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# Recent Energy-Related Developments in Pennsylvania

ERB-PUC Partnership: 3<sup>rd</sup> Activity  
Lusaka, Zambia; March 2006

Chairman Wendell F. Holland

# Overview

Federal: Energy Policy Act of 2005

Regional: Largest electric industry merger

Regional: Proposed new transmission lines

State: Higher energy prices

State: Winter gods were kind!

State: Implementation of alternative energy  
portfolio standards (Act 213)

Summary: We're busy!

# Energy Policy Act of 2005

- Last EAct was in 1992
- Electricity Reliability Standards
- Transmission Infrastructure Modernization
- Transmission Operation Improvements
- Transmission Infrastructure Investment
- Funding New Interconnection and Transmission Upgrade
- Net Metering and Additional Standards
- Smart Metering
- Cogeneration
- Small Power Production
- Repeal of the Public Utility Holding Company Act of 1935
- Federal Access to Books and Records
- State Access to Books and Records
- Electricity Market Transparency
- Market Manipulation
- Consumer Privacy and Unfair Trade Practices
- Merger Review Reform
- Economic Dispatch



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## Largest Electric Industry Merger

- PECO Energy Co. (PECO) and Public Service Electric and Gas Co. (PSE&G)
- Unanimously Approved January 27, 2006
- Largest merger in U.S. electric utility corporation history
- Able to guarantee no rate increase before 2010
- Keep job losses at a minimum
- Maintain the company headquarters in Philadelphia
- Name change to Exelon Electric and Gas Corp.
- Continue its reliability and customer service commitments
- Spend an additional \$1.2 million on consumer outreach
- Provide funding for renewable power and energy efficiency initiatives

