

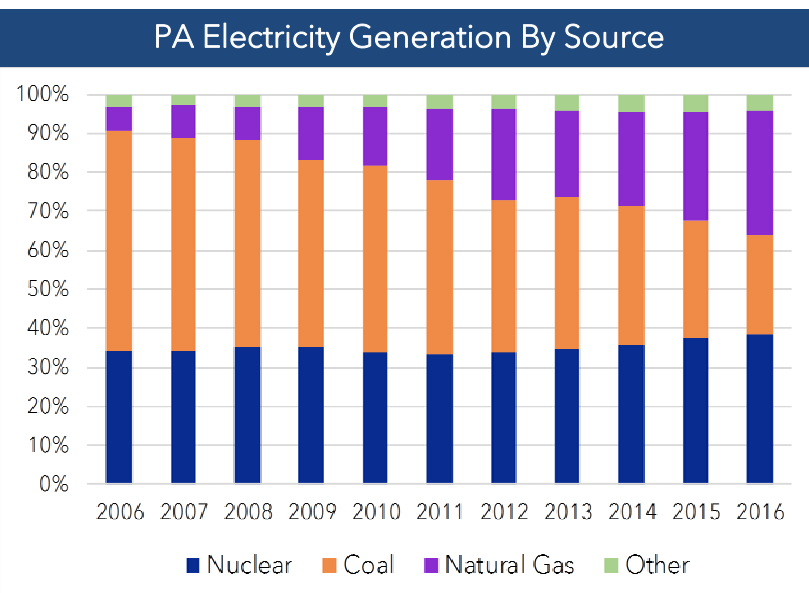


PA ELECTRICITY SOURCES CHANGING

The U.S. Energy Information Administration (EIA) publishes state and national data on the composition of energy sources that are used to generate electricity for the residential, commercial and industrial sectors. Historically, coal and nuclear energy were the two largest sources of electricity for Pennsylvania, comprising over 90% of total electricity generated in 2006. While nuclear energy has maintained a relatively stable share of the electricity generation market since 2006, coal's share has dropped precipitously.

Over the last decade, coal's share of electricity generation in Pennsylvania has contracted from 55% in 2006 to 25% in 2016, due, in part, to the increasing prevalence of natural gas. In 2006, natural gas was the third largest source of electricity, comprising 6.2% of electricity generated. Data for 2016 show that natural gas surpassed coal as the second largest source, representing 32% of electricity generated. The rise of natural gas in the market for electricity generation is due to its competitive price, efficiency advantages and lower production costs.

As natural gas comprises a larger share of the market, lower retail electricity prices could materialize as a result. In 2016, the average retail price of electricity in Pennsylvania declined by 1.5%, which was driven by declines in the commercial (-3.7%) and industrial (-4.3%) sectors. The commercial and industrial sectors are more intensive users of electricity, so they would be more likely to seek low-cost suppliers, who benefit from the lower input prices and



Source: U.S. Energy Information Administration.

GENERAL FUND SNAPSHOT

The Commonwealth collected \$1.88 billion in General Fund revenues for February, an increase of \$20.6 million (1.1%) compared to February 2016. Fiscal year-to-date revenues were \$17.97 billion, an increase of \$218.3 million (1.2%) from the prior year.

	General Fund	Tax Revenue	Non-Tax Revenue
Feb-17	\$1,875	\$1,803	\$72
Growth	1.1%	-0.9%	102.6%
FYTD	\$17,973	\$17,680	\$293
Growth	1.2%	1.0%	19.0%

Dollar amounts are in millions.

production costs associated with switching to natural gas. Consequently, lower prices are realized more quickly in those sectors compared to the residential sector.

In the residential sector, retail prices grew modestly, with a 1.1% increase in 2016. This was the weakest annual average price increase in the residential sector since 2013. This may suggest that falling input prices are beginning to manifest themselves in all sectors.

National electricity has experienced similar, yet less dramatic, trends in the last ten years. From 2006 to 2016, the share of electricity generated from coal fell by 19 percentage points, whereas the share for natural gas increased by 14 percentage points. In 2017, the EIA projects that the share of U.S. electricity generation from natural gas will fall as a result of higher natural gas prices.¹ The EIA also projects that national retail electricity prices will increase in all three sectors. The regional natural gas market will partly determine whether or not Pennsylvania follows these projected national trends.

