

The Expiration of Electric Generation Rate Caps

Electric customers in Pennsylvania were among the very first in the United States to have the ability to choose the company that supplies their electricity. You may be able to choose your electric generation supplier (EGS) in areas where competitive electricity supplies are being offered. Consumers may be able to secure supply rates below the prices offered by their utility. Generation supply costs comprise the majority of the average electric bill. Consumers are encouraged to proactively engage competitive suppliers – whose price is unregulated by the Pennsylvania Public Utility Commission (PUC) – to obtain pricing information for the generation portion of their bill. Competitive offers may not be available in all areas.

The PUC has engaged consumer advocates and industry experts in efforts to mitigate any price increases in future electric generation prices. The PUC has been working to educate consumers; develop strategies to remove barriers for suppliers providing competitive electric service; approve phase-in or pre-payment plans and direct all utilities to file such programs if electric rates increase by more than 25 percent; update low-income programs that provide customer assistance; and implement default service pricing that reflects the least cost to consumers over the long term. We also are continuing to implement reasonable, cost-effective programs that consumers and companies can implement to conserve energy or use it more efficiently.

Why are there rate caps, and why are they expiring?

Under the 1997 Electricity Generation Choice and Competition Act, electric rates - which are comprised of generation, transmission, and distribution - were capped to ease the transition to competitive markets.

The 1997 law allowed residential customers to have direct access to and purchase power from independent EGSs, while still having their electricity physically delivered by electric distribution companies (EDCs) regulated by the PUC. The law also permitted the EDCs to recover “stranded costs.” Stranded costs include investments in infrastructure made before the law was passed that may have become uneconomic and unrecoverable in a competitive environment. With limited exceptions, once rate caps expire, the companies can no longer collect for stranded costs.

In exchange for the recovery of stranded costs, generation, transmission and distribution rates were capped at 1996 levels. The caps on transmission and distribution rates all have expired. After litigated proceedings before the PUC, the generation rates were extended for many of the electric companies. As determined by those proceedings, all utility rate caps have expired as of Jan. 1, 2011.

Company	Generation Rate Cap Status	% of PA Ratepayers
Citizens Electric Co.	Expired	0.1
Duquesne Light Co.	Expired	10.6
Pennsylvania Power Co.	Expired	2.8
Pike County Light & Power Co.	Expired	0.1
UGI Utilities Inc.	Expired	1.1
Wellsboro Electric Co.	Expired	0.1
PPL Electric Utilities Inc.	Dec. 31, 2009	24.6
Metropolitan-Edison Co.	Dec. 31, 2010	9.5
Pennsylvania Electric Co.	Dec. 31, 2010	10.6
PECO Energy Co.	Dec. 31, 2010	27.8
West Penn Power Co.	Dec. 31, 2010	12.7

What will happen once the generation rate caps expire?

The PUC expects that customers may see an increase in their bills after the expiration of rate caps. While Pennsylvania consumers' rates have been capped, the market prices for electricity have risen. The magnitude of those increases will depend upon market prices when the EDC acquires its power.

Do I have to pay what the EDC is charging for electric generation (default service)?

Customers do not have to pay the EDC prices. They will have the ability to choose between an EDC and competitive supply prices for the generation portion of the bill. An EGS may be able to offer a better price for the generation. Customers will be able to compare the EDC price to a competitive supplier price to find the best option.

The amount you might save depends on issues such as:

- How much you pay now for electric generation supply;
- How much electricity you use;
- How market prices change in the future;
- What products and service are included in the EGS price such as renewable energy produces or other demand side and conservation services; and
- The price offered by the suppliers serving your area.

Who can take part in Electric Choice?

Every electric customer has the option to take part in electric choice, pending the availability of competitive suppliers in the service territory. As of January 2009, the Commission licensed more than 45 EGSs. While the Commission may license an EGS, it cannot force the EGS to offer services.

Can I save money by choosing a competitive supplier?

In the territories where rate caps already have expired, an increase in the number of EGSs offering services to residential customers has occurred. In some areas, the EGSs rate is as much as 4 cents per kWh cheaper than the default service price offered by the utility. An EGS may be willing to negotiate on price or other services to entice you into switching suppliers. The Office of Consumer Advocate offers consumers a direct comparison of the utility prices versus the supplier price. You can view the "Price to Compare" at www.oca.state.pa.us.

Remember, regardless of who generates your electricity, you will still continue to call your EDC for emergency services and questions regarding your residential service including outages. The quality, reliability, and maintenance of your electric service should not change as it is still monitored by the Commission. However, if you have a question about your generation charges you should first call your EGS.

If I choose a new EGS, can I change my mind and choose another EGS?

Yes. However, you should carefully check the terms of the agreement with the EGS, especially for length of contract and any penalty clauses.

I participated in a pre-pay program with my utility, but would like to choose another supplier. What happens to my money?

The money that you deposited in a pre-pay plan and any interest will be applied to your account, no matter who supplies your electricity.

For further information, contact the Public Utility Commission:

Visit our website
www.puc.pa.gov

Write
PA Public Utility Commission
Bureau of Consumer Services
P.O. Box 3265
Harrisburg, PA 17105-3265

Call
1-800-692-7380
For people with speech or hearing loss, dial
7-1-1 (Telecommunications Relay Service)

