

**PENNSYLVANIA PUBLIC UTILITY COMMISSION  
HARRISBURG, PENNSYLVANIA 17105**

**Initiation of a fact finding  
investigation of the competitive  
market conditions re: Pike County  
Light & Power Company**

**Public Meeting held January 27, 2006  
JAN-2006-C-0001  
Docket No. P-00052168**

**STATEMENT OF VICE CHAIRMAN CAWLEY**

The Pike County Light & Power Company (the “Company”) auction encountered a number of challenges that should be further examined. Among them was the timing of the auction during a peak in commodity prices for energy, restrictions on the nature of the physical sale of energy in the auction, the small size of the Company’s Pennsylvania customer base, and its membership in the New York Independent System Operator (“NYISO”).

I am sensitive to the impact of this rate increase on the rate payers in the Company’s service territory and regret that we did not take today’s action when we approved the results of the auction. The resulting level of rates is unacceptable, and it should be plain to those responsible that we expect, one way or another, that they be ameliorated.

Moreover, it is incumbent upon us to do all that we can to implement the Competition Act so as to minimize the impact of much higher commodity prices for fuels used to generate electricity. Having represented a number of competitive energy suppliers from the onset of electric generation competition in 1996, I am confident that markets can be made to work if properly designed and managed. We have a duty to foster electric and natural gas competition by proactive design and management as long as those laws remain a part of the Public Utility Code.

Therefore, although I do not entirely share Commissioner Shane’s views on the nature of competitive markets, I support his motion for an investigation into how best to achieve the benefits of competitive markets and retail choice for

consumers. I request that the following items also be addressed in the investigation:

1. Is the cost/benefit analysis performed in 2004 regarding the Company joining the PJM Interconnection, L.L.C. sufficiently current? If not, what must be done to make it useful?
2. At least on a preliminary basis, what are the benefits and costs of the Company selling its Pennsylvania electricity distribution business to an existing, adjacent Electric Distribution Company?
3. What impact did the financial transaction requirement (versus a more standard physical energy sale transaction) have on the offer prices in this auction?

Date: January 27, 2006

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James H. Cawley  
Vice Chairman