to as "slamming." Pursuant to each of the following settlement agreements, the BCS participated in the restitution process as the settlement administrator.

- **Total Gas & Electric (PA), Inc.:** Paid \$16,680 in restitution to 166 customers for its alleged slamming activities, in addition to a \$5,000 civil penalty. This order was entered on 8/13/99 at Docket No. M00991264 and the final report date was 1/13/00.
- **Horizon Energy Company d/b/a Exelon Energy:** Exelon paid \$3,702 in restitution to 21 customers for its alleged slamming activities, in addition to a \$4,000 civil penalty. This order was entered 1/28/00 at Docket No. M00001331 and the final report date was 7/6/00.
- **United Gas Management Inc.:** United paid \$7,906 in restitution to 47 customers for its alleged slamming activities, in addition to a \$59,000 civil penalty. Orders were entered on 1/28/00 and 3/2/00 at Docket No. M00001332 and the final report date was 7/19/00.

## The PUC Consumer Advisory Council

The Consumer Advisory Council represents the public in 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 1999–2001 term began on July 1, 1999, and continues through June 30, 2001. Members include:

## BUREAU OF CONSUMER SERVICES

### **Cindy Datig – Council Vice Chair**

Executive Director, Dollar Energy Fund, Inc., Pittsburgh. Appointment by Commission-at-Large.

### **Joseph Dudick, Jr.**

Principal, Dynamic Strategies, Dauphin County. Appointment by Commission-at-Large.

### **Joy M. Dunbar**

Pennsylvania Rural Leadership Program at Pennsylvania State University, State College. Appointment by Commission-at-Large.

### **William Farally**

International Representative, Sheet Metal Workers International Association Local 19, Media. Reappointment by Senator Clarence D. Bell.

### **Michael Fiorentino**

Clean Air Council. Resides in Dauphin County. Appointment by Commission-at-Large.

### **Harry S. Geller**

Director, Pennsylvania Utility Law Project, Harrisburg. Appointment by Commission-at-Large.

### **William J. Jones**

Retired, Deputy Director, Delaware County Court Services, Delaware County. Appointment by Commission-at-Large.

### **Carl Kahl**

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

### **K. Tucker Landon**

Attorney. Resides in Carbon County. Appointment by State Representative Keith R. McCall.

### **Andrew McElwaine**

President, Pennsylvania Environmental Council, Harrisburg. Appointment by Commission-at-Large.

### **Katherine A. Newell – Council Chair**

Attorney, DeCotiis, Fitzpatrick & Gluck, Trenton, N.J. Resides in Montgomery County, Pa. Reappointment by Lieutenant Governor Mark S. Schweiker.

### **Luz Paradoa**

Executive Director, Philadelphia Hispanic Chamber of Commerce. Appointment by Commission-at-Large.

### **Dr. Daniel M. Paul**

President, Partners in Distance Learning, Ashland. Appointment by Commission-at-Large.

### **Jan Rea**

Representative, Allegheny County Council. Appointment by Governor Thomas Ridge.

### **James S. Schneider**

Manager, Corporate Energy Affairs, R.R. Donnelley & Sons Company, Lancaster. Appointment by Commission-at-Large.

### **Julio J. Tio**

Retired chemical engineer, Dauphin County. Appointment by Commission-at-Large.

# BUREAU OF FIXED UTILITY SERVICES

## Robert A. Rosenthal *Director*

The Bureau of Fixed Utility Services is a multi-purpose bureau providing technical support to the commissioners and Commission offices and bureaus on rate and tariff matters filed by regulated electric, gas, telecommunications, water and wastewater utilities. The bureau serves as a principal advisor 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 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.

*This multi-purpose bureau provides technical support on rate and tariff issues. It also represents the PUC on the Pennsylvania Emergency Management Council.*

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. The bureau 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. The bureau also provides assistance in the technical phases of proceedings before the Federal Energy Regulatory Commission and the Federal Communications Commission.

### Highlights

#### Total Number of Utilities by Utility Group

Electric – Generation Suppliers . . . . .	91
Electric – Distribution . . . . .	16
Gas . . . . .	34
Local Exchange Carrier . . . . .	38
Competitive Local Exchange Carrier – Facilities Based . . . . .	98
Competitive Local Exchange Carrier – Resellers . . . . .	67
Access/Interexchange . . . . .	105
Toll Resellers . . . . .	511
Water . . . . .	186
Wastewater . . . . .	86
Pipeline . . . . .	7
Steam Heat . . . . .	3
Telegraph . . . . .	1
Heating/Cooling . . . . .	2
<b>TOTAL . . . . .</b>	<b>1,245</b>

# BUREAU OF FIXED UTILITY SERVICES

## Summary of Fixed Utility Rate Cases

TYPE	NO. OF REQUESTS	\$ REQUESTED	\$ ALLOWED	% ALLOWED	\$ DENIED	SETTLEMENTS		RATE CASES*	
						NO.	\$ AMOUNT	NO.	\$ AMOUNT
Private Water	18	\$70,633,055	\$43,240,320	61	\$27,392,735	15	\$43,170,191	3	\$ 70,129
Municipal Water	2	1,010,377	620,440	61	389,937	1	610,000	1	10,440
Wastewater	4	62,855	62,855	100	0	1	23,040	3	39,815
<b>TOTAL</b>	<b>24</b>	<b>\$71,706,287</b>	<b>\$43,923,615</b>	<b>61</b>	<b>\$27,782,672</b>	<b>17</b>	<b>\$43,803,231</b>	<b>7</b>	<b>\$ 120,384</b>

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

## List of Fixed Utility Rate Cases

UTILITY	\$ REQUESTED	\$ ALLOWED	% ALLOWED	PREVIOUS \$ REQUESTED	\$ ALLOWED	% ALLOWED	DATE
<b>Private Water</b>							
National Utilities, Inc.*	477,026	230,000	48	448,191	0	0	11/30/95
East Fallowfield Utilities, Inc.*	11,000	5,118	47	5,849	2,935	50	3/24/94
Glendale Yearround Water Co.*	27,289	16,500	60	14,618	11,500	79	1/15/93
Paupack Water Company	30,631	23,677	77	95,174	52,500	55	5/6/90
Imperial Point Water Service*	19,662	7,500	38	10,632	10,632	100	2/6/97
Geigertown Water Company	15,734	15,734	100	19,850	16,305	82	10/30/98
Cooperstown Water Company*	5,440	4,797	88	18,160	8,400	46	1/11/96
Rock Spring Water Company*	8,125	8,125	100	18,754	18,754	100	9/9/94
Venango Water Company*	19,360	17,905	92	39,173	13,950	36	1/11/96
Buck Hill Falls Water Company*	97,627	69,900	72	114,828	82,000	71	7/20/95
Buss, Phillip M. Water Co.*	16,098	8,382	52	Initial rate filing			
Fawn Lake Forest Water Co.*	51,055	41,000	80	69,825	69,825	100	11/5/92
Philadelphia Suburban WC*, **	28,000,000	17,000,000	61	16,941,572	9,300,000	55	10/23/97
Superior Water Company*	259,048	230,000	89	Initial rate filing			
Country Club Gardens Water Co.	50,969	30,718	60	28,655	25,250	88	6/27/92
Applewood Water Company*	6,155	3,492	57	5,796	2,160	37	12/19/92
Penna. American WC*	40,001,890	24,600,000	61	40,400,000	27,000,000	67	10/2/97
York Water Company*	1,535,946	927,472	60	1,534,393	960,000	63	9/5/96
<b>TOTAL</b>	<b>70,633,055</b>	<b>43,240,320</b>	<b>61</b>	<b>59,765,470</b>	<b>37,574,211</b>	<b>63</b>	
<b>Wastewater</b>							
Casiola Homes, Inc.	2,376	2,376	100	1,968	1,968	100	4/1/95
High Meadows Sewer Service	20,160	20,160	100	Initial rate filing			
Fawn Lake Forest WC - Sewer	17,279	17,279	100	Initial rate filing			
Four Seasons Sewer Co.*	23,040	23,040	100	Initial rate filing			
<b>TOTAL</b>	<b>62,855</b>	<b>62,855</b>	<b>100</b>	<b>1,968</b>	<b>1,968</b>	<b>100</b>	
<b>Municipal Water</b>							
Sandy Lake Borough	10,440	10,440	100	5,251	5,251	100	7/1/63
Lancaster, City of*	999,937	610,000	61	441,841	250,000	57	12/5/94
<b>TOTAL</b>	<b>1,010,377</b>	<b>620,440</b>	<b>61</b>	<b>447,092</b>	<b>255,251</b>	<b>57</b>	
<b>GRAND TOTAL</b>	<b>71,706,287</b>	<b>43,923,615</b>	<b>61</b>	<b>60,214,530</b>	<b>37,831,430</b>	<b>63</b>	

\* Settlement

\*\* Includes Consumers Pa. Water Co. Susquehanna, Shenango Valley and Roaring Creek divisions.

# BUREAU OF FIXED UTILITY SERVICES

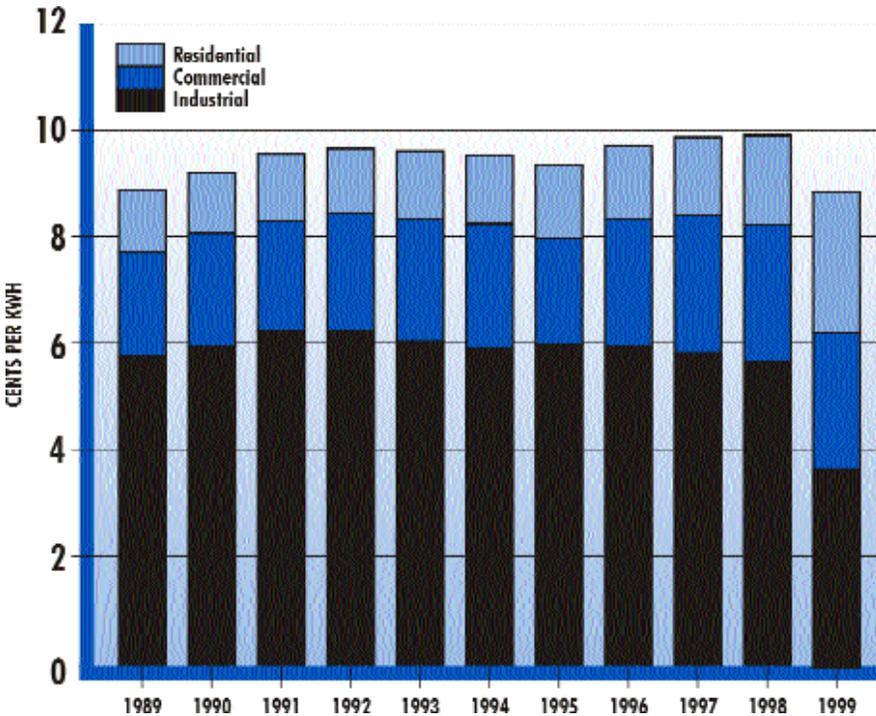
## Comparative Electric Prices

This section presents a study of electricity prices in the Commonwealth for the year 1989 through 1999. The study presents electricity prices for residential, commercial and industrial customer classes. "Price" was calculated as revenues divided by energy sales and represents a weighted average cost of energy.

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

## Overview of Pennsylvania Electricity Prices

The graph below represents the Pennsylvania weighted



average price of electricity to residential, commercial and industrial customers from 1989 to 1999. The residential customer's weighted average price of electricity decreased from 8.89 cents to 8.86 cents, representing a decrease of .4 percent in nominal terms, or -26 percent in real terms. The commercial customer's weighted average price of electricity decreased from 7.71 cents to 6.21 cents, representing a decrease of 19 percent in nominal terms, or -40 percent in real terms. The industrial customer's weighted average price of electricity increased from 5.75 cents to 3.79 cents, representing a decrease of 34 percent in nominal terms, or -51 percent in real terms. These data are presented in more detail for each customer class in subsequent sections.

