Testimony by the Public Utilities Commission of Ohio
Alan R. Schriber, Chairman

Before the Senate Energy and Public Utilities Committee

February 27, 2007

OUR MISSION:

To ensure all residential and business consumers access to adequate, safe and reliable utility services at fair prices, while facilitating an environment that provides competitive choices.

Chairman Schuler, members of the committee, thank you for the opportunity to present an overview of the Public Utilities Commission of Ohio (PUCO) today. My name is Alan Schriber, and I am the chairman of the Commission.

As you may know, the PUCO is governed by a chairman and four commissioners, who are appointed by the governor to rotating, five-year terms. The governor's selection is made from a list of names submitted by the PUCO Nominating Council, a broad-based 12-member panel charged with screening candidates for the position of commissioner. As chairman, I also act as the agency's director and chair the Ohio Power Siting Board, which reviews all applications for building major utility facilities in Ohio.

The PUCO employs a staff of about 400 professional accountants, auditors, engineers, economists, investigators and attorneys who work diligently to assist us in meeting our goals and serving the public. The PUCO is funded through assessments to the utilities, as well as through fees generated by motor carrier registrations and federal program assistance.

The PUCO is responsible for overseeing the public utility industries, including electric, natural gas, pipelines, telephone, water, railroad, hazardous material carriers, commercial transportation carriers, ferryboats, buses, towing companies and household goods carriers. The PUCO is the only state agency charged with ensuring that essential utility services are safe, reliable and adequate. Our expert staff regularly inspects utility facilities around the state to ensure that utility wires, pipes and equipment are safe and well-maintained.

The PUCO also sets service standards to protect customers from such things as poor service quality, unfair denial or disconnection of service, or long waits for repair or installation of service. The PUCO staff monitors compliance with these standards through customer complaints and on-site inspections. When violations are found, the PUCO can order corrective action to be taken and can fine utilities for non-compliance.

When I first served on the Commission in the early 1980s, we began to address the issue of competition in the utility industry. At that time, the primary focus on competition in the utility regulatory environment revolved around the transition in the long distance telephone industry. However, since that time, utility markets have continued to evolve and, today, competition in utility sectors has been initiated in trucking, natural gas, local telephone and electricity. Over the last few years, the PUCO has made great strides in the development of a number of these markets in Ohio while ensuring that service reliability remains a top priority.

As we look to the future, the PUCO will continue to vigilantly monitor the evolving utility markets that have become increasingly more complicated with competition. It is essential that the PUCO closely track utility activities to ensure that consumers are protected, state laws are enforced and that an atmosphere conducive to furthering Ohio's economic development continues. As competitive utility options have increased, we have strengthened our resources, including our call center database, to increase our ability to monitor the performance of individual companies and the utility markets in general.

Even in those utility markets where choice is available, the PUCO sets and enforces minimum service standards to ensure that competitive pressures do not degrade the quality of utility service and customers will be protected against unfair business practices, like slamming which is having your telephone service provider switched without your consent. To help protect against "fly-by-night" operations, the PUCO licenses competitive telephone, natural gas and electric providers.

The PUCO serves all customer classes: commercial, industrial and residential. Recently, the number of small businesses looking to the PUCO for utility information and assistance has grown. The PUCO has the authority and enforcement power to resolve complaints directly between the consumer and the utility; our personnel are well-trained to carry out this function. It is through our contact with customers and the inspections of PUCO investigators and auditors that we have been alerted to and acted upon violations of our service standards.

More than 3,700 cases are filed at the PUCO each year; these cases include formal complaint proceedings, certifications for operating authority, rulemakings, tariff filings and all other cases. Unlike the Ohio General Assembly, the PUCO does not have a two-year cycle for each case that is filed. Therefore, each case is identified by a four element coding system. The coding elements include the year in which the case was filed, the sequence in the filing, the industry code and the purpose code. Attached to my testimony is a flow chart illustrating how a complaint case and a rulemaking proceeding might become a finalized Commission order. We often get questions about this process as it resembles more of a legal proceeding than the legislative process of a bill becoming law.

The PUCO oversees the service quality of more than 400 telephone companies in Ohio with about 7.5 million telephone lines. Recently, the PUCO adopted new Minimum Telephone Service Standards. These standards ensure that, regardless of competitive market conditions, the quality of telephone service in Ohio, for both residential and business customers, is adequate and reliable.

