



# **National Energy Marketers Association**

## **Fall Leadership Roundtable**

**Chairman James H. Cawley**

**October 19, 2010**

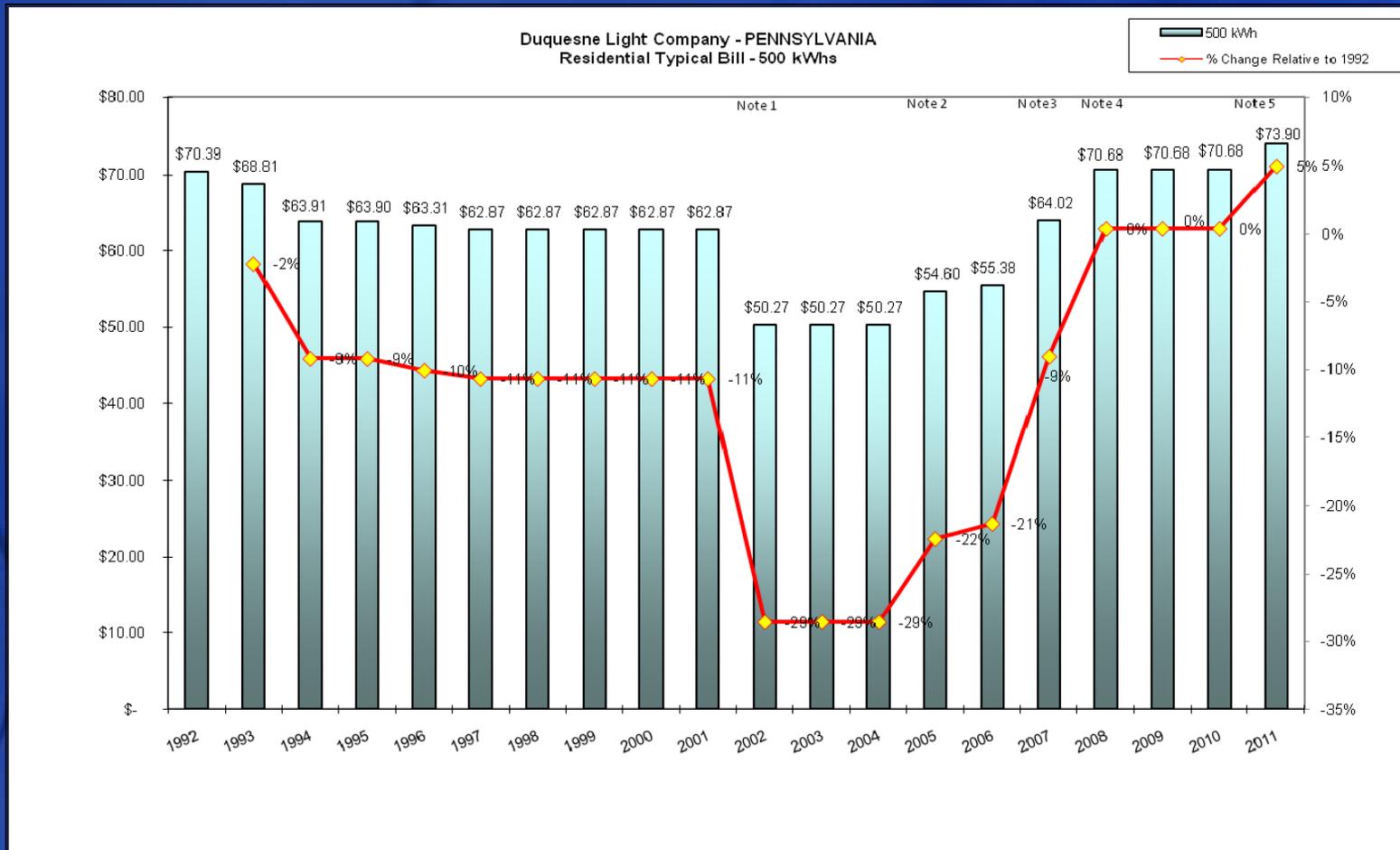
**[www.puc.state.pa.us](http://www.puc.state.pa.us)**



# Expiration of Rate Caps: The Numbers Tell the Story

- Generation rate caps have expired for 40% of Pennsylvania's electric customers
- Remaining 60% set to expire at the end of this year (PECO, Penelec, Met-Ed and Allegheny Power)
- Statewide, more than 650,000 people have switched to a competitive supplier
- The bulk of the switching has occurred in the PPL territory with 477,414 people switching, representing:
  - 34 % of customers
  - 71.9 % of load

