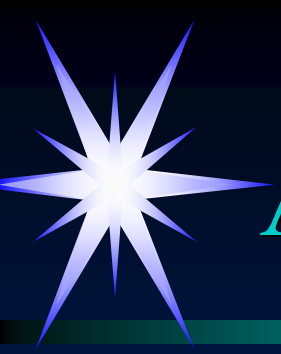




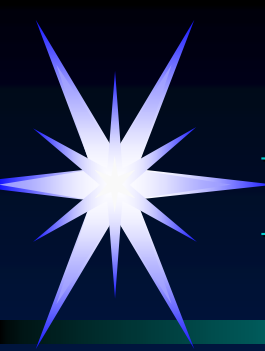
Comments on Provider of Last Resort Service

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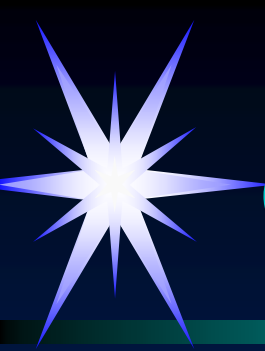
About the Caucus

- Electric distribution company workforce
 - Duquesne , FirstEnergy, PPL, UGI
- Electric generation company workforce
 - AmerGen, Edison Mission, FirstEnergy, Mirant, PPL, Reliant, WPS
- Thousands of utility customers in Pa.
- Concerned with Pa. economy as a whole



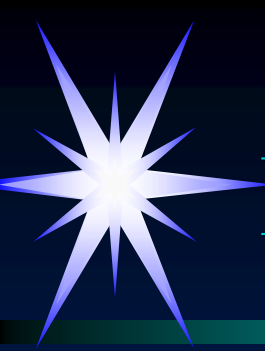
Definition and scope of POLR

- Acquisition of electric energy for customers whose energy is not delivered and those who do not choose a supplier
- Does not include:
 - Customer care
 - Billing
 - Metering or meter reading



Qualifications of POLR provider

- Each EDC should be the POLR provider in its distribution service area
- Every state recognizes that the EDC is the ultimate backstop; that is, the true provider of last resort
- There is no reason to inject an intermediary between the customer and the true POLR



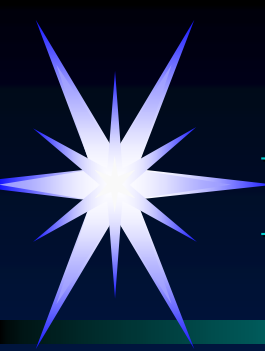
POLR service models

- Maximum flexibility
 - Do not require a particular procurement method
 - Too much will change over time
- Prudent options may include:
 - Auction
 - RFP
 - Bilateral contracts
 - Options, futures
 - Physical asset ownership / long-term contracts



Terms and conditions

- Standard wholesale contracts
- Financial security from EDCs and suppliers
 - Protect EDCs, suppliers, Commonwealth, and customers
- Affiliated transaction rules
 - No prohibition; but ensure level playing field
- Switching rules
 - None, except for normal rules



Full cost recovery

- POLR rates set prospectively (probably once a year, with seasonal rate)
- No reconciliation
- Customers and suppliers must have certainty about the price they're comparing



Implementation

- PUC should proceed quickly with formal rulemaking to establish “rules of the road”
- Rulemaking should not include a particular procurement method or plan
- Prior approval of each EDC’s plan – reasonable time before first wholesale procurement



Closing words

- It pays to be cautious - there is an inherent tension between competition and reliability: **“In the new era of reliability-focused restructuring, the need to balance competition goals and reliability objectives is bringing policymakers to a large fork in the road.”** -- Diana L. Moss, *Competition or Reliability in Electricity? What the Coming Policy Shift Means for Restructuring*, *Electricity Journal* (March 2004), pp. 11-28.