## % Change

	RESIDENTIAL	COMMERCIAL	INDUSTRIAL
Nominal	-.04	-19.4	-34.1
Real	-25.6	-39.9	-50.8

# BUREAU OF FIXED UTILITY SERVICES

## Residential Electricity Prices

The weighted average residential price of electricity decreased .4 percent over the 10-year period, from 8.89 cents/kwh in 1989 to 8.86 cents/kwh in 1999. In real terms (adjusted for inflation to 1999 dollars) the weighted average price decreased 26 percent.

The table below compares the weighted average residential prices of the eight major electric utilities in Pennsylvania for the period. In nominal terms, West Penn Power Company's weighted average residential prices increased fastest at 27 percent. In real terms, the residential customers of all companies experienced a decrease in weighted average residential prices.

Pennsylvania Major Electric Utilities Residential Weighted Average Revenue Per Kwh  
1989 – 1999  
(cents/kwh)

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1989	12.27	7.78	7.82	9.95	7.72	11.60	7.41	5.24
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
<b>% Change</b>								
Nominal	-7.2	9.1	6.8	-7.3	3.5	-7.2	-49.0	27.1
*Real	-30.8	-18.6	-20.3	-30.8	-22.8	-30.8	-61.9	-5.1

\* Adjusted for inflation to 1999 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.

# BUREAU OF FIXED UTILITY SERVICES

## Commercial Electricity Prices

The weighted average price for electricity for Pennsylvania's commercial customers decreased 19 percent over the 10-year period, from 7.71 cents/kwh in 1989 to 6.21 cents/kwh in 1999. In real terms (adjusted for inflation to 1999 dollars), the weighted average

price decreased 40 percent.

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

Pennsylvania Major Electric Utilities Commercial Weighted Average Revenue Per Kwh  
1989 - 1999  
(cents/kwh)

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1989	7.84	6.93	6.80	8.17	7.40	10.91	7.36	4.68
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
<b>% Change</b>								
Nominal	-10.0	-20.1	-22.2	-16.6	-21.1	-27.8	-56.4	8.7
*Real	-32.8	-40.4	-41.9	-37.8	-41.1	-46.1	-67.4	-18.9

\* Adjusted for inflation to 1999 dollars

### LEGEND

DQSN . . . . . Duquesne Light Co.  
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 UGI . . . . . UGI Utilities Inc.  
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# BUREAU OF FIXED UTILITY SERVICES

## Industrial Electricity Prices

The weighted average price of electricity to Pennsylvania's industrial customers decreased 34 percent over the 10-year period, from 5.75 cents/kwh in 1989 to 3.79 cents/kwh in 1999. In real terms (adjusted for inflation to 1999 dollars), the weighted average price

declined by 51 percent.

The table below compares the average industrial prices 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 prices.

Pennsylvania Major Electric Utilities Industrial Weighted Average Revenue Per Kwh  
1989 - 1999  
(cents/kwh)

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1989	6.20	5.31	4.68	5.01	5.60	7.06	6.28	3.61
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
<b>% Change</b>								
Nominal	-15.2	-55.0	-45.3	-9.7	-28.0	-44.9	-68.2	10.5
*Real	-36.7	-66.5	-59.1	-32.6	-46.3	-58.9	-76.2	-17.5

\* Adjusted for inflation to 1999 dollars

### LEGEND

DQSN . . . . . Duquesne Light Co.  
 MET-ED . . . . . Metropolitan Edison Co.  
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# BUREAU OF FIXED UTILITY SERVICES

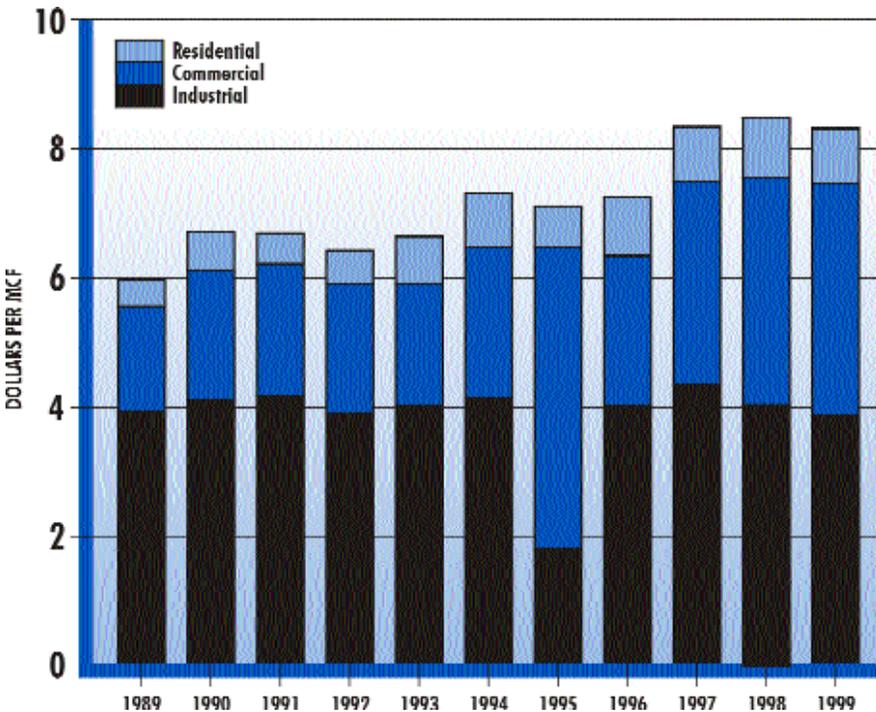
## Comparative Gas Prices

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 1989 through 1999. 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 1989 to 1999. The residential weighted average revenue per mcf increased from \$5.98 to \$8.33, representing an increase of 39 percent in nominal terms or an increase of 4 percent in real terms. The commercial weighted average revenue per mcf increased from \$5.53 to \$7.44 representing an increase of 35 percent in nominal terms or a .4 percent increase in real terms. Industrial weighted average revenue per mcf increased from \$3.92 to \$3.89. This represents a decrease of .8 percent in nominal terms or a 26 percent decrease in real terms. These data are presented in more detail for each customer class in subsequent sections.



## % Change

	RESIDENTIAL	COMMERCIAL	INDUSTRIAL
Nominal	39.4	34.6	-0.8
Real	4.0	0.4	-26.0

# BUREAU OF FIXED UTILITY SERVICES

## Residential Gas Revenue Per Mcf

The weighted average residential revenue per mcf increased 39 percent over the 1989–1999 period, rising from \$5.98 in 1989 to \$8.33 in 1999. In real terms (adjusted for inflation to 1999 dollars) the weighted average revenue per mcf increased 4 percent.

The table below compares the weighted average

residential revenue per mcf of the 10 major gas utilities in Pennsylvania for the period. In nominal terms, Carnegie Natural Gas Company's weighted average residential revenue per mcf rose the fastest at 70 percent over the period. In real terms, residential customers of PG Energy and PECO Gas experienced decreases in weighted average residential revenue per mcf.

Pennsylvania Major Gas Utilities Nominal Weighted Average Residential Revenue Per Mcf  
1989 – 1999  
(dollars/mcf)

	CRNG	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
1989	5.42	5.52	6.52	5.62	5.62	5.99	5.51	7.07	4.40	6.55
1990	5.77	6.14	7.25	6.07	5.82	5.38	6.25	7.94	4.76	6.89
1991	6.07	6.42	8.15	5.98	5.96	5.79	6.18	7.52	5.27	7.41
1992	6.72	6.31	8.06	5.74	5.63	5.03	6.01	6.92	5.12	7.09
1993	7.50	6.22	8.20	6.36	6.86	5.54	6.46	6.82	5.01	7.18
1994	7.67	6.96	8.93	7.27	7.40	6.17	7.03	7.48	5.01	7.86
1995	9.35	6.78	9.25	6.81	5.84	5.92	6.59	7.66	5.22	7.48
1996	10.78	6.93	9.06	6.87	6.44	5.44	7.27	6.98	6.11	8.55
1997	8.91	7.98	10.43	7.85	7.83	7.21	8.23	8.17	6.65	9.15
1998	9.22	7.92	10.55	8.15	8.43	7.19	8.11	8.47	6.99	9.37
1999	9.22	8.01	10.06	7.97	8.04	7.61	7.77	8.42	6.95	9.08
% Change										
Nominal	70.1	45.0	54.2	41.8	43.1	27.1	41.0	19.1	57.9	38.6
*Real	26.9	8.2	15.1	5.8	6.8	-5.2	5.2	-11.1	17.9	3.4

\* Adjusted for inflation to 1999 dollars

After 1987: Calculated from Annual Reports

## LEGEND

CRNG . . . . . Carnegie Natural Gas Co.  
 CLMB . . . . . Columbia Gas of Pennsylvania, Inc.  
 EQTBL . . . . . Equitable Gas Company  
 NFG . . . . National Fuel Gas Distribution Corporation  
 NoPNN . . . . . North Penn Gas Co. –  
 Units reported in decatherm  
 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.

# BUREAU OF FIXED UTILITY SERVICES

## Commercial Gas Revenue Per Mcf

Over the 1989–1999 period, the weighted average commercial revenue per mcf increased 35 percent, going from \$5.53 in 1989 to \$7.44 in 1999. In real terms (adjusted for inflation to 1999 dollars), the weighted average revenue per mcf increased 0.4 percent.

The table below compares the weighted average commercial revenue per mcf of the 10 major gas utilities in Pennsylvania for the period. Carnegie Gas Company had the highest rate of increase at 70 percent in nominal terms. In real terms, commercial customers of PG Energy and PECO Gas experienced decreases over the period.

Pennsylvania Major Gas Utilities Nominal Weighted Average Commercial Revenue Per Mcf  
1989 – 1999  
(dollars/mcf)

	CRNG	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
1989	4.94	5.35	5.50	5.17	4.89	5.78	5.22	6.04	4.14	5.83
1990	5.26	5.85	6.57	5.70	5.07	5.28	5.99	7.04	7.40	6.18
1991	5.61	5.89	7.48	5.49	5.28	5.63	5.97	6.65	4.59	6.71
1992	6.21	5.63	7.30	5.25	4.99	4.90	5.94	6.08	4.39	6.48
1993	7.50	6.22	8.20	6.36	6.86	5.54	6.46	6.82	5.01	7.18
1994	7.52	6.14	6.95	6.83	6.80	6.11	6.82	6.48	4.55	7.15
1995	8.81	5.87	9.04	6.42	5.19	5.73	6.13	6.70	4.59	6.64
1996	10.15	5.86	6.44	6.56	5.83	5.44	6.71	6.21	5.08	7.75
1997	8.21	6.97	10.29	7.52	7.07	6.67	7.80	7.41	5.54	8.30
1998	8.55	7.16	10.38	7.86	7.63	6.48	7.48	7.55	5.78	8.34
1999	9.17	6.98	9.78	n/a	7.24	6.74	7.17	n/a	5.72	8.33
% Change										
Nominal	85.7	30.5	77.8		48.0	16.6	37.4		38.1	42.9
*Real	38.6	-2.6	32.7		10.4	-13.0	2.6		3.1	6.7

\* Adjusted for inflation to 1999 dollars

## LEGEND

CRNG . . . . . Carnegie Natural Gas Co.  
 CLMB . . . . . Columbia Gas of Pennsylvania, Inc.  
 EQTBL . . . . . Equitable Gas Company  
 NFG . . . . National Fuel Gas Distribution Corporation  
 NoPNN . . . . . North Penn Gas Co. –  
 Units reported in decatherm  
 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.