# Expiration of Rate Caps: The Numbers Tell the Story



The transition from capped rates to market-based rates has proven positive, particularly in the Duquesne Light territory in western PA



# Expiration of Rate Caps: The Numbers Tell the Story

| Company                       | Generation rate cap expires | 1995 rates/1 | Expiration rates/2** | % change | Current rates/2** | % change |
|-------------------------------|-----------------------------|--------------|----------------------|----------|-------------------|----------|
| Wellsboro Electric Co.        | 1/1/99                      | \$45         | \$57                 | 26.6     | \$60              | 5.3      |
| Citizens' Electric Co.        | 1/1/99                      | \$38         | \$52                 | 36.8     | \$56              | 7.7      |
| Duquesne Light Co.            | 12/31/01                    | \$63         | \$54                 | -14.3    | \$72              | 33.3     |
| Pike County Light & Power Co. | 12/31/05                    | \$56         | \$97                 | 73.0     | \$73              | -24.7    |
| UGI Utilities Inc.            | 12/31/06                    | \$42         | \$56                 | 33.3     | \$71              | 26.8     |
| Pennsylvania Power Co.        | 12/31/06                    | \$60         | \$81                 | 35.0     | \$73              | -9.9     |
| PPL Electric Utilities Inc.   | 12/31/09                    | \$48         | \$73                 | 52.0     | \$71***           | -2.7     |

\*\*Distribution rate increases would impact the total bill rate, meaning the increase may not be strictly a result of the expiration of rate caps

\*\*\* Reflects estimated prices for 2011

/1 Monthly rate for residential customer using 500 KWH after rate caps were imposed

/2 Monthly rate for residential customer using 500 KWH after rate caps were lifted



# Expiration of Rate Caps: The Numbers Tell the Story

| Company                   | Generation rate cap expires | 1995 rates/ <sup>1</sup> | Current rates/ <sup>2**</sup> | % change | Estimated 2011 rates/ <sup>2**</sup> | % change |
|---------------------------|-----------------------------|--------------------------|-------------------------------|----------|--------------------------------------|----------|
| PECO                      | 12/31/10                    | \$70                     | \$68                          | -2.8     | \$72                                 | 5.9      |
| Pennsylvania Electric Co. | 12/31/10                    | \$43                     | \$56                          | 30.2     | \$67                                 | 19.6     |
| Metropolitan Edison Co.   | 12/31/10                    | \$47                     | \$64                          | 36.1     | \$70                                 | 9.4      |
| Allegheny Power Co.       | 12/31/10                    | \$36                     | \$49                          | 36.1     | \$51                                 | 4.1      |

\*\*Distribution rate increases would impact the total bill rate, meaning the increase may not be strictly a result of the expiration of rate caps

<sup>1</sup> Monthly rate for residential customer using 500 KWH after rate caps were imposed

<sup>2</sup> Monthly rate for residential customer using 500 KWH after rate caps were lifted



# Expiration of Rate Caps: The Numbers Tell the Story

- PECO conducted final auction on September 20, 2010
- Results released October 14, 2010

| PECO Competitive Auction Results (final) and Existing Utility Rates |        |
|---|--------|
| Residential   | -3.0%  |
| Small Commercial  | -15.8% |
| Medium Commercial   | -9.6 % |
| Industrial  | 7.4 %  |

# PECO Residential Rates

- PECO has just released “Price to Compare” (PTC) for 2011
- PTC = Generation, Transmission, AEPS costs, Gross Receipts Tax
- PECO PTC = 9.92 cents/kWh

# Expiration of Rate Caps

- Penelec, Met-Ed and Allegheny have conducted their last auctions
- Expect PTCs in November



# Expiration of Rate Caps

## Penelec Competitive Auction Results (to date) and Existing Utility Rates

|             |        |
|-------------|--------|
| Residential | 19.4%  |
| Commercial  | 17.0 % |

## Met-Ed Competitive Auction Results (to date) and Existing Utility Rates

|             |      |
|-------------|------|
| Residential | 9.1% |
| Commercial  | 8.6% |

## Allegheny Competitive Auction Results (to date) and Existing Utility Rates

|                   |        |
|-------------------|--------|
| Residential       | 4.1%   |
| Small Commercial  | -2.1%  |
| Medium Commercial | -1.9 % |

“???”

