



# Update

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## **Special Edition Rate Caps and Customer Choice December 2009**

Rate caps are ending in the PPL Electric Utilities Inc. (PPL) service territory on December 31, 2009, but for most PPL customers, a lot of questions remain. What are rate caps? Will my entire bill increase by 30 percent? What is customer choice and how do I “shop” for a better price?

While this information is needed immediately by PPL customers, PECO, West Penn Power, Pennsylvania Electric (Penelec) and Metropolitan Edison (Met-Ed) customers will face the same questions on December 31, 2010. And many in electric service territories where rates caps have already ended may still have questions.

Here are the answers.

### **Rate caps and your electric bill**

To fully understand the impact of rate caps and how to shop for a competitive electricity supplier, the first step is to examine what makes up your electric bill.

- **Generation:** the actual electric power you consume at your home or business, measured in kilowatt-hours (kWh).
- **Transmission:** the movement of electricity from where it is produced to the wires that distribute the electricity to your home or business.
- **Distribution:** the wires that deliver the electricity directly to your home or business.
- **Customer charge:** a monthly fixed charge that covers part of the costs associated with meter reading, billing, line maintenance, and equipment. The charge appears every month whether or not a customer uses electricity.
- **Competitive Transition Charges (CTC):** a temporary charge to cover costs of previous utility investments in building power generation. ***This charge expires when rate caps end.***

In 1996, Pennsylvania's electric rates were 15 percent higher than the national average. To help address the high cost of electricity, Pennsylvania's “Electricity Generation Customer Choice and Competition Act” (Competition Act) was signed into law on December 3, 1996. The Competition Act

ended electric utility monopolies and capped generation rates at 1996 levels. While certain increases were allowed, generation rates generally have remained stable for more than 10 years. Today, Pennsylvania electric customers are paying 5 percent below the national average. When your rate caps expire, it is only this generation portion of your bill that will increase to reflect the current wholesale market price of power.

As part of the restructured electricity market created by the Act, customers have the right to choose who supplies the generation portion of their bill. Under the law, your current electric company is required to maintain the transmission and distribution (or the wires) part of your electric service, even if you choose a different supplier for your generation. **Now when rate caps expire, customers can shop around for a better deal.**

Before the Competition Act, utilities in the state could build and sell generation, as well as transmission and distribution services. Utilities were allowed to recover the cost of any generation from electric customers through rates. The Competition Act restructured the electric market so utilities could no longer own generation, but the law permits utilities to continue recovering “stranded costs” from previous generation sources – most of which were nuclear power plants. Many argued the utilities would go bankrupt without the ability to continue recovering these costs to pay back debts incurred from building power plants. This portion of the utilities’ old monopoly rate was allowed to continue on customers’ electric bills as a “Competitive Transition Charge” (CTC) until rate caps expired. In return, customers received the benefit of a cap on generation rates. Electric customers across the state have been paying close to \$1.2 billion per year for these “stranded costs”. Removing this charge when rate caps expire will help reduce the impact of increased generation rates.

### **Shopping 101**

Thanks to Pennsylvania’s Competition Act, you can shop around for a better deal on the generation portion of your electric bill.

If rate caps have not already ended in your service territory, it will be difficult to find a competitive supplier. However, where caps have expired, those rates now reflect the current wholesale cost of supplying generation, which allows other suppliers to enter the market and offer competitive pricing.

If your rate caps have expired and you are interested in switching to a competitive supplier, the first step is to compare pricing. To aid customers in shopping for the best deal, the industry has created a standard “Price to Compare.” If a competitive supplier’s price is lower than the one offered by your utility, you can save money by switching to that supplier. It really is as simple as picking up the phone and asking to make the switch. The competitive supplier will even contact the utility for you and take care of the switch. Your current utility will continue to provide the transmission and distribution portion of your electric service and those rates will still be regulated by the Public Utility Commission (PUC).

One important point is that the reliability of your electricity will be unchanged whether you shop or not. The delivery of electricity is still fully regulated by the Public Utility Commission, and the same requirements will be in place, keeping outages as infrequent as possible and fixing problems without delay.

One of the best places to compare prices is at the Pennsylvania Office of Consumer Advocate’s (OCA) [website](#). The OCA frequently updates its Residential [Electric Shopping Guide](#), which shows the “Price

to Compare” for utilities and for competitive suppliers. The guide also provides sample pricing and phone numbers to make the switch as easy as possible. The OCA can also be reached by calling 800-684-6560. You can also obtain your “Price to Compare” from your current utility.

The PUC maintains a list of licensed competitive generation suppliers in Pennsylvania. To date, there are 64 companies approved to offer generation supply in the state. Further information on competitive suppliers broken down by utility service territory and customer rate class can be found on Pennsylvania Utility Choice Program’s [website](#) or by calling 888-PUC-FACT (888-782-3228).

**The PPL example**

Based on PPL’s estimated residential generation rate for 2010, once rate caps expire you can expect to pay an extra \$17 to \$31 more each month on your electricity bill, depending on how much electricity you consume. Below is an example of what a PPL residential electric customer using 500 kWh per month can expect.