# BUREAU OF FIXED UTILITY SERVICES

## Industrial Gas Revenue Per Mcf

The weighted average industrial revenue per mcf decreased 0.8 percent over the 1989–1999 period, going from \$3.92 to \$3.89. In real terms (adjusted for inflation to 1999 dollars) the weighted average revenue per mcf decreased 26 percent.

It should be noted that quantities of gas that are only transported, and the associated revenues, are not includ-

ed 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 10 major gas utilities for the period. In nominal terms, Carnegie Natural Gas Co. had the highest increase at 70 percent.

Pennsylvania Major Gas Utilities Nominal Weighted Average Industrial Revenue Per Mcf  
1989 – 1999  
(dollars/mcf)

	CRNG	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
1989	3.72	8.23	4.50	5.70	3.84	4.31	3.80	3.38	3.13	4.52
1990	3.49	9.56	5.37	5.64	4.17	4.28	3.81	4.14	3.20	4.84
1991	2.74	6.93	6.34	5.46	4.40	4.25	4.88	4.11	3.27	5.00
1992	2.34	4.25	6.25	5.01	3.79	3.45	4.89	4.80	3.13	4.78
1993	3.09	4.25	5.25	6.27	5.57	3.77	3.54	4.37	2.92	4.99
1994	3.10	5.21	4.14	6.77	6.07	4.83	5.62	5.44	2.75	5.33
1995	7.12	4.88	5.91	6.73	4.24	4.39	3.32	0.51	2.59	4.40
1996	9.81	5.50	3.93	5.44	4.48	4.43	3.41	4.45	2.98	5.73
1997	6.27	5.82	9.64	7.24	5.25	5.48	4.51	5.28	3.28	6.35
1998	-1.11	5.22	9.53	8.34	5.27	4.45	5.98	5.38	3.28	6.25
1999	7.53	5.07	9.04	n/a	6.48	n/a	5.51	n/a	3.34	6.92
% Change										
Nominal	102.5	-38.4	100.9		68.8		44.9		6.7	53.2
*Real	51.1	-54.0	49.9		26.0		8.1		-20.3	14.3

\* Adjusted for inflation to 1999 dollars

## LEGEND

CRNG . . . . . Carnegie Natural Gas Co.  
 CLMB . . . . . Columbia Gas of Pennsylvania, Inc.  
 EQTBL . . . . . Equitable Gas Company  
 NFG . . . . National Fuel Gas Distribution Corporation  
 NoPNN . . . . . North Penn Gas Co. –  
 Units reported in decatherm  
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 PECO . . . . . PECO Energy Company  
 PHLPS . . . . . T.W. Phillips Gas and Oil Company  
 UGI . . . . . UGI Utilities, Inc.



# BUREAU OF FIXED UTILITY SERVICES

## Comparative Telephone Revenue Per Local Access Line

This section analyzes annual revenues per local telephone access line in the Commonwealth for the period 1989 through 1999. 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 cus-

tomers. 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 16.0 percent during the period, going from \$228.54 to \$264.98. In real terms (adjusted for inflation to 1999 dollars), the customer cost of local service dropped 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 1989 – 1999 (dollars/access line)

	ALLTEL	BELL	CONEST	COMMON	GTE N	UNTD	AVG. PRICE Nominal
1989	223.78	237.29	134.73	103.73	226.55	193.45	228.54
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
<b>% Change</b>							
Nominal	11.1	17.3	8.5	43.2	-1.9	25.0	15.9
*Real	-17.1	-12.4	-19.0	6.8	-26.8	-6.7	-13.5

\* Adjusted for inflation to 1999 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.

# BUREAU OF FIXED UTILITY SERVICES

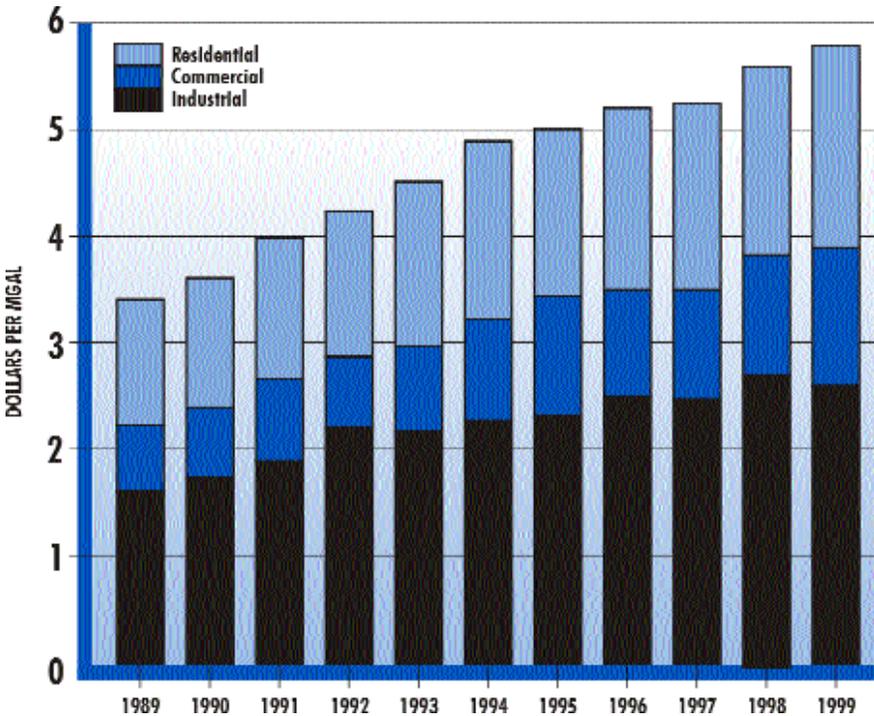
## Comparative Water Revenue Per Thousand Gallons

This section provides data on residential, commercial and industrial water revenue per MGal (one thousand gallons) within the Commonwealth for the years 1989 through 1999. 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 \$3.39 to \$5.77 representing an increase of 70 percent in nominal terms, or 27 percent in real terms. For commercial customers, the revenue per MGal over the period went from \$2.21 to \$3.90, representing an increase of 77 percent in nominal terms, or 32 percent in real terms. Industrial customers saw the weighted average revenue per MGal increase from \$1.57 to \$2.59. This represents an increase of 65 percent in nominal terms, or 23 percent in real terms. These data are presented in more detail for each customer class in subsequent sections.

## % Change

	RESIDENTIAL	COMMERCIAL	INDUSTRIAL
Nominal	70.2	76.6	64.8
Real	27.0	31.8	-23.0

# BUREAU OF FIXED UTILITY SERVICES

## Residential Water Revenue Per MGal

The weighted average residential revenue per MGal of water increased 70 percent from 1989–1999, going from \$3.39 to \$5.77. In real terms (adjusted for inflation to 1999 dollars) the weighted average revenue per MGal increased 27 percent.

The table below compares the average residential

revenue per MGal of the four major companies for the period. In nominal terms, Pennsylvania-American revenues per MGal rose fastest at 67 percent, while York Water's was slowest at 28 percent. In real terms, the residential customers of York Water experienced a decrease of 5 percent in weighted average revenue per MGal.

Pennsylvania Major Water Utilities Nominal Weighted Average Residential Revenue Prices  
1989 – 1999  
(\$/1000 gal)

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1989	3.47	3.95	3.04	3.18
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
% Change				
Nominal	56.2	66.8	60.1	27.6
*Real	16.5	24.5	19.4	-4.8

\* Adjusted for inflation to 1999 dollars

## LEGEND

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

# BUREAU OF FIXED UTILITY SERVICES

## Commercial Water Revenue Per MGal

The weighted average revenue per MGal of water to Pennsylvania's commercial customers increased 77 percent from 1989 to 1999, going from \$2.21 to \$3.90. In real terms (adjusted for inflation to 1999 dollars), the weighted average revenue per MGal increased 32 percent.

The table below compares the weighted average commercial revenue per MGal of the four major water companies for the period. Pennsylvania-American had the highest rate of increase at 74 percent in nominal terms. In real terms (adjusted for inflation to 1999 dollars), the commercial customers of Philadelphia Suburban increased 17 percent.

Pennsylvania Major Water Utilities Nominal Weighted Average Commercial Revenue Prices  
1989 – 1999  
(\$/1000 gal)

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1989	2.42	2.62	2.16	1.37
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
% Change				
Nominal	55.0	74.3	57.0	57.4
*Real	15.7	30.1	17.2	17.5

\* Adjusted for inflation to 1999 dollars

## LEGEND

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

# BUREAU OF FIXED UTILITY SERVICES

## Industrial Water Revenues Per MGal

The weighted average revenue per MGal of water to Pennsylvania's industrial customers increased 65 percent from 1989–1999, going from \$1.57 to \$2.59. In real terms (adjusted for inflation to 1999 dollars), the weighted average revenue per MGal increased 23 percent.

The table below compares the average industrial revenue per MGal of the four major water utilities for the period. Pennsylvania-American had the highest rate of increase at 69 percent in nominal terms. In real terms, industrial customers of York and United-Pa. experienced a decrease of 18 and 11 percent, respectively.

Pennsylvania Major Water Utilities Nominal Weighted Average Industrial Revenue Prices  
1989 – 1999  
(\$/1000 gal)

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1989	1.92	1.69	1.87	1.24
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
% Change				
Nominal	19.3	68.8	38.1	10.6
*Real	-11.0	25.9	3.0	-17.5

\* Adjusted for inflation to 1999 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 provides legal support to other Commission bureaus and the Commission directly on 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 Law 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 may also fulfill a prosecutory role in Commission proceedings involving eminent domain, siting and service issues having no impact on rates.

The Commission has authorized the Law Bureau to intervene in cases before federal forums in which communications and energy related issues affecting Pennsylvania are decided. It 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 Law 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

##### **Philadelphia Gas Works**

The Law Bureau worked with other bureaus to begin preparations for the Commission assuming jurisdiction over Philadelphia Gas Works in July 2000. Efforts included the coordination of requests to gather pertinent information from PGW and to apprise PGW of matters relating to the impending changes. Also, the Law Bureau examined various documents and attended several meetings in order to become familiar with PGW's existing operations. Staff also assisted in identifying aspects of the legislation relating to PGW that might be modified to enhance the Commission's ability to regulate PGW, particularly in the event that the date for assuming jurisdiction is advanced.

##### **Y2K Review** (Docket No. I-00980076)

*This year the Law Bureau was responsible for determining the Y2K preparedness of more than 400 jurisdictional utilities. It also assisted on the transfer of jurisdiction of the Philadelphia Gas Works from the Philadelphia Gas Commission to the PUC.*

The Law Bureau prosecutory staff continued its efforts to ascertain the status of over 400 jurisdictional utilities and licensees that were referred by the Commission for further evaluation to ascertain their Y2K preparedness. The staff successfully contacted, reviewed and assessed these companies prior to Dec. 31, 1999. The evaluation resulted in the filing of 215 complaints, settlements resulting in fines for five companies and the revocation of 75 reseller licenses. Staff will continue its efforts to resolve approximately 40 outstanding cases where the companies were determined to be compliant but the companies failed to adhere to the filing deadlines set forth in the Commission's July 17, 1998, order.

#### **Annual Resource Planning Report Filing Requirements** (L-00980136)

On Feb. 26, 2000, the Commission's final regulations to amend the annual resource planning filing requirements became effective. These filing requirements, which are applicable to electric utilities, were reduced by the Commission in response to the recent deregulation of the electric generation segment of the industry. For instance, the Commission reduced the reporting horizon for energy demand, connected peak load and number of customers from 20 to five years and, in a number of areas, revised the types of information that will be required. Information regarding capital investments, energy costs, expansions of existing facilities and siting of new generating facilities will no longer be required.

