

Pennsylvania Public Utility Commission

POLR Roundtable

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D.C. Commission Order Of March 1, 2004 Standard Offer Service (SOS) in the District of Columbia

“The Commission’s obligation is to implement the SOS model that is in the best interest of the District and its ratepayers. ***The Commission’s focus is on implementing a process that is efficient, will result in the lowest priced, reliable electricity supply for the District,*** and that will not tax Commission resources unjustifiably.”

What POLR Service Should Be

The goal of POLR service should be to provide reliable basic generation service at a stable, reasonable price and on reasonable terms and conditions. All customers should be able to rely upon this service if they either do not choose to select an alternative supplier or if their alternative supplier defaults in its service or terminates its service to the customer for any reason.

What POLR Service Should Not Be

There is nothing in the Act to suggest that POLR service is supposed to be made so expensive, so volatile, or so “ugly”, that consumers would be forced to go to alternative EGS’s in order to receive the benefits of competitive generation.

The purpose of the Pennsylvania restructuring Act was to make consumers better off, not to deprive them of basic reasonably priced service options that may or may not be provided to all customers by competitive suppliers.

In order to bring about lower prices, one focus of the Pennsylvania Act was to provide retail customers access to a competitive generation market.

Significantly, under the Act, a customer does not have to leave his or her retail electric distribution company (EDC) in order to get access to the competitive generation market.

A customer can receive the benefit of the competitive generation market either by purchasing generation from an unregulated electric generation supplier (EGS) or by purchasing unbundled generation that is acquired by the customer's electric distribution company or alternative Provider of Last Resort at prevailing market prices.

In Establishing Rules for Residential POLR Service Three Essential Questions Must Be Answered

1. Who should serve as the POLR?
2. How should the POLR supply be obtained?
3. How should the POLR service be priced to the customer?

Who Should Serve as the POLR?

- The EDC must continue to be the provider of last resort for residential consumers.
- As a practical matter, the EDC will always be required to step in as the "last resort" when other entities fail, particularly since the EDC will continue to have the obligation to connect all customers and deliver supply through its facilities.
- The EDCs are also in the best position to offer customer care services, at least for residential customers.

How Does POLR Obtain Supply

The POLR should obtain a portfolio of resources under a competitive procurement process that produces the lowest priced, reliable supply of electricity for POLR customers over a period of years.

- The Commission should establish principles for POLR procurement such as the need for a diverse supply portfolio, both in terms of the length of contracts and the types of resources.
- Any regulations should also accommodate the development of a renewable or advanced energy portfolio standard at the state level.

Different portfolio procurement methods may be appropriate for different EDC's - - As long as they are competitively based and are designed to produce the lowest priced, reliable service for POLR customers over a reasonable period.

How Should The POLR Service Be Priced to the Residential Customer?

- There is no single “prevailing market price” that can be pointed to for establishing the POLR rate. Within the PJM markets, for example, there are a multitude of products, both capacity and energy, covering different periods, as well as a multitude of prices for these products at any given point in time.
- “Prevailing market prices” in the Act does not necessarily refer to spot wholesale prices or short term prices.

There are two basic approaches to establishing the price of POLR service to residential customers--either a performance based non-reconcilable fixed price established for a period of time; or a fully reconcilable dollar-for-dollar cost recovery rate.

Under either approach:

- The actual price charged to consumers should not be changed more frequently than on an annual basis. Longer terms may be appropriate
- The price to the customer should reflect the reasonable costs to the POLR for providing the POLR service, not the hypothetical additional costs that an EGS might incur to serve the customer.

Conclusion

- POLR SERVICE SHOULD NOT BE:
 - Ugly
 - Volatile
 - More costly than necessary
- POLR SERVICE SHOULD BE:
 - Stable
 - Reliable
 - Reasonably priced