

## PUC Planning Early For Electric Rate Increases

Steep electricity rate increases that might be inevitable when rate caps end in 2009 and 2010 are already on the minds of the five commissioners of the Public Utility Commission (PUC) and lawmakers in Harrisburg given recent rate increases from utilities in other parts of the country. The PUC has announced a process for discussion and development of a strategy to lessen the blow of any increases. The first meeting, which will include PUC staff, representatives of the electric industry, and other concerned parties, will take place on June 22, 2006 in Harrisburg.

One industry official said that the backlash from rate increases when the caps are removed could create a large public outcry

“All you have to do is look around at other parts of the country,” the official said. “What’s happening there with higher prices will soon be happening here.”

In Maryland, for example, the Baltimore Gas and Electric Co, is vying for a 72 percent rate increase. The increase is now entangled in the courts pitting Baltimore Mayor Michael O’Malley against Maryland Governor Robert L. Ehrlich Jr., who has proposed phasing in the rate increase. O’Malley is trying to stop the increase all together.

In Pennsylvania, a 1996 electric deregulation law led to capped utility rates until 2009 or 2010 depending on the separate settlements made by the utilities with the PUC.

PUC Commissioner Terrance J. Fitzpatrick noted that combating potentially significant electricity price increases at the expiration of rate caps approved under electricity restructuring proceedings presents difficult policy choices.

“However, these choices will not get easier by waiting until the reality of higher prices is upon us,” Fitzpatrick said. “While we cannot predict with certainty the future course of energy prices, a number of factors are currently pushing up prices for all forms of energy. By beginning to prepare now, it is clear that we will have many more tools to combat the social and economic impacts of a significant increase in electricity rates.”

One avenue suggested in a recent PUC statement would be similar to Maryland Governor Erlich’s plan: to phase the increases in gradually.

“The Commission identified some options to address the potential significant increases, including the possibility of phasing in higher energy prices over several years. One option includes gradually raising retail prices prior to the expiration of the rate caps and setting aside the additional money collected, plus interest and using it to reduce the magnitude of retail price increases when the caps expire,” the statement said.

Prompting the higher electricity costs in part are the higher fuel costs, energy experts say.

“If you take the higher fuel costs together with the prospect that we expect to see more plants go out of service in Pennsylvania and other parts of eastern PJM, you’re looking at a recipe for potentially big rate increases,” the expert said. “The tendency will be to blame deregulation and therefore blame lawmakers who approved it and the PUC which oversees the changes. That would be completely untrue and unfair, but that’s what has happened in other states.”

## Final Mercury Hearing Changes Few Minds

The third and final hearing hosted by the Senate Environmental Resources and Energy Committee on mercury emissions from coal-fired power plants has apparently given lawmakers even more conviction to push for approval of Senate and House plans that would keep Pennsylvania on track with federal regulations. On the other side of the fence, the Department of Environmental Protection (DEP) remains undeterred in adopting a regulatory scheme that goes beyond the federal standards for mercury.

After the hearing on Tuesday, June 6, the Chair of the Committee, Mary Jo White, R-Venango, one of the prime sponsors of Senate legislation, SB 1201, that would have Pennsylvania mimic the federal standards, said that the hearings served to highlight concerns with the DEP plan:

- The DEP plan will provide no added environmental or health benefits to PA residents
- It will lead to higher energy costs, affecting not only manufacturers and other large energy users, but residential customers, who are facing the expiration of rate caps in the coming years (most in 2010)
- It does not protect Pennsylvania bituminous coal jobs
- According to the United Mine Workers of America, the DEP plan may be unconstitutional with its intended preference for bituminous coal

“We know that mercury reductions from power plants will occur in Pennsylvania; in fact, they are already down 33% from 1999. We also know that under the federal Clean Air Interstate Rule, over 90% of our generating capacity will have advanced pollution controls in place by 2015,” said White. “The argument that we will not see significant reductions under Senate Bill 1201 is over. This is about providing flexibility to some of our smaller generating plants, while providing incentives to our larger plants to over-comply, and reduce mercury emissions in a cost-effective way that protects the public health. We cannot afford to lose any of our generating capacity, especially given the lack of any commensurate health benefit under DEP’s plan.”

“Make no mistake – every member of this Committee is supportive of reducing mercury emissions. But we must be smart about it,” said White.

The debate has also drawn the electric generating industry and organized labor into the fight on the side of lawmakers. The industry is concerned about rising costs, and labor about job losses. In a recent statement, the coalition of business and organized labor questioned DEP's claims about plant emissions creating so-called mercury "hotspots" – high levels of mercury near power plants.

Recently, DEP made the allegation that high mercury readings from a monitoring station in Cresson, Cambria County, were caused by four nearby coal-fired power plants—Homer City, Keystone, Seward and Conemaugh, the statement said.

“What we actually found when we looked at the data was three of those plants – Homer City, Keystone and Seward—had installed state-of-the-art pollution control equipment that reduced their mercury emissions by 47 percent, yet there was no change in the amount of mercury seen at DEP's Cresson monitoring site,” said Douglas L. Biden, President Electric Power Generation Association. “This indicates that DEP's speculation about hotspots of mercury caused by local power plants is simply not true based on their own data.”

Mercury emissions declined at those plants due to the installation of advanced air pollution control equipment to reduce air pollutants causing acid rain and ground level ozone pollution. In the case of Conemaugh, that advanced equipment was installed in 1994 and 1995 before DEP began monitoring for mercury.

Statewide, there already has been a 33 percent reduction in mercury emissions from Pennsylvania power plants from 9,958 pounds in 1999 to 6,640 pounds in 2004, according to official reports by the U.S. Environmental Protection Agency and the federal Toxic Release Inventory.

The Senate Environmental Resources and Energy Committee reported SB 1201 out on June 13 by a vote of 10 to 1.

## Transmission Line Hearings Planned

The Pennsylvania Public Utility Commission (PUC) has scheduled three hearings to receive public comment on the proposed construction of electric transmission lines in Allegheny County.

Administrative Law Judge Fred R. Nene will conduct the hearings at:

1 and 7 p.m., June 27, 2006; 7 p.m. June 28, 2006  
Ross Township Municipal Building  
1000 Ross Municipal Drive  
Pittsburgh, PA

On March 4, 2006, Duquesne Light Co. filed with the Commission an application for the siting and construction of a 138 kV line in Hampton, McCandless and Ross townships, Allegheny County.

Members of the public are welcome to attend the hearings and provide comments. Customer testimony will become part of the record on which the PUC will base its decision in the case. The PUC and state Office of Consumer Advocate, which represents residential customers in rate cases, offer tips on how to participate. They include:

- Come early. Try to arrive at least 10 to 15 minutes before the hearing.
- Sign in to testify when you arrive. The judge will call witnesses to speak from the order they have signed in.
- Prepare what you are going to say beforehand. Even though it's not required, you may want to write out your statement, which can be read.
- Bring copies. If you have a written statement or have other papers you want to give the judge as evidence, please bring copies with you. Bring an original, two copies for the court reporter and several copies for active participants in the case.
- Your testimony will not become part of the record in the case unless you affirm that the testimony you are about to give is truthful.
- Plan to be questioned. Sometimes, parties in the case may want to ask you a question about something you said. Listen to the whole question. Answer as best you can. It's OK if you don't know the answer.