#### **Creation and Implementation of a Statewide Consumer Education Program for Natural Gas Competition** (M-00001326)

On Jan. 12, 2000, the Commission adopted a tentative order establishing an implementation plan for a statewide consumer education program for gas choice. Following the filing of comments by several interested parties, the Commission adopted a final order on Feb. 10, 2000, concluding that a statewide program, along with the natural gas distribution companies' local campaigns, was appropriate. The Commission also determined that the need to implement the statewide effort was immediate and established an annual budget of \$1.2 million for the program.

#### **Philadelphia Taxi Counsel Inc., Pars Transport Inc., Babak Cab Co. v. Pa PUC**

Philadelphia Taxi Counsel, Inc., et al., filed an appeal from the Commission's order, which issued additional certificates and medallions up to the statutory maximum of 1600 and designated an auction process as the appropriate vehicle to issue the new certificates and medallions. The appeal alleged, among other things, that the Commission's order violated the due process rights of existing medallion owners by a taking of property from them and that no need analysis was performed prior to issuance of additional medallions. The Law Bureau filed a motion to dismiss with the Commonwealth Court on Jan. 4, 2000. Commonwealth Court dismissed the appeal in a March 23, 2000, order because petitioners did not timely file their brief and reproduced record.

#### **Electric Competitive Safeguards**

On April 27, 2000, the Commission adopted a final rulemaking order establishing the competitive safeguards for the restructured electric power industry. The purpose of these regulations is to assure the provision of direct access to all Pennsylvania retail electric generation market participants at comparable rates, terms and conditions. Also by these regulations, the Commission seeks to forestall the exercise of unlawful market power that would have the effect of inhibiting the development and continuation of that market. The regulations became effective upon publication in the Pennsylvania Bulletin on July 8, 2000.

#### **Natural Gas Slamming Regulations** (L-00990145)

The Commission adopted a final rulemaking order on May 11, 2000, establishing procedures to ensure customer consent to a change of natural gas supplier. One of the key provisions designed to avoid incidents of slamming in the natural gas industry requires a natural gas distribution company to send the customer a confirmation letter noting the proposed change. If the customer indicates during a 10-day waiting period that the switch was not authorized, the regulations provide that the change will not be made. The final regulations became effective upon publication in the Pennsylvania Bulletin on July 8, 2000.

## 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 Commission must be addressed to the secretary.

After formal Commission action, the Secretary's Bureau is responsible for the 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 are internal staff, participants to a proceeding or members of the general public.

*All official filings with the Public*

*Utility Commission are handled by*

*the Secretary's Bureau. This year*

*the bureau processed 1,690*

*reports and orders for 22 public*

*meetings.*

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 to ensure that the agenda is completed and that the minutes are properly recorded and subsequently maintained.

### Highlights

- Served 11,296 documents, comprised of 1,266 certificates of public convenience; 24 securities certificates; 290 complaint orders; 370 rate investigation orders; 316 transportation orders; 160 petition orders; 651 Act 294 orders; eight emergency orders; 402 miscellaneous orders; 714 fixed utility application orders; 108 investigation orders; 23 proposed rulemaking orders; 71 affiliated interest agreements; 5,380 secretarial letters, 1,065 ALJ decisions, and 448 medallion documents.
- Processed 1,690 reports and orders for consideration at 22 Public Meetings.
- Received 7,414 new cases comprised of 1,997 applications, 3,692 formal complaints and 1,725 miscellaneous.
- Docketed 68,018 filings.
- Prepared 13,427 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

#### **Petition of PP&L Industrial Customer Alliance for a Declaratory Order Prohibiting Implementation of Tariff Interpretation Change for Billing PP&L Rate Schedule IS-T and IS-P Customers (P-00001788)**

PPLICCA sought declaratory order prohibiting PPL from implementing billing change in 2000 for interruptible Rate Schedule IS-P and IS-T. The issue was whether PPL's interpretation of tariffs IS-P and IS-T was anticompetitive or contrary to Electric Competition Act; whether a shopping customer having interruptible distribution, but firm generation alternative supply is subject to PJM system emergency load curtailment under the terms of PPL restructuring settlement agreement which contained the rate schedules. ALJ recommended dismissal of PPLICCA's petition. PPLICCA filed Exceptions. OSA recommendation to deny exceptions and adopt recommended decision adopted by full Commission.

#### **Application of PECO Energy Company Pursuant to Chapters 11, 19, 21, 22 and 28 of the Public Utility Code for Approval of (1) a Plan of Corporate Restructuring, Including the Creation of a Holding Company and (2) the Merger of the Newly Formed Holding Company and Unicom Corporation (A-00110550F0147)**

Settlement, with PPL Electric Utilities Corporation filing objections to the settlement. The issue was the legal standard of review for merger; evidentiary or precedential value of settlements in subsequent Commission proceedings; standing of intervenors to object to provisions of settlement agreements. PPL filed exceptions to the recommended decision. OSA recommendation to deny exceptions and adopt recommended decision.

*The Office of Special Assistants provides technical and legal assistance. Among its cases this year, OSA recommended approving the merger between Philadelphia's Peco Energy and Chicago's Unicom Corp.*

# OFFICE OF SPECIAL ASSISTANTS

## Gas

### **T.W. Phillips Gas & Oil Co.** (R-00984554 and C0001)

The company filed a settlement containing decrease in rates for recovery of purchased gas costs. The Commission supported the proposed settlement.

### **PUC v. Equitable Gas Company** (R-00994784)

The company filed an application for approval of its natural gas choice and competition filing which the Commission approved with modifications.

### **Pa. PUC v. PG Energy, Inc.** (R-00994783)

The company filed an application for approval of its natural gas choice and competition filing which the Commission approved with modifications.

### **Pa. PUC v. UGI Utilities, Inc.** (R-00994786)

The company filed an application for approval of its natural gas choice and competition filing which the Commission approved with modifications.

### **Pa. PUC v. PECO Energy Company** (R-00994787)

The company filed an application for approval of its natural gas choice and competition filing which the Commission approved with modifications.

### **Pa. PUC v. National Fuel Gas Distribution** (R-00994785)

The company filed an application for approval of its natural gas choice and competition filing which the Commission approved with modifications.

### **Pa. PUC v. PFG Gas, Inc., and North Penn Gas Company** (R-00994788)

The company filed an application for approval of its natural gas choice and competition filing which the Commission approved with modifications.

## Steam Heat

### **Pittsburgh Thermal Limited Partnership, Ltd., et al.** (R-00994641, C0001 and C0002)

The company filed with the Commission seeking an increase in base rates of \$900,000. The Commission adopted a settlement agreement which allowed the company to increase rates by \$495,000.

## Telecommunications

### **GTE North, Inc.** (P-00981449)

GTE filed a petition for approval, under Chapter 30 of the Public Utility Code, of an alternative regulation and network modernization plan. The Commission rejected the plan in its entirety and ordered the company to file a revised plan.

### **Joint Petition of Nextlink, et al. For an Order Establishing a Formal Investigation of Performance Standards, Remedies and Operations Support Systems Testing for Bell Atlantic-Pennsylvania, Inc.** (P-00991643)

### **Joint Application of Bell Atlantic Corporation, and GTE Corporation** (A-310200F0002, et al.)

The Commission approved the application filed by Bell Atlantic and GTE for a merger of the two companies.

### **Petition of the Pennsylvania Telephone Association Small Company Group Under Chapter 30 of the Public Utility Code** (P-00981425, et al.)

The Pennsylvania Telephone Association filed, on behalf of the Small Company Group, a petition for an alternative and streamlined form of regulation. The Commission approved the plan with modifications.

### **Petition of ALLTEL Pennsylvania, Inc. for approval of an Alternative Form of Regulation and Network Modernization Plan** (P-00981423, et al.)

ALLTEL filed a petition for an alternative and streamlined form of regulation. The Commission approved the plan with modifications.

## Transportation

### **Application of PennDOT** (A-00108645)

Record held to support rescission of previous order; bridge eligible for inclusion in the National Register of Historical Places due to its historic and architectural significance.

## Water

### **City of Lancaster – Water Fund** (R-00984567)

The Commission approved additional annual operating revenues, from water fund customers located outside the

## OFFICE OF SPECIAL ASSISTANTS

company's municipal boundaries, not to exceed \$610,350 to be allocated as close as possible to the following percentages: 52.55 percent to residential customers; 33.57 percent to commercial customers; and 11.12 percent to industrial customers. Rates for bulk water and fire protection service shall be as stated in the city's exhibit, pro forma proposed percent to total.

**Pa. PUC, et al. v. Superior Water** (R-00994672, R-00994672C0001-C0173; C-00992717)

The company filed with the Commission seeking an increase in its total annual operating revenues of \$259,048. The Commission adopted a settlement agreement which allowed the company to increase rates by \$230,000 in two phases (\$150,000 in Phase I and \$80,000 in Phase II which would occur six months later).

### [Telecommunications Interconnection Proceedings](#)

#### [With Bell Atlantic-Pennsylvania, Inc.](#)

2nd Century Communications, Inc.; A-310836F0002

Advanced Telephone Systems, Inc., d/b/a HTC Communications; A-310478F0002

Affinity Network; A-310024F0002

Airtough Paging; A-310871

Allegiance Telecom of Pa.; A-310751F0002

ALLTEL Communications, Inc.; A-310325F0002

Arbros Communications; A-310877

ATX Telecommunications Services; A-310104F0002

Cavalier Telephone Mid-Atlantic, d/b/a Cavalier Telephone; A-310838F0002

Computer Business Sciences, Inc., d/b/a CBS; A-310832F0002

Conestoga Communications; A-310059F0002

Cooperative Communications, Inc.; A-310868F0002

Corecomm Pennsylvania, Ina., d/b/a Corecomm; A-310810F0002

CSTI, Inc.; A-310510

D&E Systems, Inc.; A-310738F0002

DMJ Communications, Inc.; A-310896

DPI Teleconnect; A-310804

DSL Net Communications, Inc., d/b/a DSL Net;

A-310824F0002

Eagle Communications, Inc., d/b/a Eagle Telco, Inc.; A-310718

Empire Communications, Inc.; A-310748F0002

essential.com, Inc.; A-310853F0002

Fairpoint Communications Corporation; A-310725F0002

Fibernet Telecommunications of Pa.; A-310828F0002

Furst Group, Inc.; A-310195F0002

Harvardnet, Inc.; A-310818F0002

Level 3 Communications; A-310633F0002

Metrocall, Inc.; A-310870

Metromedia Fiber Network Services, Inc.; A-310673F0002

NOS Communications, Inc.; A-310043F0002

Nustar Telephone Co., Inc.; A-310855F0002

Paetec Communications, Inc.; A-310743F0002

Qtel, Inc.; A-310835

Qwest Communications Corporation; A-310189F0004

SAM Associates, d/b/a Synergistic Communications; A-310088F0002

Smart Beep, Inc.; A-330033

Stargate Local Services; A-310802

State Communications, Inc.; A-310766F0002

Unidial Communications, Inc.; A-310415F0003

US Lec; A-310814F0002

US West Interprise America, Inc., d/b/a Interprise America; A-310437F0002

VTTS Networks, Inc.; A-310829

xDSL Networks, Inc.; A-310826F0002

Xtel Communications, Inc.; A-310322F0002

#### [With GTE North, Inc.](#)

Advanced Telephone Systems, Inc., d/b/a HTC Communications; A-310478F0002

AT&T; A-310125F0002

AT&T Wireless Services, Inc.; A-310518

Choctaw Communications, Inc., d/b/a Smoke Signal Communications; A-310883F0002

## OFFICE OF SPECIAL ASSISTANTS

COMM South Companies, Inc.; A-310863  
DSLNET Communications; A-310824F0002  
EZ Talk Communications; A-310691F0002  
FairPoint Communications; A-310725F0002  
Fibernet Telecommunications of Pa.; A-310828F0002  
Network Access Solutions; A-310535  
Service Electric Telephone; A-310651  
Sprint Spectrum; A-310513F0002  
TCG-Delaware Valley; A-310258F0002  
TCG-Pittsburgh; A-310213F0002  
Teligent, Inc.; A-310654F0002  
With ALLTEL Communications Services Corp.  
Aerial Operating Co.; A-310663

With United Telephone Company d/b/a Sprint  
Communications  
AA Beep, L.P.; A-310869  
Capital Telecommunications, Inc.; A-310084F0002  
Comm South Companies, Inc.; A-310863  
CTSI, Inc.; A-310510  
Dieca Communications d/b/a Covad Communications;  
A-310696F0002  
Dslnet Communications; A-310824F0002  
United States Telecommunications, Inc.;  
A-310684F0002  
With D&E Telephone Company  
D&E Omnipoint Wireless d/b/a PCS One;  
A-311050F0003

## George T. Mahan *Director*

The Bureau of Transportation and Safety is responsible for regulation of various aspects of railroad, gas, and motor carrier safety and service. 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.