¹ Short-Term Energy Outlook, U.S. Energy Information Administration. <https://www.eia.gov/outlooks/steo/report/electricity.cfm>

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Nov-16	Dec-16	Jan-17	Feb-17	Nov-16	Dec-16	Jan-17	Feb-17
Unemployment Rate ¹	4.6%	4.7%	4.8%	n.a.	5.7%	5.6%	n.a.	n.a.
Net Job Gains (000s) ²	164.0	157.0	227.0	n.a.	44.5	35.6	n.a.	n.a.
Average Gasoline Price ³	\$2.18	\$2.25	\$2.35	\$2.30	\$2.31	\$2.37	\$2.49	\$2.42
Consumer Price Index ⁴	1.7%	2.1%	2.5%	n.a.	1.5%	1.7%	n.a.	n.a.
Retail Sales ⁵	3.8%	4.1%	4.6%	n.a.	2.8%	2.3%	3.0%	4.2%
Consumer Sentiment Index ⁶	93.8	98.2	98.5	96.3	n.a.	n.a.	n.a.	n.a.
New Building Permits ⁷	7.5%	8.6%	13.4%	n.a.	18.8%	20.7%	16.9%	n.a.

QUARTERLY ECONOMIC INDICATORS

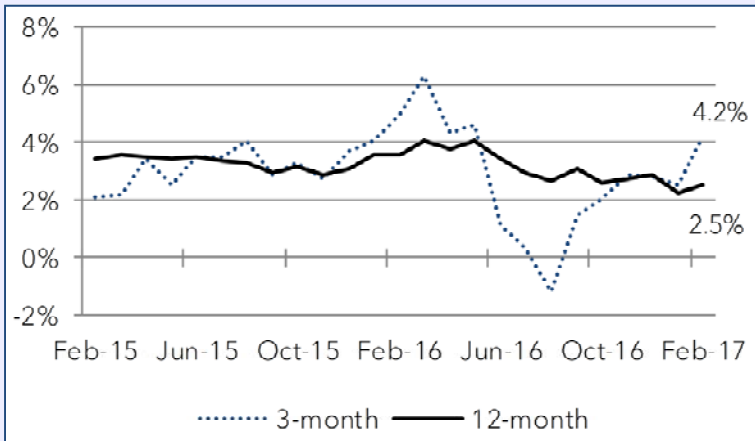
	United States				Pennsylvania			
	2016.1	2016.2	2016.3	2016.4	2016.1	2016.2	2016.3	2016.4
Gross Domestic Product ⁸	0.8%	1.4%	3.5%	1.9%	-4.5%	0.5%	3.3%	n.a.
Personal Income ⁹	3.6%	3.4%	3.6%	3.7%	2.5%	2.6%	2.9%	n.a.
Completed Home Sales ¹⁰	5.7%	4.0%	0.8%	5.6%	11.2%	11.2%	2.8%	5.2%
FHFA House Price Index ¹¹	6.1%	5.9%	6.0%	5.9%	3.9%	3.3%	4.1%	4.0%
Student Loan Debt ¹²	\$4,710	\$4,690	\$4,830	\$4,920	\$5,450	\$5,430	\$5,590	\$5,690
Industrial Electricity Sales ¹³	-3.9%	-6.2%	-4.9%	-4.9%	-2.2%	-2.8%	-0.6%	0.8%

Notes:

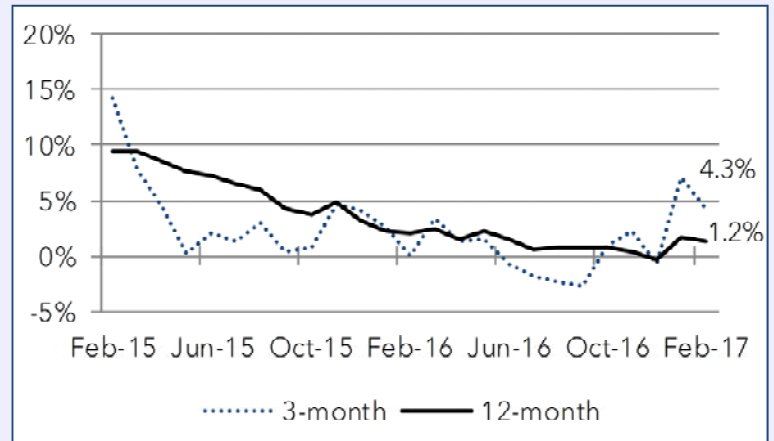
1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month. PA: Average year-over-year increase in payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics—Survey of Establishments.
3. Average price for one gallon of regular gasoline. Source: U.S. Energy Information Administration.
4. Annual change in average price level for U.S. and PA-NJ-DE-MD. Data for PA-NJ-DE-MD only published on a bi-monthly basis. For non-release months, values are an interpolation. Source: U.S. Bureau of Labor Statistics.
5. U.S.: Annual growth rate of advance retail sales based on latest three months of data. Includes purchases of gas and motor vehicles. Excludes services. Source: U.S. Dept. of Commerce. PA: Annual growth rate of sales tax revenues based on latest three months of data. Excludes transfers to or from the Enhanced Revenue Collection Account. Source: PA Dept. of Revenue.
6. A diffusion index that reflects consumer optimism. Source: UM—Survey of Consumers.
7. Annual growth of new, privately owned single-housing units authorized for construction based on latest three months of data. Source: U.S. Census Bureau.
8. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
9. The annual growth rate of personal income. Includes any inflationary gains. Source: U.S. Bureau of Economic Analysis.
10. The annual growth rate of sales of existing single-family properties, townhomes and condominiums. (PA data contain some new properties.) Sources: National Association of Realtors and PA Association of Realtors.
11. The annual growth rate of an index that measures the average price change of residential homes with mortgages purchased or securitized by Fannie Mae or Freddie Mac. Source: Federal Housing Finance Agency.
12. Per capita levels. Levels represent total student loan debt divided by number of consumers with a credit report. For Q4 2015, Pennsylvania has 10.8 million consumers (includes children). Source: Federal Reserve Bank of New York.
13. The annual growth rate in megawatt-hours of electricity sold to industrial customers. Source: U.S. EIA.