The PUCO continues to work closely with each Ohio county to implement wireless enhanced 9-1-1 (E9-1-1). The wireless E9-1-1 law became effective in 2005 and gives the PUCO the authority to work with stakeholders to implement and fund the provisions of wireless E9-1-1, a feature that provides callers with added security in the event of an emergency. In the past, only 9-1-1 calls made from landline phones provided a callback number and the address or location of the caller. The new law provides E9-1-1 capabilities and makes the callback number and the location of a wireless caller available to emergency responders.

More than half of the counties in Ohio have applied for E9-1-1 funding and are in the process of upgrading their systems. Attached to my testimony is a map of Ohio that illustrates the status of E9-1-1 upgrades in each Ohio county.

The PUCO’s motor carrier program ensures quality and equitable service for public and commercial carriers in Ohio. Our comprehensive program of carrier registration and insurance filing, data collection through audits and inspections and issuance of civil forfeiture fines for safety and rule violations, among other things has been both effective and efficient. The PUCO routinely processes more than 20,000 motor carrier registrations each year. Hazardous materials inspectors examine and audit motor carriers to ensure safety on Ohio roadways. PUCO inspectors regularly conduct audits, inspections and safety reviews to evaluate motor carriers' safety records, policies and procedures.

Railroad grade crossing safety is also a high priority at the PUCO. Since 1990, motor vehicle/train crashes at grade crossings in Ohio have declined significantly. This improvement has been achieved during a period of steady increase in the amount of train traffic and in the number of registered motor vehicles and licensed drivers in Ohio. Each year, the PUCO authorizes funding for the installation of lights and gates at about 100 grade crossings across Ohio. The PUCO Web site contains a comprehensive database of every highway-rail crossing in Ohio. Our Railroad Information System allows anyone to search for a crossing based on county, type of crossing, position of crossing and status.

The natural gas industry is a complex network of companies that produce, transport and distribute natural gas. In Ohio, more than 3 million people use natural gas. The PUCO oversees more than 54,000 miles of distribution lines which provide natural gas to individual users, as well as more than 6,000 miles of transmission lines. As you know, natural gas customers in Ohio can choose the provider of their natural gas. The PUCO's *Apples to Apples* natural gas rate comparison charts are updated regularly and provide gas supplier information in each service territory. The charts are routinely the most sought after information on our Web site.

The electric industry consists of three main components; generation, transmission and distribution. As many of you know, Senate Bill 3 (SB 3) was signed into law in 1999 and allowed for competition in electric generation. SB 3 also provided a five-year market development period lasting from Jan. 1, 2001 to Dec. 31, 2005. During this period, rates were frozen in order to allow a competitive wholesale market to take shape.

Since electric choice began in 2001, the PUCO has been working hard to facilitate a competitive electric market in Ohio. However, a fully competitive market has not developed as quickly as envisioned. As a result, the PUCO developed plans to secure the future of Ohio's retail electric market.

As the end of the market development period neared, the PUCO grew concerned that the limited number of competitive electric suppliers and low degree of market activity were an indication that an immediate shift to market-based rates in 2006 would not be in the best interest of customers. To minimize the effects of rate "sticker shock" and gradually transition customers to market-based rates, the PUCO worked with Ohio's electric utilities to develop rate stabilization plans (RSPs). These plans, coupled with other recent rate modifications, eliminate market uncertainty and provide customers with stable, predictable rates.

As many of you may recall, the Ohio Legislature supported the establishment of RSPs in a report issued in October 2003 encouraging the PUCO to "continue to take the necessary steps … to ensure that a healthy competitive market is in place before full electric competition begins." RSPs are in place for American Electric Power, Dayton Power and Light, Duke Energy Ohio and FirstEnergy. The RSPs have been challenged at the Ohio Supreme Court and while parts of these RSPs have been remanded back to the PUCO, the Court preserved the most important elements.

There is significant evidence demonstrating that the prices customers are paying now under the RSPs are less costly than those that would result from market-based prices. Recent events in other states including Maryland and Illinois also support this point. I have attached recent articles to my testimony today that provide an overview of rising electricity prices in other states along with charts that compare Ohio's electricity rates to other states.

