



Overview of Pennsylvania Regulatory Framework and Markets

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PA Public Utility Commission



Traditional utility



Generation



Transmission



Distribution



Ratepayers



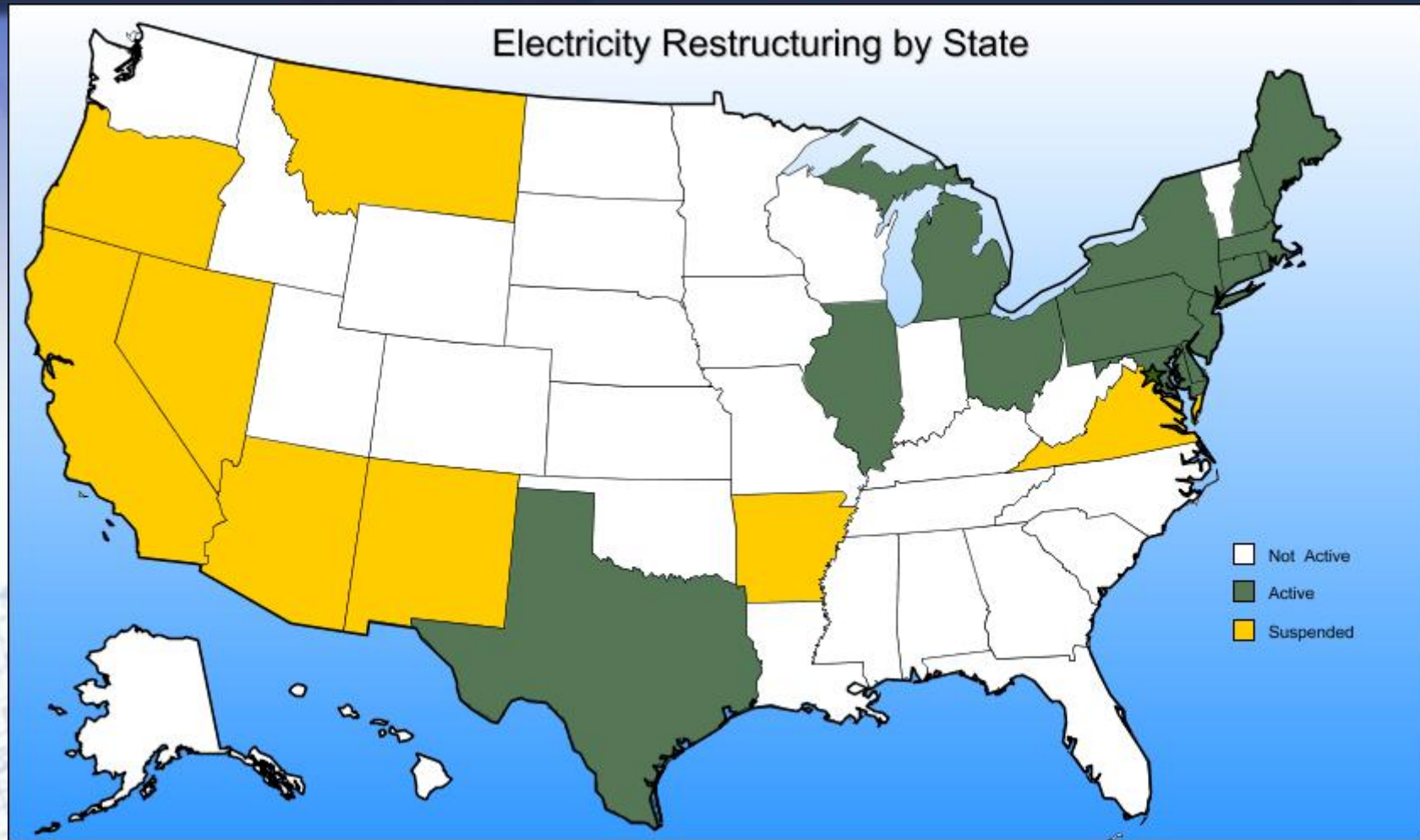
Restructuring drivers



- Technological innovation
- Competitive pressure from upstarts
- Large-volume consumers (industrials, ELCON)
- Economic theory of markets (academic)
- Alternative policy tools (price caps)
- Policy entrepreneurs
- Academics and think tanks
- Perception of regulatory deficiencies by utilities
- International pressure (World Bank)
- Political ideology of smaller government (Reagan, Thatcher)