<b>PPL Residential Customer (500 kWh/month)</b>	<b>Customer Charge</b>	<b>Distribution</b>	<b>Generation</b>	<b>Transmission</b>	<b>CTC</b>	<b>Total</b>
<b>Current Rate</b>	\$8.11	\$13.67	\$27.59	\$3.67	\$5.64	\$58.58
<b>2010 Rate</b>	\$8.11	\$13.67	*\$51.10	*\$2.98	\$0	\$75.86

\*From [PPL's estimated 2010 Generation and Transmission charges](#)

While PPL residential customers will see an increase of approximately 30 percent on electric bills, the same increase is not expected for utilities whose rate caps expire in 2011. Due to differences in CTC charges and energy prices when utilities purchase power to serve customers, electric rates can vary across utilities. For example, customers in the PECO service territory already pay more for electricity due in part to larger CTC charges. Therefore when rate caps expire, PECO residential customers may only see a slight increase or rates could remain flat. However, customers in West Penn, Penelec and Met-Ed may see increases closer to 20 to 30 percent.

The competitive market is already heating up in PPL with the anticipation of rate caps ending. The PUC expects 10 competitive suppliers to enter the service territory once caps expire.

A recent article in the [Scranton Times-Tribune](#) provides a listing of three competitive suppliers, already advertising a better price than PPL’s 2010 price to compare of 10.818 cents per kWh.

- ConEdison Solutions: 9.38 cents per kWh for a 12-month contract with no fees for sign-up or termination.
- Dominion Energy Solutions: 9.5 per kwh with no enrollment fee or contract term.
- Direct Energy: 8.99 cents per kwh for the first three months then 9.49 cents per kWh with a \$100 early cancellation fee.

PPL customers can learn more about switching to a competitive supplier at <http://www.pplelectric.com/choice/information/> or by calling 888-668-4775.

## **Shopping concerns addressed**

Even though there is money to be saved, many customers are still hesitant to switch to a competitive supplier.

Remember, even when you switch to a competitive supplier your utility will still be responsible for the reliability and quality of the delivery portion of your service. If you lost power due to a storm or a transformer outage, you would still call your local utility, which is responsible for fixing the problem.

There's also no worry about the local utility going out of business or being financially harmed by an increase in shopping. The ratemaking process in Pennsylvania safeguards utilities when customers change their supplier. The generation charge on your bill is simply a pass through charge. The utility does not make any profit on generation and is indifferent as to whether you receive that service from them or a competitive supplier. Utilities in Pennsylvania make a reasonable rate of return on the distribution portion of your bill.

And you are protected if for some reason the competitive supplier you choose goes out of business – you will automatically be switched back to your local utility. It will be a seamless transition without any interruption to your electricity service. And depending on what type of agreement you enter into with a competitive supplier, you may be able to switch back to your local utility at anytime, without incurring a penalty. Some suppliers charge early cancellation fees; others do not.

While shopping may seem like the new frontier, there are already tens of thousands of customers in Pennsylvania that are experiencing the benefits of retail competition. Customers in Duquesne Light and Penn Power are already seeing the competitive market grow. The OCA's guide shows that customers can save money by switching to competitive suppliers like Dominion Peoples Plus and FirstEnergy Solutions. To date, 20 percent of residential customers, 18 percent commercial customers and 52 percent of industrial customers have switched to a competitive supplier in the Duquesne Light service territory. In Penn Power's territory, 13 percent of residential customers, 13 percent of commercial customers and 68 percent of industrial customers have switched.

There are many resources to aid you in the transition to a competitive marketplace. Don't be afraid to ask questions and take the plunge. Your wallet will thank you.

### **Utility Consumer Choice Resources:**

Citizens Electric of Lewisburg

Website: <http://www.citizenselectric.com/CustomerChoice.asp>

Phone: 570-522-6144

Duquesne Light

Website: <http://www.duquesnelight.com/ElectricChoice/what.html>

Phone: 412-393-7100

Met-Ed and Penelec

Website:

[http://www.firstenergycorp.com/Residential\\_and\\_Business/Customer\\_Choice/Pennsylvania/Met-Ed\\_and\\_Penelec/index.html](http://www.firstenergycorp.com/Residential_and_Business/Customer_Choice/Pennsylvania/Met-Ed_and_Penelec/index.html)

Phone: 888-478-2300

PECO

Website: [http://www.peco.com/pecobiz/energy\\_rates/energy\\_choice/](http://www.peco.com/pecobiz/energy_rates/energy_choice/)

Phone: 800-494-4000

Pennsylvania Power Company

Website:

[https://www.firstenergycorp.com/Residential\\_and\\_Business/Customer\\_Choice/Pennsylvania/PennPower/index.html](https://www.firstenergycorp.com/Residential_and_Business/Customer_Choice/Pennsylvania/PennPower/index.html)

Phone: 888-478-2300 or 800-720-3600

Pike County Light & Power Co.

Website: <http://www.oru.com/energyandsafety/energychoice/pa/index.html>

Phone: 877-434-4100

PPL Electric Utilities

Website: <http://www.pplelectric.com/choice/information/>

Phone: 888-668-4775

UGI Utilities

Website: <http://trustugi.com/electric/choice/choicecustomers/index.html>

Phone: 800-276-2722

Wellsboro Electric Company

Website: <http://wellsboroelectric.com/weco/custChoice.asp>

Phone: 570-724-3516

West Penn Power (Allegheny Power)

Website: <http://www.alleghenypower.com/CSC/Choice/ChoiceHome.asp>

Phone: 800-255-3443



About *Green Power Update*: Technology, policy and capital are all needed to create new sources of renewable energy. *Green Power Update* aims to keep you informed of new developments in these three areas and how they are helping to move Pennsylvania towards a clean energy economy.

PennFuture is carbon free and is powered by 100 percent clean electricity. To find out how your home or business can purchase clean, renewable energy, visit [www.CleanYourAir.org](http://www.CleanYourAir.org) today. It's Here. It's Working. Let's Make More.



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