- Will (can) competitive suppliers compete against lower PTCs?
- With savings smaller than could be achieved in PPL’s service territory, will as many customers still shop?
- *Is it possible to ever persuade more than one-third of an EDC’s customers to switch?*



# Is Municipal Aggregation the Answer?

## Municipal Aggregation

- If enacted, what will be the effect on electric competition?
- Do home rule municipalities need legislation to adopt municipal aggregation?
- If they do not, and several proceed, what effect will that have on existing and future contracts for default supply?
- Will customers be locked into unfavorable rates?

# Other Options?

- No default service (or very limited at a very unattractive rate)?
- Designate alternative default supplier(s)?

# Consumer Complaints

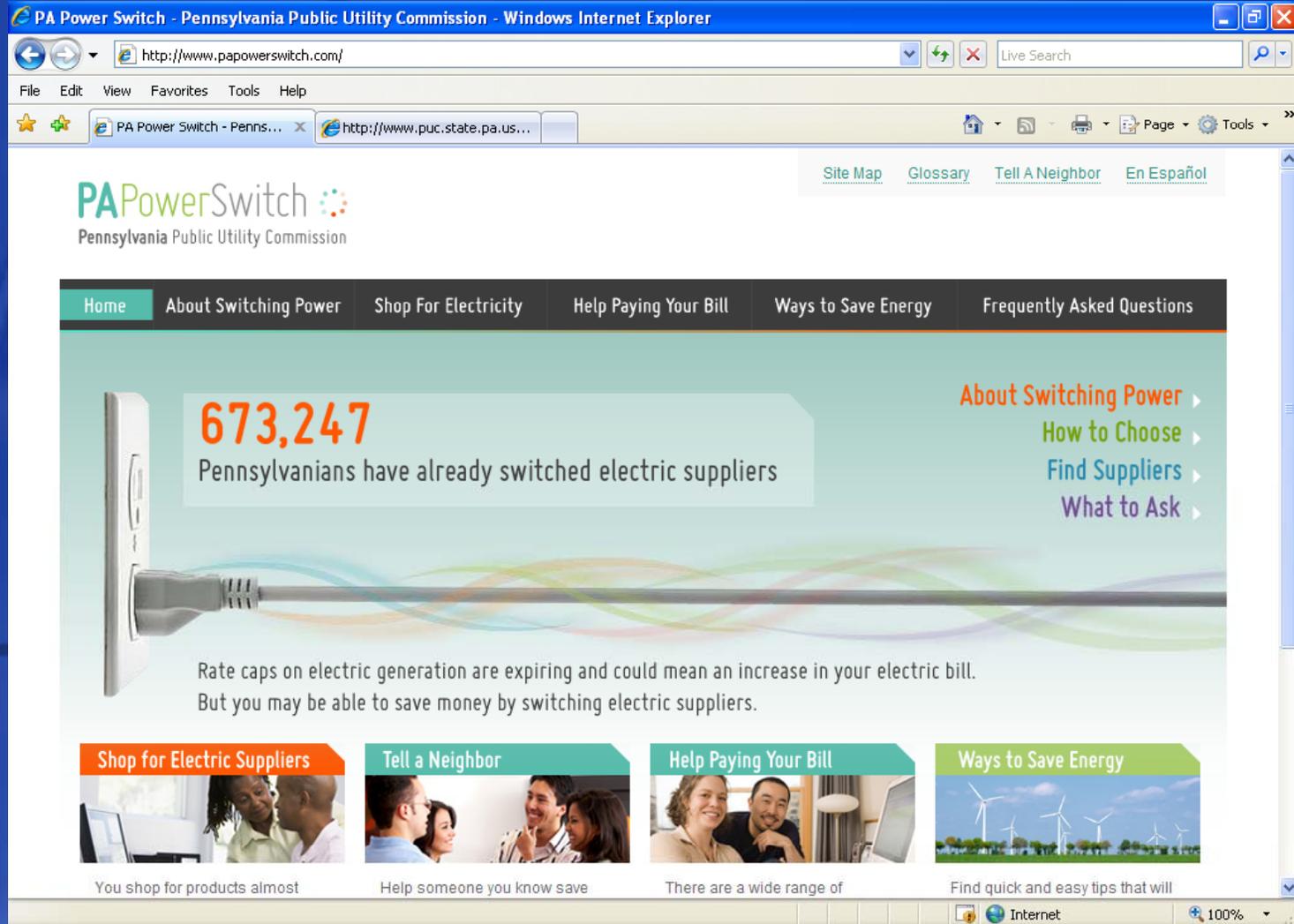
- Consumer complaints have increased since expiration of PPL rate cap – expect same for remainder of state
- Both consumer complaints (billing, service, etc.) and payment arrangement requests have increased
- Inquiries have increased most
  - Inquiries = calls that require no follow-up, but are questions, requests for information, etc.

