



February 11, 2008

Honorable Camille Bud George  
38B East Wing  
PO Box 202074  
Harrisburg, PA 17120-2074

Dear Chairman George,

The General Assembly and Pennsylvania's consumers are rightly focused on the end of utility rate caps and what that will mean for customers' electricity bills. Rate caps for generation service have been in place for over a decade, and, unfortunately the cost to generate electricity has risen dramatically over that time (fossil fuel costs have increased over 150 percent since 1999). Because of these fuel cost increases, which no one anticipated in 1996 when the Electric Choice Act was passed, many customers are likely to experience rate increases in 2010 and 2011 as rate caps expire.

RESA believes that policy makers should help customers manage these increases. Unlike some other states where rate caps have expired recently, the Pennsylvania Public Utility Commission has already taken a proactive and prudent approach to addressing this issue. Last year, the Commission issued three major orders to address the expiration of rate caps and the transition to market pricing. These orders were the product of several years of regulatory proceedings where the Commission weighed the views of utilities, consumer advocates, retail suppliers and other stakeholders. The new rules give residential and small-business customers the option of phasing-in or pre-paying rate increases resulting from the expiration of rate caps. Two of Pennsylvania's utilities have already filed rate mitigation plans consistent with these rules.

RESA urges the General Assembly to take a similar, practical approach, rather than extending rate caps, which will only compound the problem and lead to higher rate increases for Pennsylvania consumers.

As rate caps expire, competitive suppliers, like RESA members will be able to enter the market to compete for customers. Competition will be the most durable rate mitigation for the Commonwealth. In fact, this has already proven true for many western Pennsylvania customers. In the Duquesne Light service territory, residential and small business customers are paying less for their utility generation service today than they

were in 1996. And the nearly 130,000 businesses and consumers in Duquesne Light's service territory that are served by competitive suppliers are likely saving even more. In fact, just this week, electricity competition brought \$1.4 million in savings to the city of Pittsburgh, Allegheny County and other area organizations.<sup>1</sup>

Sincerely,

Richard Hudson  
Pennsylvania Chairman, RESA

*The Retail Energy Supply Association is a not-for-profit, diverse group of retail energy suppliers devoted to promoting competitive retail energy markets for all of Pennsylvania's residential, commercial and industrial consumers.*

*Member companies include: Commerce Energy, ConEdison Solutions, Direct Energy Services, Gexa Energy, Hess Corporation, Integrys Energy Services, Liberty Energy Inc., Reliant Energy Retail Services, LLC, Sempra Energy Solutions, Strategic Energy, SUEZ Energy Resources NA, Inc. and US Energy Savings Corporation. In addition, retail supplier Constellation Energy Resources, although not a member of RESA, shares these views and joins in these comments.*

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