SELECT GENERAL FUND TAX REVENUES - ANNUAL GROWTH RATES

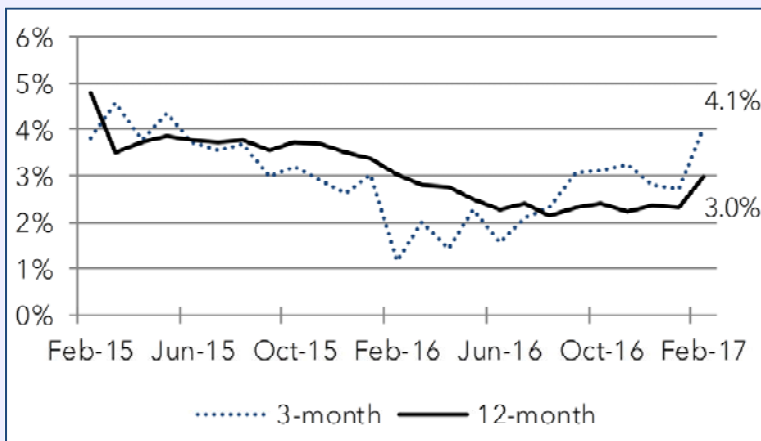
Sales and Use Tax – Non-Motor



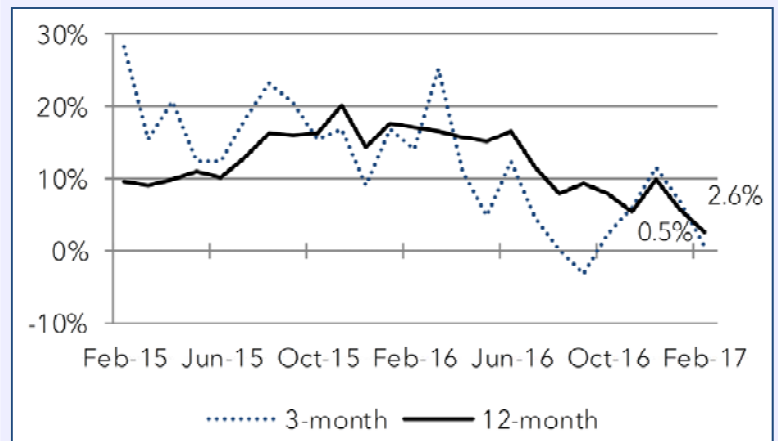
Sales and Use Tax – Motor



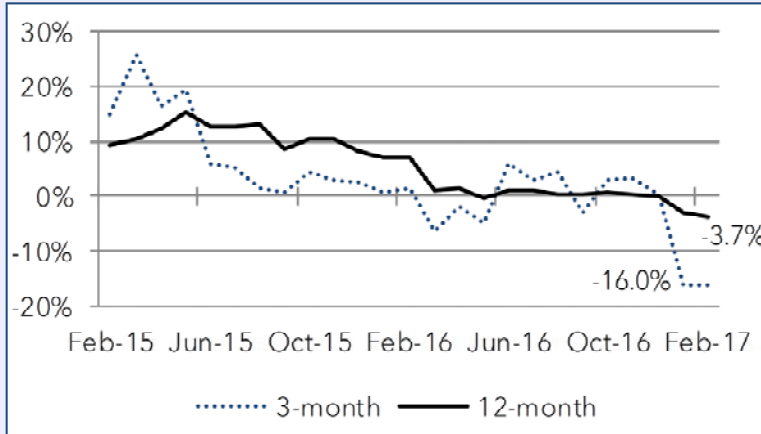
Personal Income Tax – Withholding



Realty Transfer Tax



Corporate Net Income Tax



Technical Notes (for revenue graphs and table on next page):

- ↳ Transfers from the General Fund to the Enhanced Revenue Collection Account were \$21.3 million including: \$6.1 million from personal income tax; \$4.1 million from sales and use tax; and \$5.2 million from corporate net income tax. (The graphs above correct for these transfers.)
- ↳ The personal income tax withholding collections year-over-year growth rate was impacted by a quarterly filer due date that occurred in February last year and in January this year. (The personal income tax withholding graph above corrects for this difference.)