The Motor Carrier Services and Enforcement Division is involved in all areas of motor carrier transportation regulation. The five district offices located 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.

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 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 Rail Safety Division include 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.

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 and investigates gas explosions. In addition, the Gas Safety Division receives meter certifications from all fixed utilities, i.e. gas, water, and electric, in Pennsylvania.

The Legal Division, in cooperation with the Motor Carrier Services and Enforcement Division, prosecutes motor carriers that violate Commission regulations in proceedings before the Commission. The division also works closely with the Rail Safety Division in PUC proceedings presenting evidence necessary to promote safety and prevent accidents at rail-highway crossings.

### *Transportation and Safety*

*inspected 12,095 trucks, 599*

*non-medallion taxis, 6,364*

*Philadelphia medallion taxis and*

*1,217 buses during this fiscal year.*

# BUREAU OF TRANSPORTATION AND SAFETY

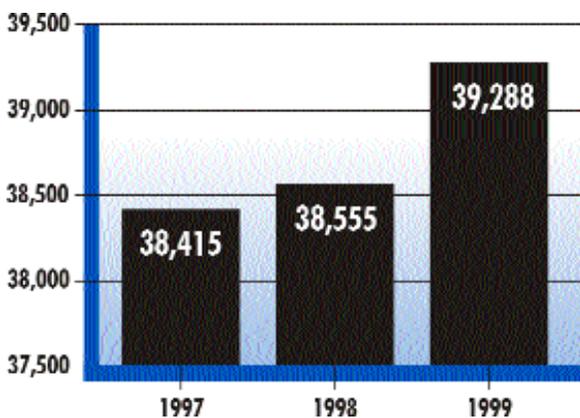
In conjunction with the Commission's Law Bureau, the Legal Division represents the Commission in selected appeals and original jurisdiction actions. Finally, the division suggests changes to provisions of the Public Utility Code and regulations based on changes in federal law and in response to requests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

## Bureau of Transportation and Safety Annual Statistics 1999–2000

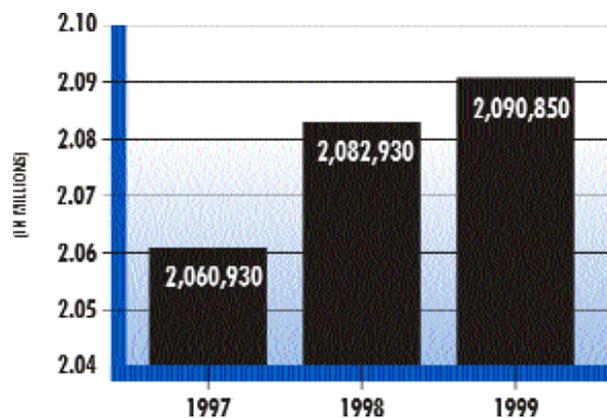
The following charts and tables represent the activities of the Bureau of Transportation and Safety for Fiscal Year 1999–2000:

### Gas Safety Division

**Gas Mains in Miles.** The following chart shows the mileage of installed natural gas mains as they have increased from 1997 to 1999 for the natural gas public utilities subject to the Commission's jurisdiction.



**Number of Gas Lines.** The chart below shows the number of installed natural gas service lines as they have increased from 1997 to 1999 for the natural gas public utilities subject to the Commission's jurisdiction.



The following table indicates the number of compliance inspections performed, informal complaints investigated, and reportable and non-reportable gas incidents which occurred for each quarter of Fiscal Year 1999–2000.

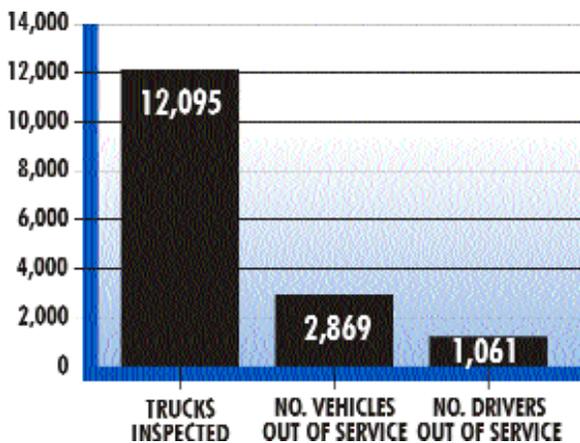
	1st QUARTER	2nd QUARTER	3rd QUARTER	4th QUARTER	FY TOTAL
Compliance Inspections	168	148	170	95	581
Reportable Incidents	1	3	3	0	7
Non-reportable Incidents	33	58	22	9	122
Informal Complaints	8	12	4	1	25

# BUREAU OF TRANSPORTATION AND SAFETY

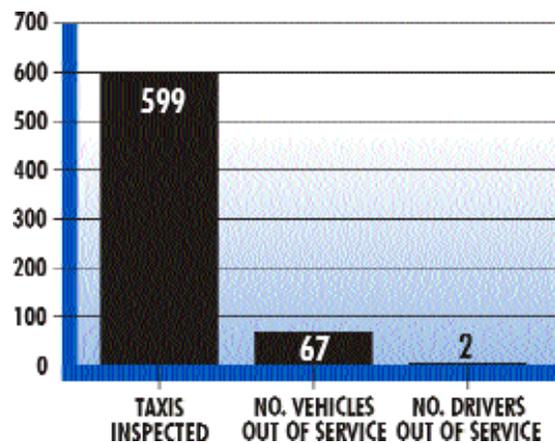
## Motor Carrier Services and Enforcement

The Motor Carrier Services and Enforcement Division is responsible for the regulation of commercial property and passenger carriers within the Commonwealth. This includes the certification process for applicants, insurance monitoring, rate review and compliance, investigation of complaints, driver and vehicle safety inspections, new carrier safety fitness reviews, and compliance audits. The subsequent statistics highlight several of the division areas of responsibility.

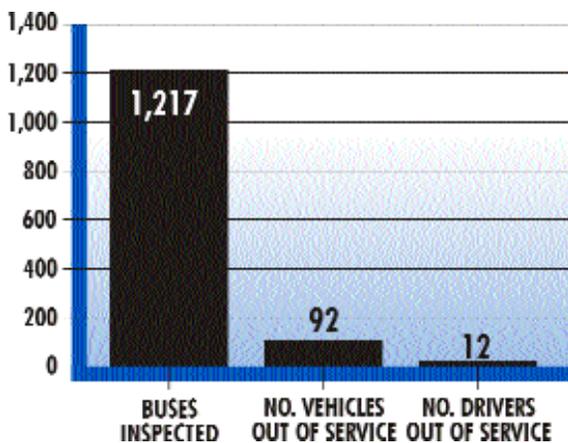
**Truck Inspections.** The statistics below state the number of truck inspections completed by the enforcement staff, as well as the number of vehicles and drivers placed out of service during the fiscal year's inspections.



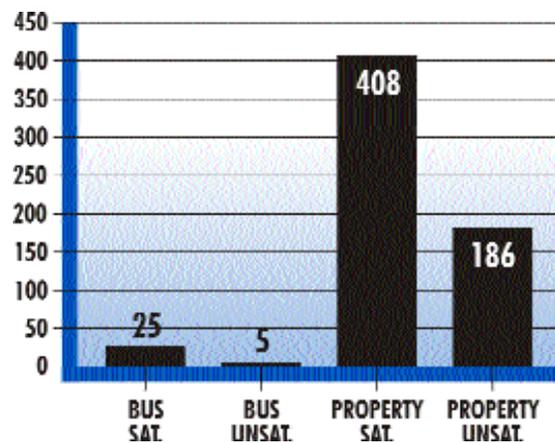
**Non-Medallion Taxi Inspections.** Much of the division's oversight of taxicab transportation involves driver and vehicle inspections. During this fiscal year the enforcement staff completed terminal, random and repair verification inspections.



**Bus Inspections.** The statistics below state the number of bus inspections completed by the enforcement staff, as well as the the number of buses and drivers placed out of service during those inspections.

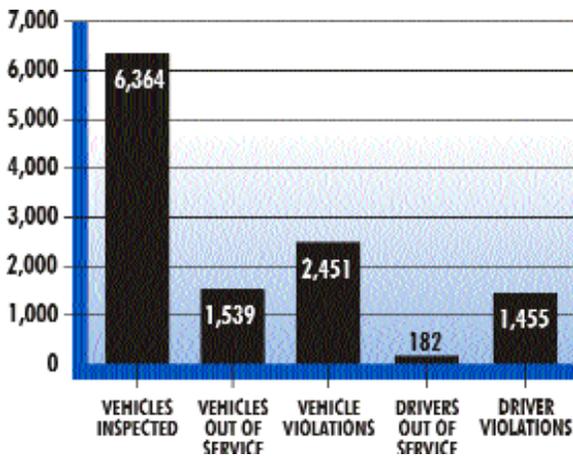


**Safety Fitness Reviews.** The division conducts reviews with new property carriers and buses to ensure the carrier is prepared to meet the Commission's safety requirements.

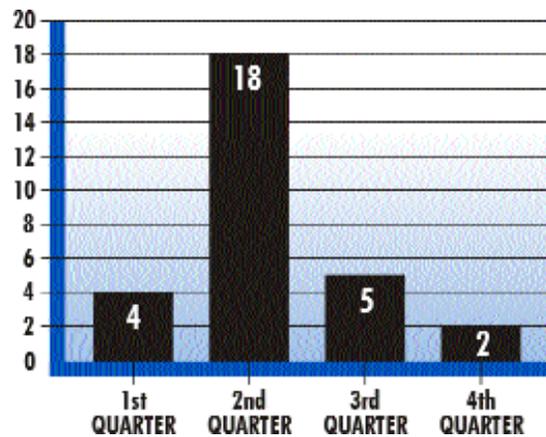


# BUREAU OF TRANSPORTATION AND SAFETY

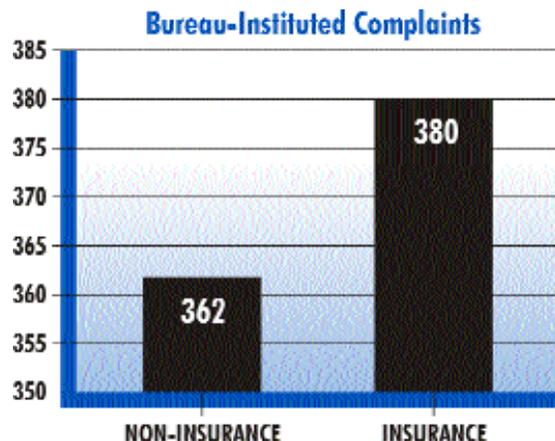
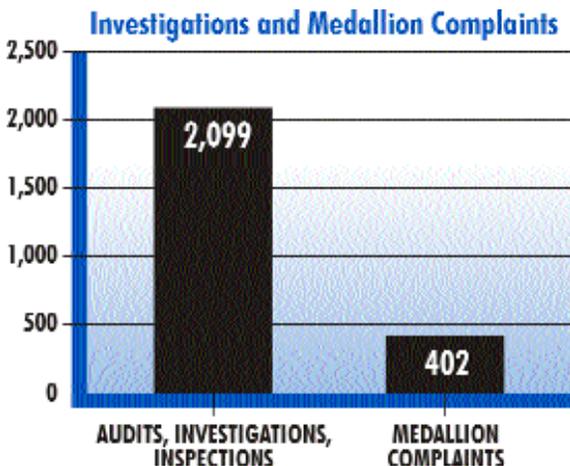
**Philadelphia Medallion Taxicabs.** The division is responsible for oversight of Philadelphia taxicab carriers, their drivers and vehicles. The medallion system is unique to Philadelphia. Much of the taxi oversight involves driver/vehicle inspections which are reported in the statistics. (The statistics are based on the date entered in the database program.)