|                            | PPL Activity |        |                |
|----------------------------|--------------|--------|----------------|
|                            | 2009         | 2010   | PERCENT CHANGE |
| <b>Consumer Complaints</b> | 597          | 885    | 48%            |
| <b>PARs</b>                | 9,025        | 13,194 | 46%            |
| <b>Inquiries</b>           | 4,653        | 10,283 | 121%           |

# Consumer Education

- We all must help consumers understand:
  - The basic scheme – the difference between electricity supply & electricity distribution – and the roles of EDCs and EGSs
  - PTC is an all-in price (and Gross Receipts Tax **must be** included in price presented to customers)
  - The value of shopping, and how easy it is to achieve it
  - There will be no retribution by EDC on customers who switch (e.g., service restoration)
  - EDC indifference to switching because it is paid for distribution, not production of electricity

# PAPowerSwitch.com



PA Power Switch - Pennsylvania Public Utility Commission - Windows Internet Explorer

http://www.papowerswitch.com/

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PA PowerSwitch  
Pennsylvania Public Utility Commission

Home About Switching Power Shop For Electricity Help Paying Your Bill Ways to Save Energy Frequently Asked Questions

**673,247**  
Pennsylvanians have already switched electric suppliers

About Switching Power >  
How to Choose >  
Find Suppliers >  
What to Ask >

Rate caps on electric generation are expiring and could mean an increase in your electric bill. But you may be able to save money by switching electric suppliers.

Shop for Electric Suppliers  
Tell a Neighbor  
Help Paying Your Bill  
Ways to Save Energy

You shop for products almost  
Help someone you know save  
There are a wide range of  
Find quick and easy tips that will

Internet 100%



# Natural Gas Competition

- Established in 1999 Natural Gas Choice and Competition Act
- In October 2005, a Commission report found that effective competition did not exist in the natural gas markets
- Commission established working group – Stakeholders Exploring Avenues for Removing Competition Hurdles (SEARCH)
  - Comprised of stakeholders representing residential, commercial and industrial customers, natural gas distribution companies, suppliers, and pipelines
  - Tasked with developing recommendations for legislative, regulation or policy changes that would increase competition in the retail natural gas market



# SEARCH Action Plan

- Continues to move forward with an action plan from SEARCH efforts
- Designed to increase effective competition in the retail market for natural gas supply and includes three rulemakings addressing:
  - Security requirements related to licensing natural gas suppliers
  - Natural gas distribution company business practices
  - Market issues



# SEARCH Action Plan

- On June 17, 2010, Rulemaking finalized on NGS creditworthiness and reasonable security requirements
- Permits the use of NGS accounts receivable in a PUC-approved purchase of receivables (POR) program to satisfy part of, or all of a NGS's security requirement
- Lists possible triggering events for, and reasonable criteria for adjusting the security amount
- Lists PUC procedures, both formal and informal, that a NGS may use to resolve a dispute over security with a NGDC, and to impose an annual reporting requirement for NGDCs on the adjustment of security amounts
- The final regulation is undergoing review by outside agencies
  - Becomes effective upon publication in the *Pennsylvania Bulletin*



# SEARCH Action Plan

- Rulemaking on NGDC business practices addressed:
  - Standardization of NGDC system operating rules
  - Specific operation rules regarding nomination and delivery requirements, tolerance bands, cash out/penalties and standardization of electronic bulletin boards



# SEARCH Action Plan

- May 1, 2009, proposed rulemaking directed stakeholders working group to be run concurrently with the proposed rulemaking
  - Met in June 2010 – staff reviewing input to determine best way to proceed
- Established stakeholders working group to:
  - Develop these standards
  - Model Supplier Coordination Tariff format
  - Form a standing working group to develop standards for data exchange and communications, including electronic bulletin boards



# SEARCH Action Plan

- Market issues rulemaking looked at:
  - Price to Compare
  - Reconciliation and quarterly adjustments
  - Purchase of receivable programs
  - Mandatory capacity release and non-discrimination
  - Cost recovery of competition-related activities
- Proposed rulemaking order issued on March 27, 2009
- The Commission is expected to ask for additional comments in Fiscal Year 2010-2011 and issue a draft final rulemaking order as an advance notice of final rulemaking

# Conclusion

- Deregulated electric and natural gas markets have existed for more than 10 years
- Activity continues to intensify
- Need everyone in the game to ensure consumers are:
  - Educated
  - Comfortable
  - Have a choice