

Shouldn't be a shock: Energy rate caps inevitably coming off, say experts

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Over the second half of the year, many Poconos residents will ponder a new rate hike — energy costs.

Rate caps are scheduled to expire the end of the year for Pennsylvania Power and Light businesses and customers in the region, and Met-Ed caps come off at the end of 2010 for those served in the region.

"I've seen some pieces of legislation that have not been circulated yet," said state Rep. John Siptroth, D-189. "The Senate has had some pieces of legislation that would continue to freeze the rate caps, and none moved to us yet."

The consensus is that increases would be in the range of 30 to 40 percent on current bills. Current rates have been relatively unchanged since 1997 after Pennsylvania was one of the first states to put in price caps when it passed the Electricity Generation Customer Choice and Competition Act. It's a far cry from the sticker shock the Milford area experienced in its affiliation with Rockland (N.Y.) when its caps came off in 2004 at a time when energy rates were very high. Rates there increased to as much as 60 percent for residents and 100 percent for businesses. Those rates were renegotiated recently to more affordable figures with a different energy supplier.

Siptroth said he has "very mixed feelings" about freezing rates any longer. "As we continue to prolong the inevitable, it is going to be more burdensome to individuals," said Siptroth, referring to delayed increases that could become even larger when enacted. PPL spokesman Paul Wirth has said the increases are a matter of "catching up. For the past 12 years (during the cap), we had not addressed building maintenance and upgrades and, as time has gone on, we need to do that even more."

"Both PPL and Met-Ed are working on offers to the consumer so they can add a little something now to electric bills and minimize that imposition when the rate caps are lifted," said Siptroth, who considered that "a possibility."

Siptroth's chief of staff, Stephen Washington, who has been an advocate of energy-efficient initiatives, agrees.

"At this moment, businesses are interested but it's not resonating yet with residential customers," said Washington. "There is a feeling that perhaps this can be averted by legislation. When Pennsylvania decided to deregulate years ago, it decreased competition, and consumers benefited from lower pricing. Unfortunately, it's not the case now that companies want to recoup some of the costs they have incurred for capital expenses. Legislators are trying not to forestall the rate cap but to phase it in."

Suez Energy Resources, the third largest retail energy provider for commercial customers in the U.S., will compete in the PPL market in the eastern Poconos, Suez regional vice president David Braun said. It already has a customer base in the western part of the state and in New Jersey, with offices in Syracuse, N.Y., and Edison, N.J., along with eight other states and Washington, D.C.

"We're looking to put more into Pennsylvania," said Braun.

He'll host an educational workshop at 11 a.m. Thursday at Hotel Hershey in Hershey. Braun said that he expects some businesses in this region concerned about rate hikes to attend, and curious residents are welcome and can cull some good information there as well from a panel of industry experts.

Also in attendance will be Eric Matheson, chief policy adviser to the Pennsylvania Public Utility Commission chairman, who will discuss retail market rules and the goals of the state in supporting customer choice.

"A 30 to 40 percent increase over prices 13 years ago is not surprising," said Braun. "It's a benefit customers need to think about in enjoying rates lower than the surrounding states for a long time.

"The rates are being reset to marketing reality. It would eventually catch up," Braun said.

Braun laid out three essential points when shopping for an energy supplier:

- Be sure to understand the product you're buying.
- Make sure to know what's in the price and what's not. Read the fine print for the charges that come into play.
- Be sure to choose a supplier that is very financially sound. Suez has an A-minus credit rating globally. "Texas has six (energy) suppliers who went out of business and left customers without contracts and they had to replace the contract with a higher one," Braun said.

But there is a somewhat brighter side.

"Realize that energy is a traded commodity like oil, copper," Braun said. "The market goes up and down. We happen to be at a down point in the market with low gas and natural gas and power not seen like this in six years. This has been battled and discussed in Harrisburg over the last 18 months with different proposals."