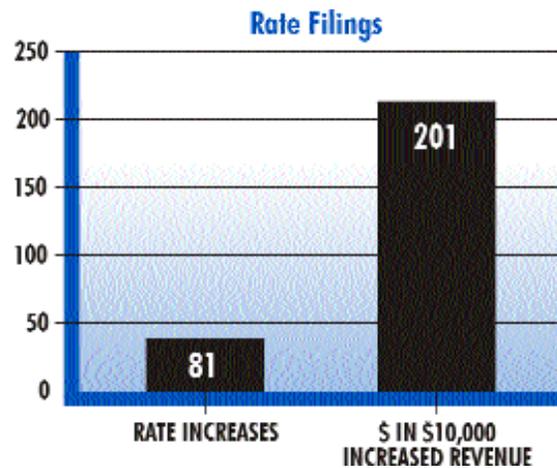
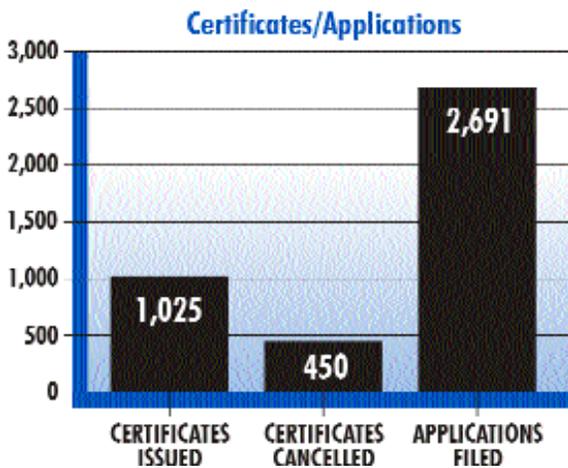
**Household Goods Carrier Reviews.** The division's enforcement staff conducts a record review and rate verification with selected household goods carriers. This is followed by a mail survey with the carrier's customers to ensure service was satisfactory.



## Motor Carrier Services and Enforcement: Compliance Office



# BUREAU OF TRANSPORTATION AND SAFETY



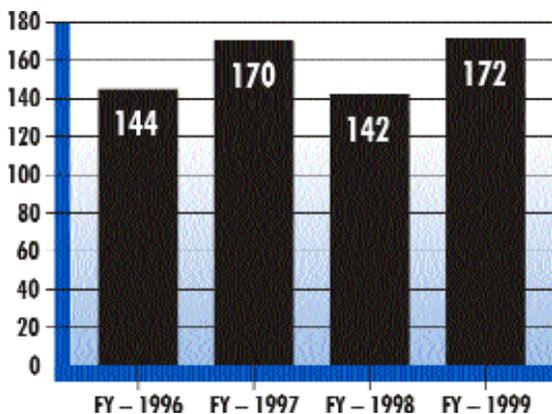
## Rail Safety Division

The Rail Safety Division performs two distinct functions. The division handles proceedings pertaining to the abolition, alteration, construction, relocation, and suspension of public highway railroad crossings to effectuate the prevention of accidents and the promotion of the safety of the public. Secondly, the division inspects the facilities of the railroad companies for compliance of Public Utility Commission Railroad regulations and Federal Railroad Administration Regulations as it relates to track, equipment and operating practice.

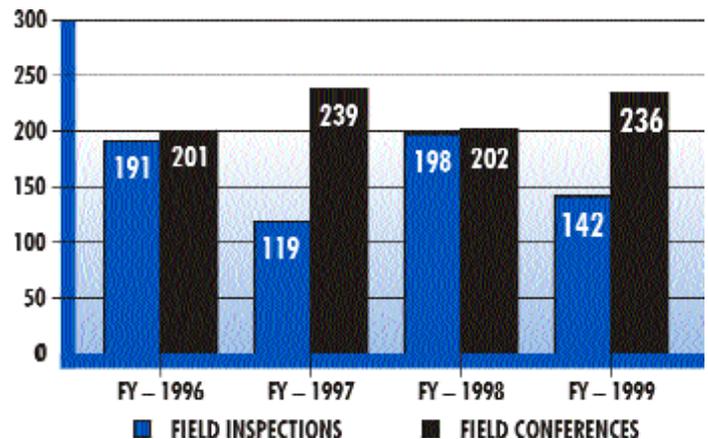
**Formal Proceedings Filed.** The following chart represents the activities of the Rail Safety Division for the 1999–2000 Fiscal Year and the preceding years.

Formal Proceedings Include:

- Applications
- Complaints
- Investigations
- Miscellaneous



**Field Conferences and Inspections.** The following chart represents the number of field inspections and field conferences that were held at highway-railroad crossings for this year as compared to the previous years. Field conferences are meetings that are held with other parties of interest. Field inspections may or may not involve other parties.

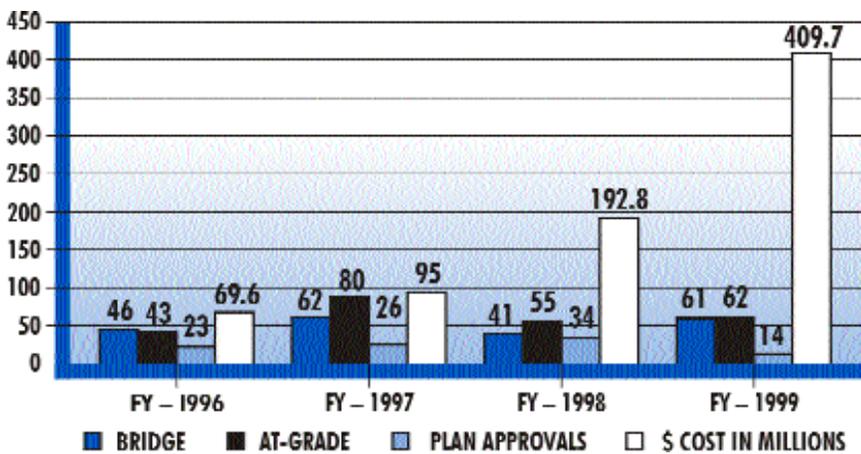


# BUREAU OF TRANSPORTATION AND SAFETY

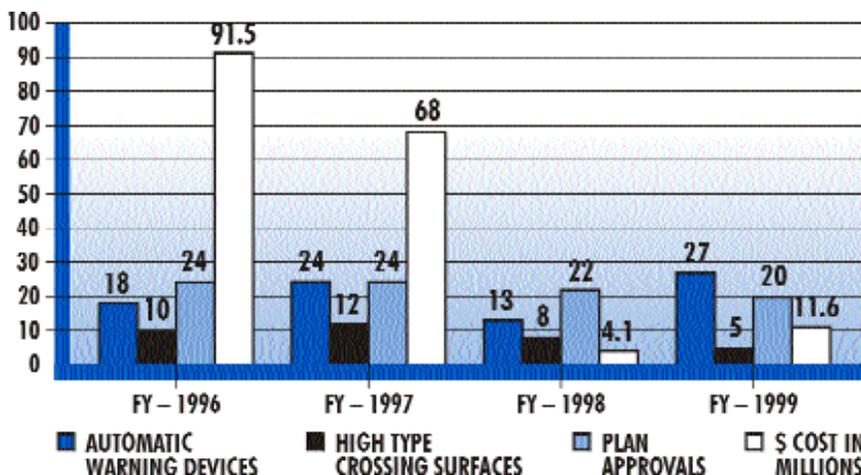
**Orders/Letters.** The following chart represents the number of orders/secretarial letters that were issued this year as compared to the previous years for the construction and alteration of rail highway crossings. These reports were issued in response to applications, complaints and investigations before the Commission.

**Projects**

- Bridge approvals
- At-grade approvals
- Plan approvals
- \$ cost in millions

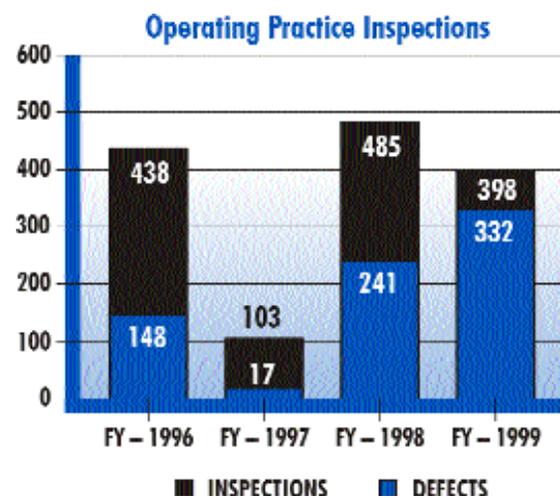
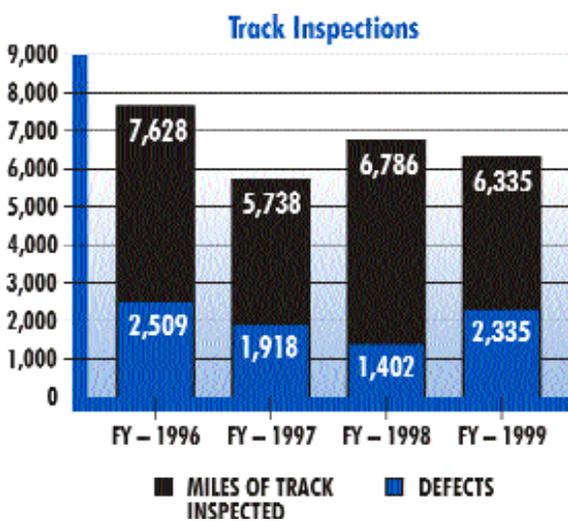
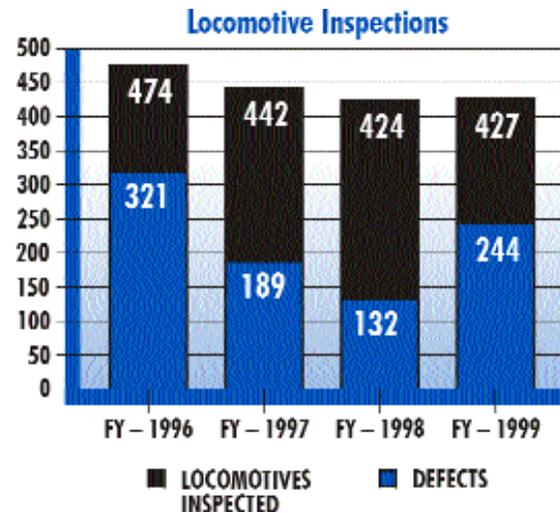
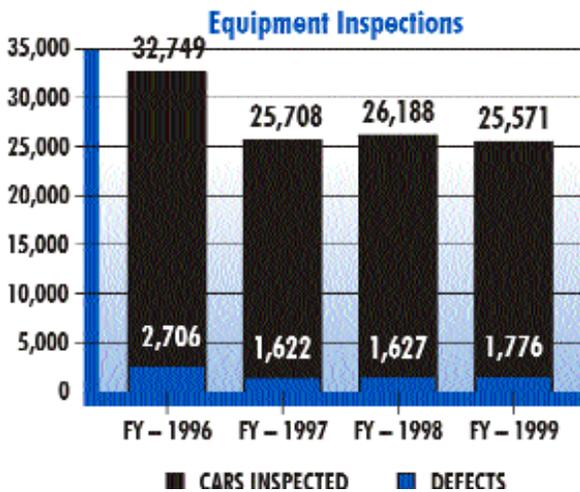


**Grade Crossing Safety Program.** The following chart represents the number of federal grade crossing projects that were approved this year as compared to the previous years. The projects involve the installation of automatic warning devices and the installation of high type crossing surfaces.



