

ENVIRO-NEWS BULLETIN



FROM THE DESK OF ...

REP. CAMILLE "BUD" GEORGE

MAJORITY CHAIRMAN

HOUSE ENVIRONMENTAL RESOURCES AND ENERGY COMMITTEE



A Report from the House Environmental Resources and Energy Committee

FIGHTING RATE SHOCK

H.B. 1909 would create public agency to power Pa.

State Rep. Camille "Bud" George, head of the state House of Representatives' Environmental Resources and Energy Committee, is urging support for a competition-based public agency that would purchase power on behalf of Pennsylvanians and help to control skyrocketing electricity costs.

"House Bill 1909 would ensure competition to benefit the Commonwealth's citizens and businesses," said Rep. George, D-74 of Clearfield County. "By creating a consumer-driven, independent power agency, Pennsylvania would free itself from the yoke of a broken wholesale power market promising double-digit rate increases."

Endorsed by business and industry as well as consumer groups and advocates, H.B. 1909 would create an independent Commonwealth Energy Procurement and Development Agency to procure power, spur new generation and serve the Commonwealth's 12.5 million citizens and businesses.

"States have learned that the power markets' idea of competition is little more than a private enrichment scheme for large power companies," Rep. George said. "The current system has failed to induce competition, generation, or reasonable and predictable power costs."

"The alternatives to a public power agency are massive rate increases throughout most of Pennsylvania despite the historically low fuel costs and the severe economic downturn," Rep. George said. "Failure to control high and volatile energy prices will

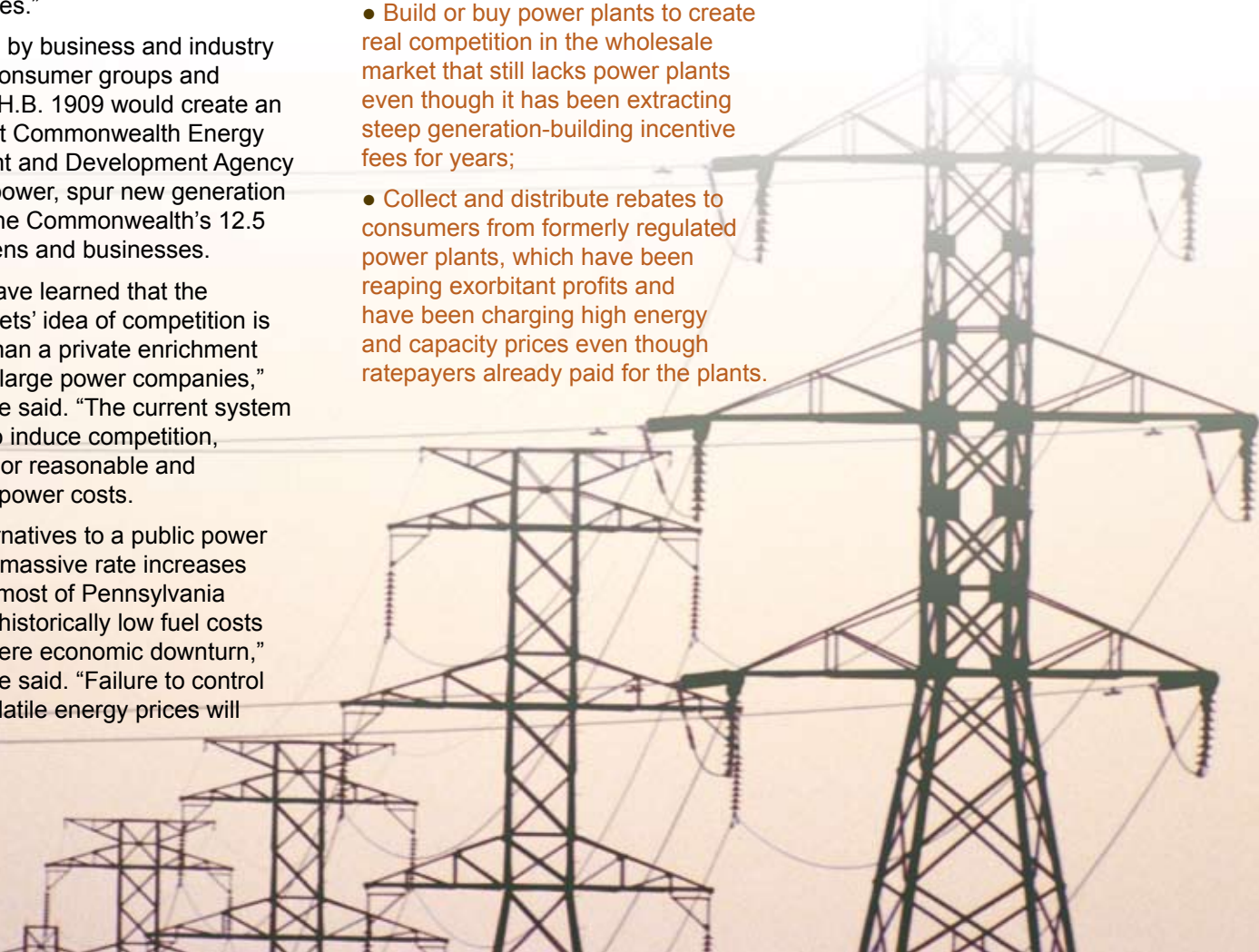
harm citizens and businesses already struggling in this difficult economy and drive more manufacturing jobs out of Pennsylvania."

