

**Electric Deregulation and Rate Caps
Before the Consumer Protection and Professional Licensure Committee
Pennsylvania Senate
February 7, 2006**

**Testimony of
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Thank you Chairman Tomlinson and members of the Committee for the opportunity to share our thoughts on this issue. Now that I have presented you with an overview of the 1996 electric competition act as well as the actions the PUC has taken to date, allow me to share with you a few of my personal insights.

On May 19, 2006, when this Commission unanimously initiated a proceeding to mitigate any possible price spikes, I said words I would like to repeat today. We will not be California. We will not be Maryland. We will serve the public interest with honor. And we look forward to the challenge of solving this energy crisis. I meant those words then, and, I remain committed to them now.

The PUC has been engaged on the issues surrounding the electric competition act and rate caps. We are working with legislators, consumers and the media early and regularly. We are taking the time to make certain they understand not only the outcome, but the decade-long process that is leading to the outcome. In part, thanks to these actions, the rate increase and the mission of the PUC in general did not create a substantial public outcry.

The eyes of the nation have literally been on us, Delaware, New Jersey and of course Maryland. The PA Commission managed the rate caps issue in such a manner that they barely were on the radar screen. We decided our cases effectively in an open and transparent manner.

With that said, Pennsylvania is still in the midst of a transition period with about 85 percent of the state's customers being served by companies whose generation prices are capped. With rate caps still in place for so many customers, it is perilous to try to predict what the results will be when the transition period is completed.

But we are preparing now – and have been for eight months – for the possibility of higher prices. Our actions during our Feb. 8, 2007, meeting on issues such as default service and price mitigation will be evidence of that.

I also would like to point out that while the main focus of your hearing is rates, more factors have been impacted as a result of the electric competition act. During this transition period, the PUC has maintained or enhanced reliability and quality of service for consumers; ensured universal service programs; initiated consumer education programs and increased the range of products being offered to consumers.

In our neighboring states who also are working through the transition to market-based pricing for generation, the discussion has zeroed in on the possibility of returning to traditionally regulated electricity markets. A decision to return to regulation remains within the purview of the legislature. I will say that in implementing the existing laws this Commission has taken great care to be deliberative, open and transparent, providing ample opportunity for all of the concerned parties – consumer advocates as well as representatives for small business, commercial and industrial customers – to provide comment and perspective.

As we continue through this process, I recognize that we must remain vigilant. Because of electric restructuring, customers have benefited from stable electric prices for years. Restructuring delayed inevitable rate increases. As rate caps expire, consumers' bills will reflect the market cost of electricity for the first time in many years. We must continue to work with consumers to create an understanding of the energy environment in Pennsylvania and empower them to take responsibility for their energy usage.

I look forward to working with the Governor and the legislature on the Governor's energy initiative introduced last week. As the Legislative Budget and Finance Committee noted in its Performance Audit last week, the PUC has made commendable progress on implementing the Alternative Energy Portfolio Standards Act enacted two years ago. I am proud to lend our hand in making Pennsylvania cleaner and greener.

With that, we must all be telling consumers to be responsible energy consumers – turn down thermostats and be thoughtful about choices when purchasing everything from light bulbs to large appliances. The Commission is working and will continue to work to mitigate any possible sudden price increases that may occur.