

# UGI Utilities, Inc. Electric Division

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Provider of Last Resort Roundtable  
April 21, 2004

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# Summary of Comments

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- Delay Development / Implementation of Permanent Regulations
- EDC's Should Retain POLR Obligation
- Final POLR Regulations Should be Flexible, not Restrict Competition and Benefit all Consumers in Pennsylvania



# Permanent Regulations Should be Delayed

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- Don't Develop Permanent Regulations Until the Majority of Customers are to Emerge from Generation Rate Caps
  - About 90% of All Pa. Electric Customers are Still Subject to Generation Rate Caps
  - About 70% of all Customers Will be Subject to Generation Rate Caps Through 2009



# Permanent Regulations Should be Delayed (cont.)

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- 5 EDC's No Longer Subject Generation Rate Caps
  - 4 of the 5 are the Smallest EDC's in the State each with Less than 70,000 Customers
  - All Have Approved Settlements (Assumes Duquesne Resolved)
    - Different Approaches Used
    - No Customer Dissatisfaction



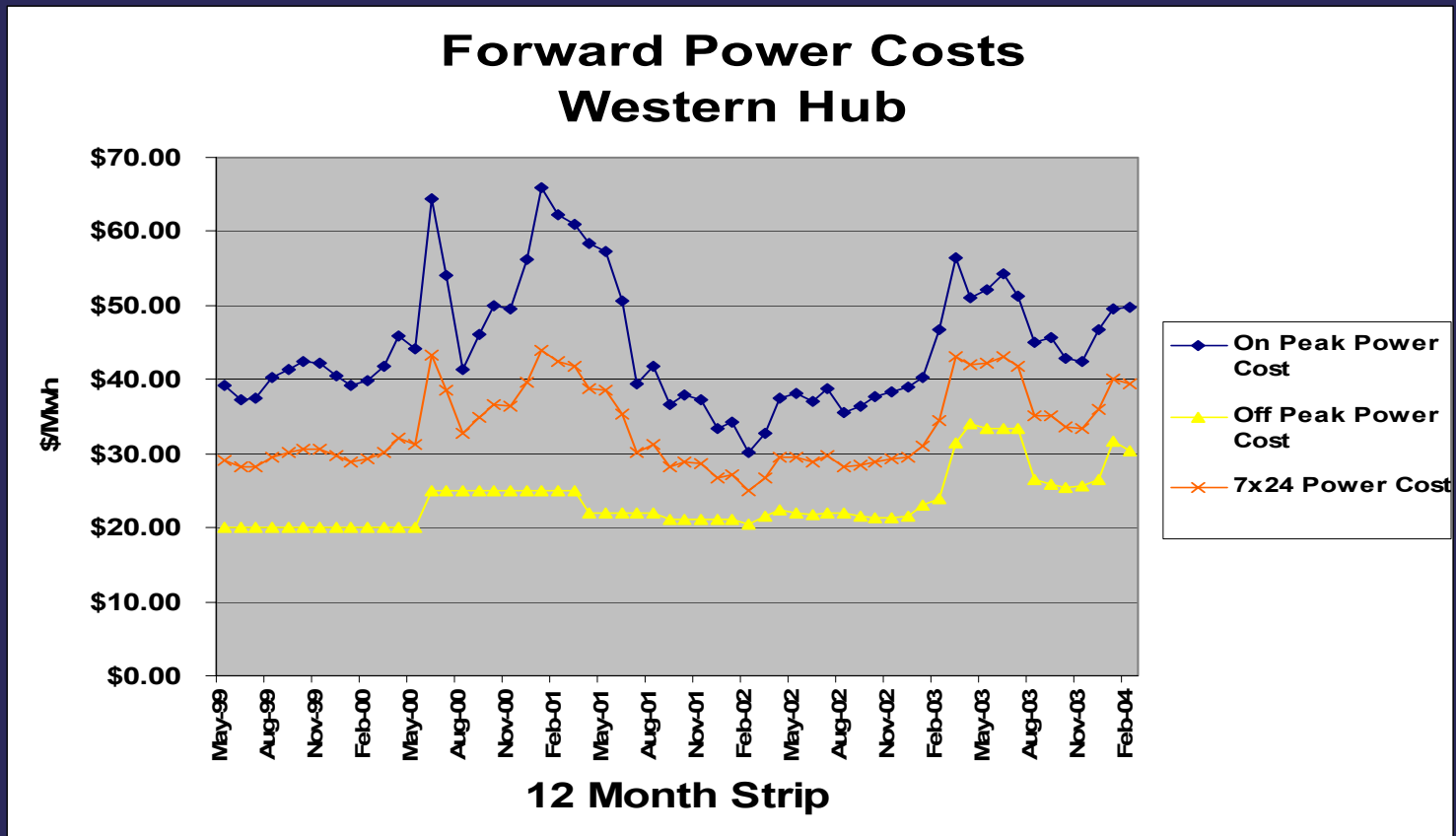
# Permanent Regulations Should be Delayed (cont.)

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- Wholesale Electric Market is Evolving
  - There are a Limited Number of Participants
  - NYMEX Electric Contract is Infrequently Traded
  - NYMEX Does Not Offer Electric Options
  - Options are Specially Priced by Wholesale Suppliers
  - Development/Expansion of RTO's are Impacting Markets
  - Current Markets very Volatile
- 2009 Wholesale Market May be Completely Different than Today
- Delaying will Let the Market Develop and Mature
- Alternative – Develop Regulations Now but Make them Effective in 2009 -2010. In Interim Allow Current Approved Settlements to Continue



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# Permanent Regulations Should be Delayed (cont.)

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- By Delaying the Development and/or Implementation of Permanent Regulations, Wholesale & Retail Markets will Continue to Develop and Opportunity for Consensus on Final Regulations may Improve. At the Same Time Companies that are not Subject to Generation Rate Caps can Continue to Provide POLR Service under Settlements that Meet their Needs and the Needs of Their Customers





# EDC's Should Retain the POLR Function

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- EDCs Have Long History of Providing Reliable Generation Service
- Forced Assignment of Customers to a POLR Supplier Could Lead to Customer Dissatisfaction
- EDC's Familiar with Chapter 56
- EDCs Would Retain Supplier of Last Resort Function if an Alternate POLR Failed to Perform
  - This May Create Unacceptable Risks from Investor and Customer Viewpoints



# Final POLR Regulations

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- Legislation Contemplated That Market is More Effective in Controlling Cost of Electricity than Regulation

# Final POLR Regulations

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- One Size Does Not Fit All
- Each EDC is Different
  - Company Size
  - Customer Mix
  - Affiliate Transactions
- Regulations Should be Flexible Enough to Allow EDCs to Develop a Program that Best Fits Their Circumstances, Provides Adequate Protection to Consumers and does not Harm the Competitive Market
- Regulations should Provide the Mechanism not the Method



# Final POLR Regulations

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- Economic Regulation Could Discourage Retail Competition
  - POLR Price May be Difficult to Predict
  - POLR Price May Not Reflect Market EGS Must Operate Within

# Final POLR Regulations

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- Should Allow Reasonable Restriction on Shopping to Minimize Migration Risk that can Negatively Impact Price
- Should be Able to Offer Fixed and Multi Year Prices