# BUREAU OF TRANSPORTATION AND SAFETY

The following charts represent the inspection statistics for railroad equipment, track, and operating practices for this year as compared to the previous years.



# BUREAU OF TRANSPORTATION AND SAFETY

## Legal Division

The following table represents the activities of the Legal Division from Fiscal Year 1995–96 through 1999–2000:

	FY 1995–96	FY 1996–97	FY 1997–98	FY 1998–99	FY 1999–00
New Cases	501	315	439	437	451
Closed Cases	458	154	181	246	264
Hearings & Court Appearances	126	93	73	77	60
Agency Pleadings	104	96	161	177	80
Pleadings	17	6	0	2	1
Public Meeting Reports	129	39	18	5	11
Counseling Hours	630.32	573.91	569	910.75	864.08
Conferences	*	*	1,225	1,012	903

\*Data unavailable

## Fiscal-Year Comparison of Carriers Providing Transportation Service in Pennsylvania

	06/30/1996	06/30/1997	06/30/1998	06/30/1999	06/30/2000
<b>Common Carriers</b>					
Property	4,407	4,003	4,362	4,632	4,490
Taxi					
—Philadelphia	706	692	722	703	637
—Other	147	150	151	142	134
Limousine	322	314	324	322	316
Paratransit	178	174	196	190	200
Airport Transfer	72	73	78	81	75
Bus – Group & Party	224	226	228	250	271
Bus – Scheduled Route	95	94	92	87	84
Airplane	3	3	3	1	1
Boat	4	2	1	0	0
Freight Forwarder	0	0	0	0	0
<b>Contract Carriers</b>					
Property	0	0	0	0	0
Persons	8	10	8	8	7
<b>Brokers</b>					
Property	50	23	23	23	23
Persons	112	110	120	122	119
Household Goods Movers	410	393	388	357	349

## Charles F. Hoffman

### *Director*

The Office of Trial Staff (OTS) represents the Commission on 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 these excepted proceedings. Consistent with this provision, the Commission has granted the OTS the authority to initiate and prosecute complaints against “slamming” and “cramming” by telecommunications companies.

If the trial staff director thinks that a proceeding is necessary to protect the public interest, he shall request the Commission initiate one when the proceeding is not prosecutory in nature. When the proceeding is prosecutory in nature, OTS shall initiate the proceeding by filing a complaint with the secretary of the Commission. When the OTS director participates in a Commission proceeding, it is his duty and responsibility 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 1999–2000, the Office of Trial Staff actively participated, by hearing, review, or report process, in approximately 83 proceedings, of which 52 were closed during the fiscal year, while 31 cases in progress were carried forward to FY 2000–2001. The 83 proceedings were comprised of 33 general rate investigations, 32 non-general tariff or rate investigations, 17 1307(f) purchased gas cost proceedings, and one excess-earnings investigation. Of the 52 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, 23 non-general tariff or rate investigation filings, and one excess-earnings investigation. In addition, the Office of Trial Staff reviewed and analyzed approximately 263 tariff revisions and petitions.

Staff participated in 85 evidentiary and/or prehearings, 30 ADR/mediation conferences, and 31 public input hearings. The office also submitted 71 sets of testimony, filed two answers, one reply, and six miscellaneous responses.

#### **PECO/Unicom Merger** (A-110550F147)

On Nov. 22, 1999, PECO Energy Company (PECO) filed an application requesting approval of its merger with Unicom Corporation (Unicom). OTS and 20 other parties filed a notice of appearance or intervened in the proceeding. OTS identified the following issues concerning the merger: (1) market power analysis; (2) market concentration; (3) merger savings; and, (4) allocation of benefits to customers. After settlement discussions, PECO

*The Office of Trial Staff actively*

*participated in 83 proceedings,*

*30 mediation conferences and*

*31 public input hearings this year.*

and 19 of the parties filed a comprehensive settlement petition which provided the following terms in exchange for approval of the merger: (1) distribution rate reduction; (2) extension of the retail distribution and transmission charges; (3) limitation on PECO/Unicom recovery from Pennsylvania ratepayers of nuclear decommissioning costs to plants owned by PECO on Dec. 31, 1999; (4) reliability and customer service; (5) universal service; (6) environmental provisions; (7) PECO agreed to take certain steps designed to promote competition; (8) PECO agreed that its corporate headquarters for distribution business will remain in Philadelphia until at least Jan. 1, 2008; (9) PECO agreed to certain employee and staffing levels; (10) PECO agreed to maintain at least current charitable and civic contribution levels; (11) PECO agreed to certain customer service reliability items with Wallace and East Brandywine Townships.

By order entered June 22, 2000, the Commission adopted the settlement as proposed by the 19 parties.

#### **City of Lancaster-Water** (R-00984567)

On Dec. 23, 1998, the City of Lancaster filed Supplement No. 28 to its Tariff – Water Pa. PUC No. 6 which proposed changes in the city’s water fund rates, rules and regulations to be effective Feb. 23, 1999. The increase would produce a net revenue increase of \$851,915 (8.4 percent): an increase of \$999,937 (18.8 percent) in revenue from customers located outside the city’s municipal boundaries and a decrease of \$148,022 (3.1 percent) in revenue from customers located inside the city’s municipal boundaries.

By an opinion and order adopted and entered Feb. 11, 1999, the PUC voted to investigate the lawfulness, justness and reasonableness of the city’s proposed increase and suspend the increase until Sep. 23, 1999. An evidentiary hearing was held in Harrisburg on May 17, 1999, to cross-examine all active parties’ witnesses. A public input hearing was held in the service territory on May 6, 1999.

The active parties settled a large percentage of the issues, and left unresolved primarily certain components of the rate of return. In that regard, the city and OTS litigated the appropriate cost of common equity and the applicability of a tax factor in recognition of the city’s municipal standing. The administrative law judge and the Commission adopted the OTS’ cost of common

equity and the tax factor. The case is presently on appeal in Commonwealth Court.

#### **Columbia Gas of Pennsylvania, Inc. Restructuring Proceeding** (R-00994781)

On Aug. 2, 1999, Columbia filed its restructuring filing in accordance with the schedule established by the PUC pursuant to the Natural Gas Choice and Competition Act. The filing included proposals for unbundled rates and extension of Columbia’s Universal Service program also known as Customer Assistance Plan (CAP).

By order of Aug. 12, 1999, in response to a petition filed by OTS and other parties, the PUC extended the full litigation schedule for the proceeding, contingent upon the establishment of 1999–2000 winter heating season rates. OTS and all other active parties subsequently negotiated a settlement with respect to Columbia’s residential and small commercial transportation program for the 1999-2000 winter heating season and Columbia’s CAP. The joint petition for settlement of winter heating season rates and universal service program extension (the “interim settlement”) was approved by the PUC by order entered Oct. 18, 1999.

OTS conducted extensive discovery and filed direct, rebuttal and surrebuttal testimony during the proceeding. The parties eventually agreed to resolve all issues not previously addressed by the interim settlement and subsequently filed a joint petition for settlement of restructuring filing that contained terms and conditions satisfactorily addressing each issue of concern to OTS.

The PUC approved the restructuring settlement by order entered Dec. 16, 1999. OTS and the other active parties spent further additional months finalizing the language of Columbia’s voluminous tariff filing to implement the PUC-approved settlement petitions and timely bring customer choice to Columbia’s gas customers.

#### **Peoples Natural Gas Company Restructuring Proceeding** (R-00994782)

On Aug. 2, 1999, Peoples filed its restructuring filing in accordance with the schedule established by the PUC pursuant to the Natural Gas Choice and Competition Act. The filing included proposals for restructuring, in light of the continuing existence of its Energy Choice Program, which had been in place on its system for several years. Peoples’ filing included responses to the filing

requirements of the act, including proposed tariff changes and a proposed supplier tariff.

OTS conducted extensive discovery and filed direct, rebuttal and surrebuttal testimony during the proceeding. Hearings were held, and a briefing schedule was established. Between the close of hearings and the due date for briefs, an agreement in principle for settlement of the case was reached. On Dec. 8, 1999, a joint petition for settlement of the case was filed.

In the settlement, OTS won concessions from Peoples to make various tariff changes involving clarifying the status of priority one customers in the event of curtailments, withdrawing the daily balancing proposal for non-priority one customers, and clarifying issues involving the exit of a supplier from the system. In addition, Peoples agreed to limit flexing rate CER for residential customers to those customers living in overlapping natural gas distribution company service territories.

The settlement was approved by the PUC on Jan. 31, 2000.

#### **Equitable Gas Company (R-00994784)**

This proceeding addressed the restructuring filing of Equitable pursuant to The Natural Gas Choice and Competition Act. In enacting the act, the General Assembly directed the PUC to commence choice by Nov. 1, 1999. Final resolution of Equitable's restructuring proceeding was extended to Feb. 15, 2000, with the understanding that Equitable's currently effective Customer Choice Program would remain in effect for the 1999/2000 winter heating season.

Equitable submitted its restructuring filing to the PUC on Aug. 16, 1999. The matter was docketed at R00994784 and assigned to Administrative Law Judge Allison K. Turner for preliminary rulings, hearing and decision. The OTS filed a notice of appearance.

Equitable, the OTS and the Office of Consumer Advocate engaged in settlement discussions. A settlement in principle was achieved on Dec. 6, 1999, and served on Judge Turner and the parties on Dec. 8, 1999. The settlement resolved all issues except Low Income Usage Reduction Program funding and related issues. The evidentiary record closed on Dec. 7, 1999. The settlement agreement was formally filed with the PUC on Dec. 9, 1999. On Jan. 11, 2000, Judge Turner issued a recommended decision, which recommended approval of

the settlement agreement and addressed the unresolved Low Income Reduction Program funding and related issues.

#### **National Fuel Gas Distribution Corporation Restructuring (R-00994785)**

On Oct. 1, 1999, National Fuel Gas Distribution Corporation filed its restructuring plan, as required by the Natural Gas Choice and Competition Act. OTS actively participated in this proceeding, and filed testimony on various issues involving customer choice, reliability, recovery of restructuring costs, and supplier tariffs. The parties engaged in extensive settlement discussions, in accordance with PUC policy favoring amicable resolution of issues, and the parties were eventually able to achieve a settlement in principle of most, but not all issues. The PUC approved this partial settlement. OTS filed a brief on the cash-out rates and storage transfer provisions that remained for litigation. In his recommended decision issued April 6, 2000, ALJ Gesoff agreed with the position supported by OTS, and the PUC eventually adopted the ALJ's recommendation on these issues, by opinion and order entered June 29, 2000.

#### **UGI Utilities, Inc. Rate Restructuring Proceeding (R-00994786)**

On Oct. 1, 1999, UGI Utilities, Inc.—Gas Division filed a restructuring plan as required by the Natural Gas Choice and Competition Act.

The OTS attended a prehearing conference on Oct. 22, 1999, and a procedural schedule was established. In accordance with this schedule, OTS filed testimonies on Dec. 20, 1999, and Jan. 14, 2000. Two days of evidentiary hearings were held on Jan. 19 and 20, 2000. Briefs were filed on Feb. 22, 2000 and on March 3, 2000.