Note: Three- and twelve-month annual growth rates are rolling averages relative to the previous fiscal year.

Pennsylvania General Fund Revenues Summary

Revenue Source	Feb 2017	Feb 2016	Feb 2015	FYTD 2016-17	FYTD 2015-16	FYTD 2014-15	Monthly Growth	FYTD Growth
Total General Fund	\$1,875.2	\$1,854.6	\$1,742.5	\$17,972.6	\$17,754.2	\$17,440.3	1.1%	1.2%
Total Tax Revenue	1,802.8	1,818.9	1,720.6	17,679.8	17,508.2	16,940.2	-0.9	1.0
Total Corporation Taxes	74.5	105.3	65.7	1,452.9	1,654.2	1,618.2	-29.2	-12.2
Accelerated Deposits	-0.1	-0.1	0.3	1.7	0.2	4.5	-128.4	812.4
Corporate Net Income	37.2	49.7	34.1	1,280.7	1,417.0	1,382.6	-25.1	-9.6
Capital Stock & Fran.	1.9	7.5	5.0	35.0	105.9	116.9	-74.2	-67.0
Gross Receipts	4.3	7.9	2.5	47.3	43.7	42.5	-46.1	8.4
Utility Property	0.0	0.0	0.0	2.3	2.8	2.1	316.7	-15.5
Insurance Premium	30.0	27.7	23.3	62.9	48.7	41.6	8.4	29.4
Financial Institution	1.2	12.6	0.5	22.9	36.0	28.1	-90.6	-36.4
Total Consumption Taxes	825.8	761.7	746.4	7,716.4	7,345.5	7,147.6	8.4	5.0
Sales and Use - Total	701.9	668.3	651.4	6,596.2	6,498.2	6,298.0	5.0	1.5
Non-Motor	610.7	578.2	568.1	5,712.5	5,626.2	5,442.4	5.6	1.5
Motor Vehicle	91.2	90.2	83.3	883.7	872.0	855.7	1.2	1.3
Cigarette	87.1	65.8	68.7	814.9	595.0	607.4	32.3	37.0
Other Tobacco Products	9.1	0.0	0.0	44.6	0.0	0.0	n.a.	n.a.
Malt Beverage	1.8	1.8	1.9	16.5	16.6	16.0	0.8	-0.9
Liquor	26.0	25.8	24.5	244.2	235.7	226.1	0.8	3.6
Total Other Taxes	902.5	951.8	908.5	8,510.5	8,508.5	8,174.4	-5.2	0.0
Personal Income - Total	799.4	821.0	819.5	7,522.8	7,487.2	7,141.7	-2.6	0.5
Withholding	757.6	768.0	777.3	6,253.3	6,155.7	6,006.7	-1.4	1.6
Quarterly	18.8	20.5	18.2	1,086.9	1,117.4	959.4	-8.1	-2.7
Annual	23.0	32.6	24.0	182.6	214.2	175.5	-29.3	-14.8
Realty Transfer	27.8	33.3	24.8	309.7	325.1	271.9	-16.6	-4.7
Inheritance	68.4	89.6	66.1	598.5	604.9	660.7	-23.6	-1.1
Table Games	8.9	8.0	7.6	77.3	66.5	63.5	10.8	16.2
Minor and Repealed	-2.1	-0.1	-9.5	2.2	24.8	36.6	n.a.	-90.9
Total Non-Tax Revenue	72.3	35.7	21.9	292.8	246.0	500.1	102.6	19.0
State Store Fund Transfers	71.6	0.0	0.0	144.9	50.0	80.0	n.a.	189.8
Lic., Fees & Misc.	-5.9	27.4	14.1	89.5	137.9	363.1	-121.4	-35.1
Licenses and Fees	6.7	2.8	3.9	69.1	65.3	65.3	139.4	5.8
Miscellaneous	-12.6	24.6	10.2	20.4	72.6	297.9	-151.0	-71.8
Treasury	0.8	1.8	0.3	11.4	11.8	6.7	-55.0	-3.3
Escheats	-13.5	17.7	3.9	-59.5	11.8	18.9	-176.2	-602.5
Other Miscellaneous	0.1	5.2	6.0	68.5	49.0	272.2	-97.9	39.8
Fines, Pen. & Int. - Total	6.6	8.3	7.8	58.4	58.1	57.0	-20.0	0.4

Note: Dollar amounts in \$ millions. Growth rates computed from the same time period from the previous year.