Electric restructuring (Nov. 2007)





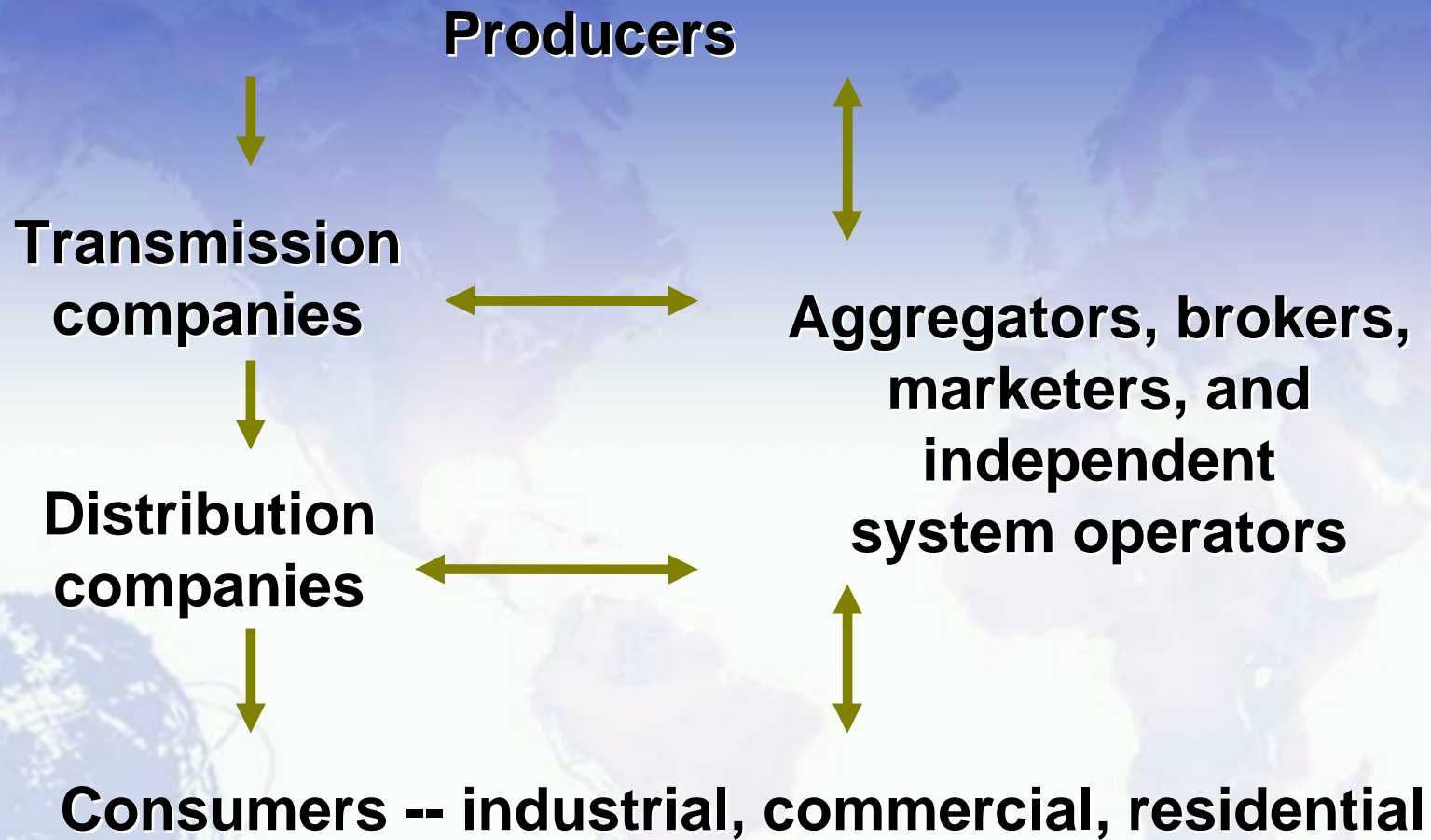
Electricity



Status	Function
Functions that remain regulated	Transmission (federal); local distribution (state)
Transition to competition and deregulation	Power generation
Functions that are not regulated	Most publicly owned distribution systems