OTS participated in numerous settlement meetings and discussions.

The PUC adopted several of OTS' recommendations in its order entered June 29, 2000. These recommendations included the migration rider which removed the provision for new transportation rates and the start of the deferral period of certain implementation costs which begins with the PUC's order in this case.

In addition, the PUC deferred the issue of offsets to certain deferred costs to a future rate proceeding that precludes UGI from challenging any offset arguments in

future rate cases by asserting that the parties are engaging in retroactive ratemaking.

**PECO Energy Company (R-00994787)**

PECO, filed a restructuring plan on Dec. 1, 1999, to implement the Natural Gas Choice and Competition Act by unbundling gas supply service for residential and small commercial customers. The Office of Trial Staff filed a notice of appearance on Dec. 1, 1999.

PECO, the OTS and other active parties filed direct testimony. In addition, the active parties filed rebuttal and surrebuttal testimony. An evidentiary hearing was held on Feb. 29, 2000.

On March 6, 2000, the joint petition for comprehensive settlement of restructuring filing was filed. Parties supporting the proposed settlement included PECO, OTS, Office of Consumer Advocate, Office of Small Business Advocate, PAIEUG and Texas Eastern. Parties that expressed non-opposition included GAS-MARK, UGI, Dynegy and Transco. Administrative Law Judge Chestnut in a recommended decision issued April 11, 2000, recommended that the Commission approve the proposed settlement in its entirety.

The proposed settlement addressed all issues with respect to the implementation of PECO's gas choice program.

**PFG Gas, Inc. and North Penn Gas Company Restructuring Proceeding (R-00994788)**

PFG Gas, Inc. and North Penn Gas Company filed copies of their restructuring plan on Dec. 1, 1999, as provided by the Natural Gas Choice and Competition Act, to restructure their operations and unbundle their rates to facilitate the required customer choice of natural gas suppliers.

On Dec. 7, 1999, OTS filed a notice of appearance to formally participate in the proceeding to ensure (a) that natural gas supply services would be properly unbundled; (b) that aggregation services through the proposed monthly aggregation and balancing (MAB) service and daily aggregation and balancing (DAB) would comply with the Act; (c) that an open enrollment process would exist throughout the year; (d) that safeguards would exist in the supplier tariff when a natural gas supplier (NGS) defaults or discontinues service; (e) that specific data would be required to be provided in subsequent

1307(f) filings to ascertain whether the companies are maintaining the safety and reliability of the supply and distribution systems; (f) that universal service programs functioned properly and fairly; and (g) that the proposed billing and payment procedures would be correctly constructed and implemented.

On March 9, 2000, following protracted and comprehensive settlement negotiations amongst all parties, Settlement I was filed with the PUC and signed by OTS, the companies and all other active parties except Office of Consumer Advocate. On March 28, 2000, Settlement II was filed signed by OCA and the companies. A discrepancy in the language of the two settlements was subsequently identified by OTS and eventually resolved by all parties consistent with the OTS-stated position.

Both settlements were approved (with minor modifications to Settlement II) by PUC order entered June 22, 2000. The PUC stated that the two settlements resolved many rate design, reliability, and unbundling issues. Per the settlement, certain issues were deferred for resolution in future collaborative processes or a purchased gas cost or base rate proceeding conducted pursuant to either section 1307(f) or 1308(d) of the Public Utility Code. OTS continues to actively participate in any and all such proceedings to resolve such deferred issues.

**T. W. Phillips Gas and Oil Company (R-00994790)**

T. W. Phillips Gas and Oil Company filed a restructuring plan on Feb. 2, 2000, as required by the Natural Gas Choice and Competition Act.

The Office of Trial Staff participated in a pre-hearing conference on Feb. 23, 2000, to discuss procedural items, and participated in one evidentiary hearing on April 28, 2000.

OTS participated in settlement discussions with the active parties. On June 2, 2000, a joint petition for settlement was submitted to the Office of Administrative Law Judge, and subsequently filed with the PUC to resolve all issues except several points under the category of universal service.

Regarding the universal service program, the company requested that incremental universal service cost be recovered in a surcharge, Rider USP. OTS argued that Section 2211(c) states that all such cost claims should be

deferred to the next base rate proceeding. The Administrative Law Judge agreed.

In a related issue, OTS filed testimony that objected to the expansion of the customer assistance program (CAP) in this particular proceeding. OTS argued that the Act does not require expansion of CAP and that it would be premature to place such expansion into effect without determining whether it was actually needed and whether the program is cost-effective. OTS recommended that the ALJ reject OCA's CAP proposal and that the company be required to conduct a needs assessment of the number of low-income payment troubled customers and the level of needed rate assistance. The ALJ agreed and recommended that T.W. Phillips file a needs assessment with the Commission by Dec. 31, 2000. The ALJ also recommended that if further action is required, that the company consult with the PUC Bureau of Consumer Services, the Office of Consumer Advocate, and any other interested party prior to finalizing its proposal to the Commission on or before Dec. 31, 2000.

The PUC order is currently pending.

#### **Philadelphia Suburban Water Company (R-00994868)**

Philadelphia Suburban Water Company (PSW) filed on Oct. 29, 1999, Supplement No. 1 to Tariff Water-Pa. P.U.C. No. 16, which proposed to consolidate the three operating divisions and proposed an increase in rates of 15.48 percent, representing an increase in annual revenues of \$28 million. OTS identified issues concerning salaries and benefits, rate case expenses, merger implications, cash working capital, rate base, depreciation, cost of service, rate design and rate of return. Settlement ensued after the first day of hearings in the proceeding and a settlement was filed. By order entered April 27, 2000, the PUC approved the settlement, which provided for a \$17 million increase in annual operating revenues. In addition, PSW agreed to a stay-out until April 29, 2001, and to revise its customer notice procedures concerning base rate filings. The joint petitioners also agreed to a procedure concerning future increases for Roaring Creek division customers.

#### **NUI Valley Cities Gas (R-00994946)**

On April 3, 2000, NUI Valley Cities Gas filed its modified restructuring plan in response to the PUC's

orders establishing requirements for natural gas suppliers pursuant to the Natural Gas Choice and Competition Act, and in response to the PUC's Jan. 27, 2000, order denying NUI's filing waiver request.

On Jan. 13, 2000, NUI filed a petition for waiver of the requirement to file a restructuring plan. By a letter dated Jan. 21, 2000, the Office of Consumer Advocate (OCA) advised that it did not oppose NUI's filing waiver petition, but would request a modified restructuring filing or a collaborative process to address certain restructuring issues. The PUC by its order adopted and entered on Jan. 27, 2000, denied NUI's filing waiver petition, but did grant NUI the opportunity to submit an abbreviated filing. In addition, the PUC encouraged NUI, OCA and other interested parties to engage in discussions to work out a modified restructuring plan.

At the prehearing conference held May 2, 2000, the participants (NUI, OCA, OTS and OSBA) all stated a belief that a settlement would be possible and in the best interest of all concerned. Consequently, immediately after the prehearing all parties collectively began settlement negotiations. On May 31, 2000, a signed by all parties settlement with supporting statements by NUI, OTS and OSBA attached was submitted. The PUC adopted the settlement at the June 22, 2000, public meeting as recommended by the ALJ.

As a result of the settlement, NUI will substantially redesign its gas handling methodologies for third party supplier services (NGS) and their costing provisions. NUI will institute migration rider provisions and incorporate their cost ramifications into its purchased gas cost mechanism. Also, NUI will file additional information allowing for a better assessment of its system's reliability. One very visible outcome to customers will be the unbundling of the residential customer's bill. The customer will see what he is paying for the service rendered by NUI to deliver the gas, and separately see the charge for the natural gas supplied.

Universal service was addressed in detail however, the scope and depth of the items covered precluded a satisfactory conclusion. Therefore, all parties agreed to a dual issue rate case to be filed on Oct. 1, 2000. The rate case filing will concern issues surrounding the appropriateness and institution of a customer assistance program (CAP) and the recovery of customer education costs to inform customers about natural gas supplier choice

## OFFICE OF TRIAL STAFF

offered through NUI Valley Cities Gas.

There were other outcomes resolved by the settlement. One was that NUI will establish a hardship fund, which will be funded by customer contributions. The program is to provide benefits to low-income customers based upon need, or who require additional assistance. The company will also establish a discount rate program with an enrollment of 50 customers by Jan.1, 2001. The

discount rate program provisions will fold into the duel rate case to be filed Oct.1, 2000, in relationship to the aforementioned potential CAP program. Also, NUI will amortize over two years the costs it incurred as a result of the Natural Gas Choice and Competition Act and the company withdrew its Rider E-Consumer Education Program Charge, whose costs will be resolved in the duel issue rate case to be filed Oct. 1, 2000.

### Formal General Rate Increases Fiscal Year 7/1/99 – 6/30/00

UTILITY	REQUESTED INCREASE	BASE RATE ALLOWANCE			PERCENTAGE ALLOWANCE
		FULLY LITIGATED	ADR/ADR/MEDIATION	SETTLEMENT	
Applewood Water Company, Inc.	\$ 6,155		\$ 3,492		56.73%
Buck Hill Water Co.	97,627		69,900		71.60%
City of Lancaster Water Fund	999,937	\$ 610,350			61.04%
Cooperstown Water Co.	5,440		4,797		88.18%
East Fallowfield Utilities, Inc.	14,538		5,118		35.20%
Fawn Lake Forest Water Co.	51,055				0.00%
Four Seasons Sewer Co., Inc.	23,040		23,040		100.00%
Glendale Yearound Water Co.	27,289		16,500		60.46%
Honesdale Gas Co.	429,312			\$ 253,000	58.93%
Imperial Point Water Service Co.	19,662		7,500		38.14%
Mountain Spring Water Co.	5,731				0.00%
National Utilities, Inc.	477,026		230,000		48.22%
Pennsylvania American Water Co.	40,001,890			24,600,000	61.50%
Philadelphia Surburban Water Co.	28,000,000			17,000,000	60.71%
Philip M. Buss Water Co.	16,098		8,382		52.07%
Pittsburgh Thermal, L.P.	900,000			495,000	55.00%
Superior Water Company	259,048		230,000		88.79%
Venango Water Co.	19,360		17,905		92.48%
York Water Company	1,535,946			651,000	42.38%
<b>Subtotal</b>		<b>\$ 610,350</b>	<b>\$ 616,634</b>	<b>\$ 42,999,000</b>	
<b>Total General Rate Increase</b>	<b>\$ 72,889,154</b>				
<b>Requests</b>					
<b>Total General Rate Increase</b>				<b>\$ 44,225,984</b>	<b>60.68%</b>
<b>Allowances</b>					

## OFFICE OF TRIAL STAFF

### 1307(f) Purchased Gas Cost Performance Data 1999 – 2000

UTILITY	AMOUNT REQUESTED	AMOUNT ALLOWED	RATEPAYER SAVINGS
Columbia Gas	\$ (15,227,489)	\$ (5,372,618)	\$ (9,854,871)
Equitable Gas	(20,193,524)	(22,126,946)	1,933,422
National Fuel Gas	(6,175,728)	(7,527,282)	1,351,554
PECO	(49,015,480)	(61,500,680)	12,485,200
Peoples Natural Gas	(6,505,042)	(8,739,597)	2,234,555
PFG/North Penn	(3,455,773)	(3,690,318)	234,545
PG Energy	885,837	(5,068,309)	5,954,146
T.W. Phillips	2,467,373	(9,381)	2,476,754
UGI Utilities Inc.	(23,917)	(672,085)	648,168
<b>TOTAL</b>	<b>\$ (97,243,743)</b>	<b>\$ (114,707,216)</b>	<b>\$ 17,463,473</b>

Note: This information supplements other case performance data presented by the Office of Administrative Law Judge which also applies to the Office of Trial Staff.

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