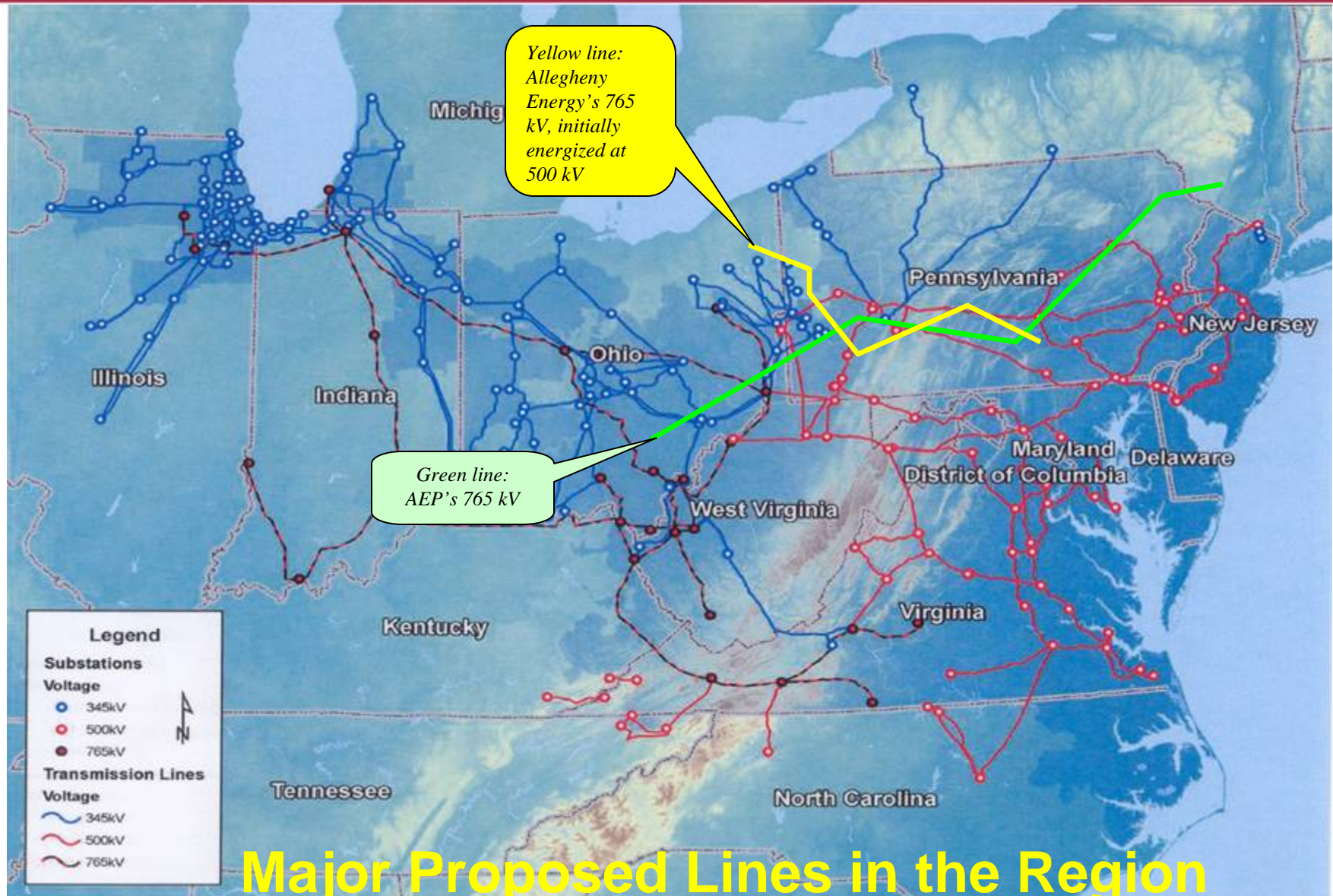




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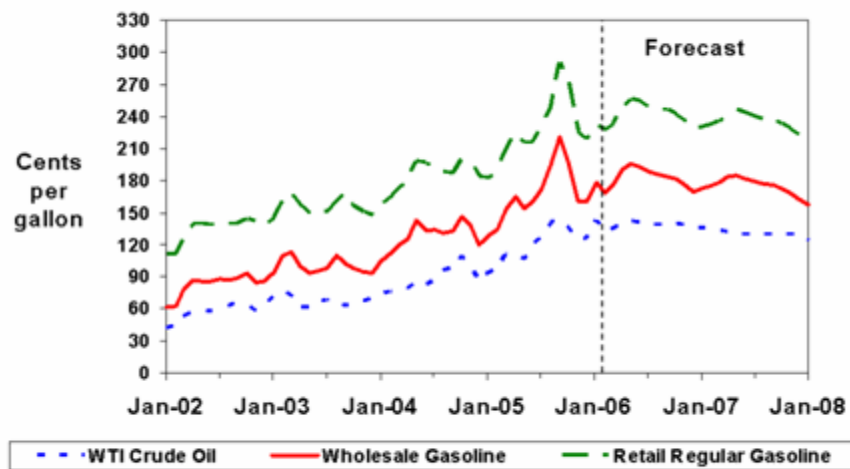


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# Rising Energy Prices

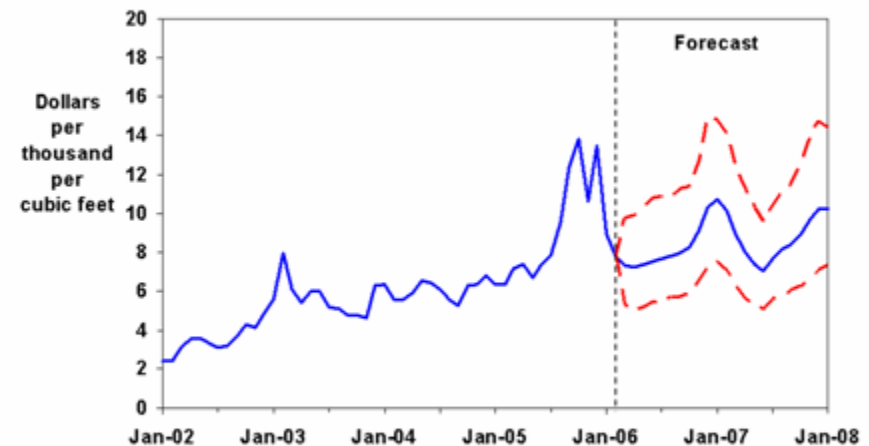
Figure 2. Gasoline and Crude Oil Prices



Short-Term Energy Outlook, March 2008



Figure 3. Natural Gas Henry Hub Spot Prices (Base Case and 95% Confidence Interval\*)



\*The confidence intervals show  $\pm 2$  standard errors based on the properties of the model.

Short-Term Energy Outlook, March 2008



# Home Heating Prices

- 2005-2006 winter residential space-heating expenditures are projected to be higher than of 2004-2005
- The average increases in the U.S. over last winter are:
  - Natural gas 17%
  - Heating oil 16%
  - Propane 12%
  - Electricity 7%

# Winter gods were kind!

- Warmer-than-expected January
- Followed by relatively normal weather in February
- Heating fuel demand has been down this winter across fuels and regions



# Implementation of Act 213

- Identified a 15 year reporting timeline
- Identified the compliance exemption period for each EDC service territory
- Established general standards and processes for demand–side management
- Designated alternative energy credit registry
- Completed an interim system qualification process

# Implementation of Act 213

- Currently under way-
  - Uniform net metering regulations
  - Uniform interconnection regulations
  - Qualifying alternative energy systems
  - Certifying alternative energy credits
  - Select credit program administrator
  - Reports to General Assembly



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## We're busy!

- As you can see, we are busy!
- The bonds that tie us are the effects of increased world energy prices
- We may be busy but we always have time for you!
- See you in Harrisburg as well as at the Third World Forum for Energy Regulation in DC