Rep. George said the five-member agency representing citizens, business, industry and agriculture, would:

- Buy power as cheaply as possible from the wholesale market on behalf of commercial and industrial businesses and consumers who do not shop for power;
- Enter into long-term power purchase agreements to secure lower prices and relieve congestion by promoting construction of Pennsylvania-based power plants;
- Build or buy power plants to create real competition in the wholesale market that still lacks power plants even though it has been extracting steep generation-building incentive fees for years;
- Collect and distribute rebates to consumers from formerly regulated power plants, which have been reaping exorbitant profits and have been charging high energy and capacity prices even though ratepayers already paid for the plants.

Rep. George said AARP and the Industrial Energy Consumers of Pennsylvania – representing energy-intensive businesses such as Proctor & Gamble, Alcoa and U.S. Steel that employ more than 43,000 Pennsylvanians – are backing the creation of the power agency through H.B. 1909.

Twelve states have differing versions of public power agencies, including Illinois, which was able to provide lower prices and \$1 billion in rate relief, and Maryland, which approved a \$2 billion rebate after it opted to buy electricity and build generation. Connecticut is considering a similar power agency to combat skyrocketing power prices.



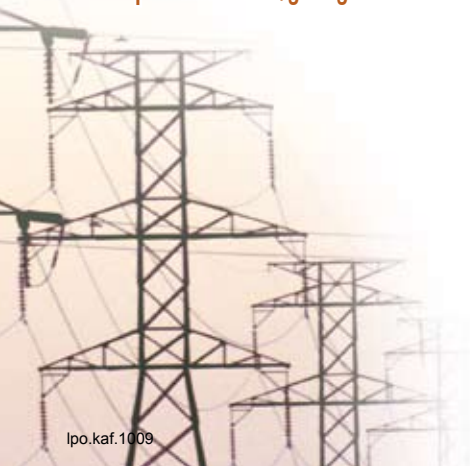
State Representative

CAMILLE "BUD" GEORGE

74th Legislative District

38 East Wing
P.O. Box 202074
Harrisburg, PA 17120-2074

www.pahouse.com/george



"Utilities are not interested in increasing supplies and risking their higher, often record, profits," Rep. George said. "The hallmarks of PJM Interconnection, which markets wholesale power in all or parts of 13 states, including Pennsylvania – are a lack of transparency, barriers to competition, high administrative costs and a flagrant disconnect between the costs of electric generation and the prices it charges."

Rep. George said deregulation was supposed to lower prices and spur competition, prompting companies to build generating plants. However, none has occurred.

Industries or commercial ventures looking to stay or locate in the Met-Ed service territory face the prospects of almost 30 percent increases.

Industrial rate increases in the Penelec and PPL territories were pegged at 25.4 percent and 17.6 percent, respectively, based on second-quarter prices. Commercial-rate "flash cuts" for both territories exceeded 21 percent.

The state Public Utility Commission data, meant to "provide a rough idea of what prices would be like if rate caps were lifted today," indicated commercial rates would jump by 13.6 percent for commercial ventures in the Allegheny Energy territory. Industrial-rate increases were pegged at 16.6 percent.

An industry using 100 million kilowatt hours of electricity a year incurs \$1 million in added costs for every tenth of a cent increase in a rate.

"The future is bleak unless Pennsylvania takes hold of its energy

future with an independent power agency," Rep. George said. "Without action, most Pennsylvanians face double-digit rate increases, the specter of even higher prices, loss of good manufacturing jobs, and more barking by utility shills that its singular definition of competition is working despite ample evidence otherwise."

Pennsylvania utilities, representing more than 80 percent of the state's electric customers, and their rate-cap expirations, are:

- PPL, Dec. 31, 2009;
- Allegheny Energy, Dec. 31, 2010;
- FirstEnergy/Penelec, Dec. 31, 2010;
- FirstEnergy/Met-Ed, Dec. 31, 2010;
- PECO, Dec. 31, 2010.

STATE LAWMAKERS' MAILING AND E-MAIL ADDRESSES ARE AVAILABLE ON THEIR CAUCUS INTERNET PAGES.

In the Senate, the Democratic Web address is www.pasenate.com

The Republican Senate Web address is www.pasenategop.com

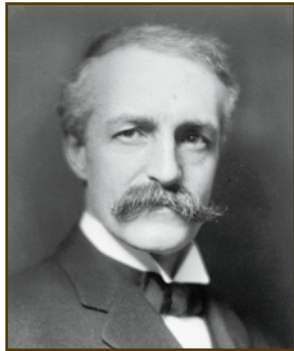
Mailing and e-mail addresses for Democratic state representatives are available on the Internet at www.pahouse.com

The Republican House Web address is www.pahousegop.com



"The alternatives to a public power agency are massive rate increases throughout most of Pennsylvania despite the historically low fuel costs and the severe economic downturn."

— Rep. Camille "Bud" George



"The power of public utilities ineffectively regulated to fix charges for necessities of life, without relation to the cost of rendering the service, is in effect the power to tax."

— Gov. Gifford Pinchot, 1931



"A power agency is part of the solution by avoiding wholesale pricing mechanisms that increase costs for Pennsylvania industries by as much as 20 percent in contrast to prices in 'unrestructured' states."

— David M. Kleppinger, counsel, Industrial Energy Consumers of Pennsylvania



"AARP believes that expiration of the caps poses a crisis for a significant portion of our population, and a power authority can help moderate rate increases."

— Estella Hyde, president, AARP Pennsylvania