Restructured market

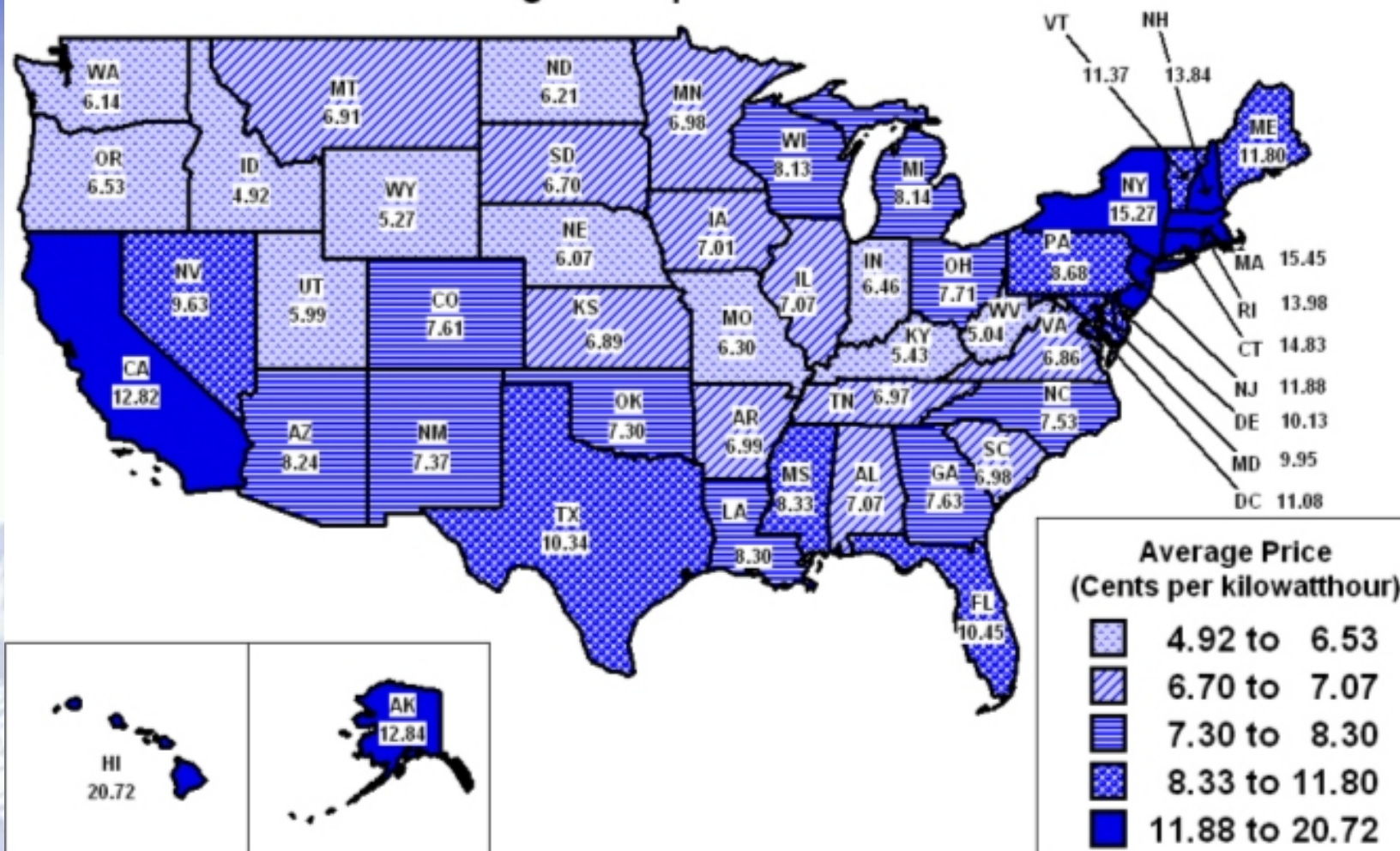




Energy Information Administration
Official Energy Statistics from the U.S. Government



U.S. Total Average Price per kilowatthour is 8.90 Cents





Issues



- Supply risks and uncertainty
- Price trends and affordability
- Demand management/demand response
- Transmission capacity, reliability, siting
- Prudence/used-and-useful tests
- Regulated/unregulated functions



Issues (continued)



- Investment incentives
- Wholesale/retail competition
- Price-cap regulation
- Holding companies and diversification
- Market performance/market power



The End