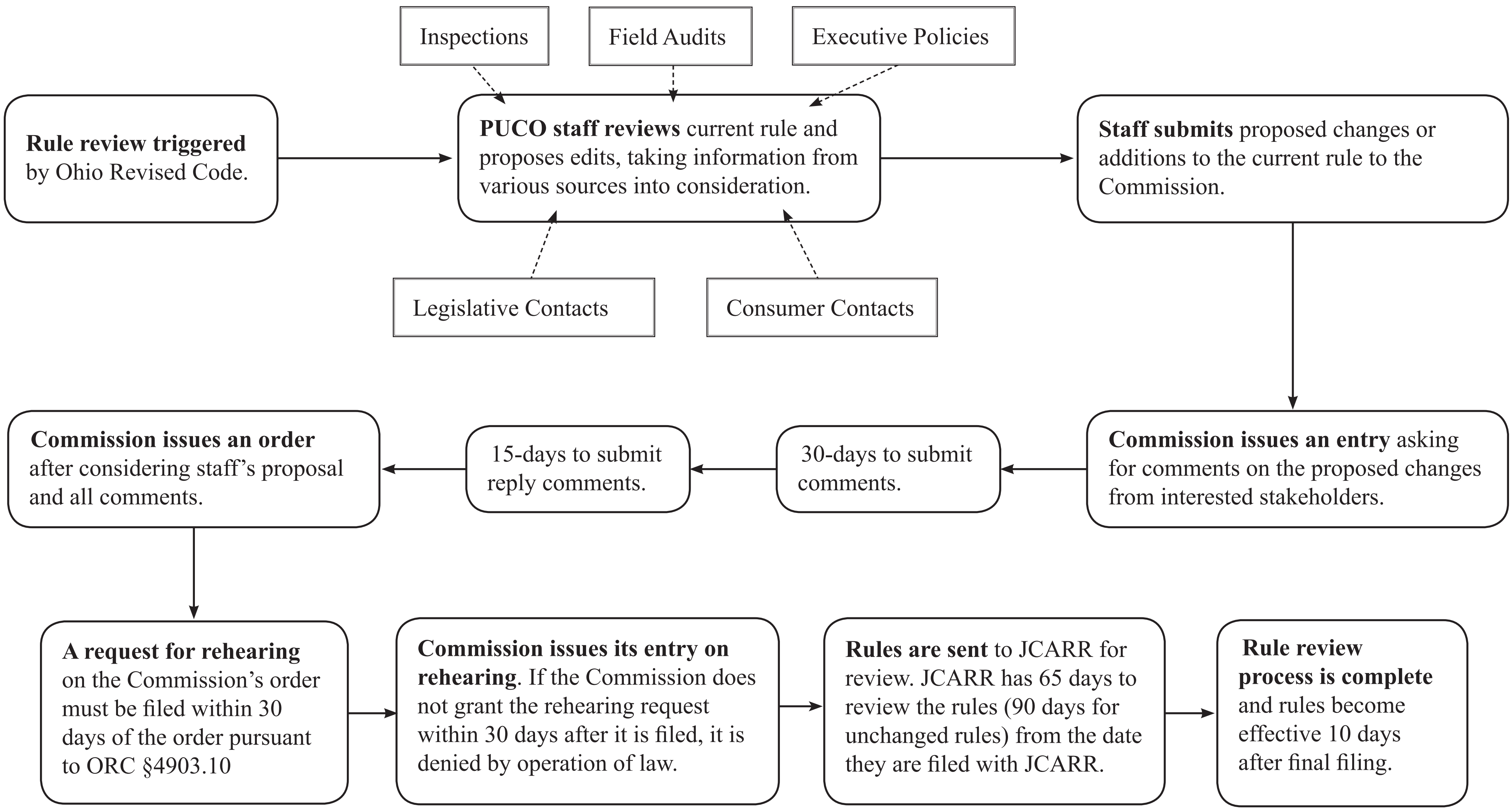
Thank you for the opportunity to appear before you today. We look forward to working with you to continually improve our service to the citizens of Ohio.

Chairman Schuler, if you or members of the committee have questions, I would be happy to answer them.

PUCO Administrative Code Rule Review Process

The Public Utilities Commission of Ohio

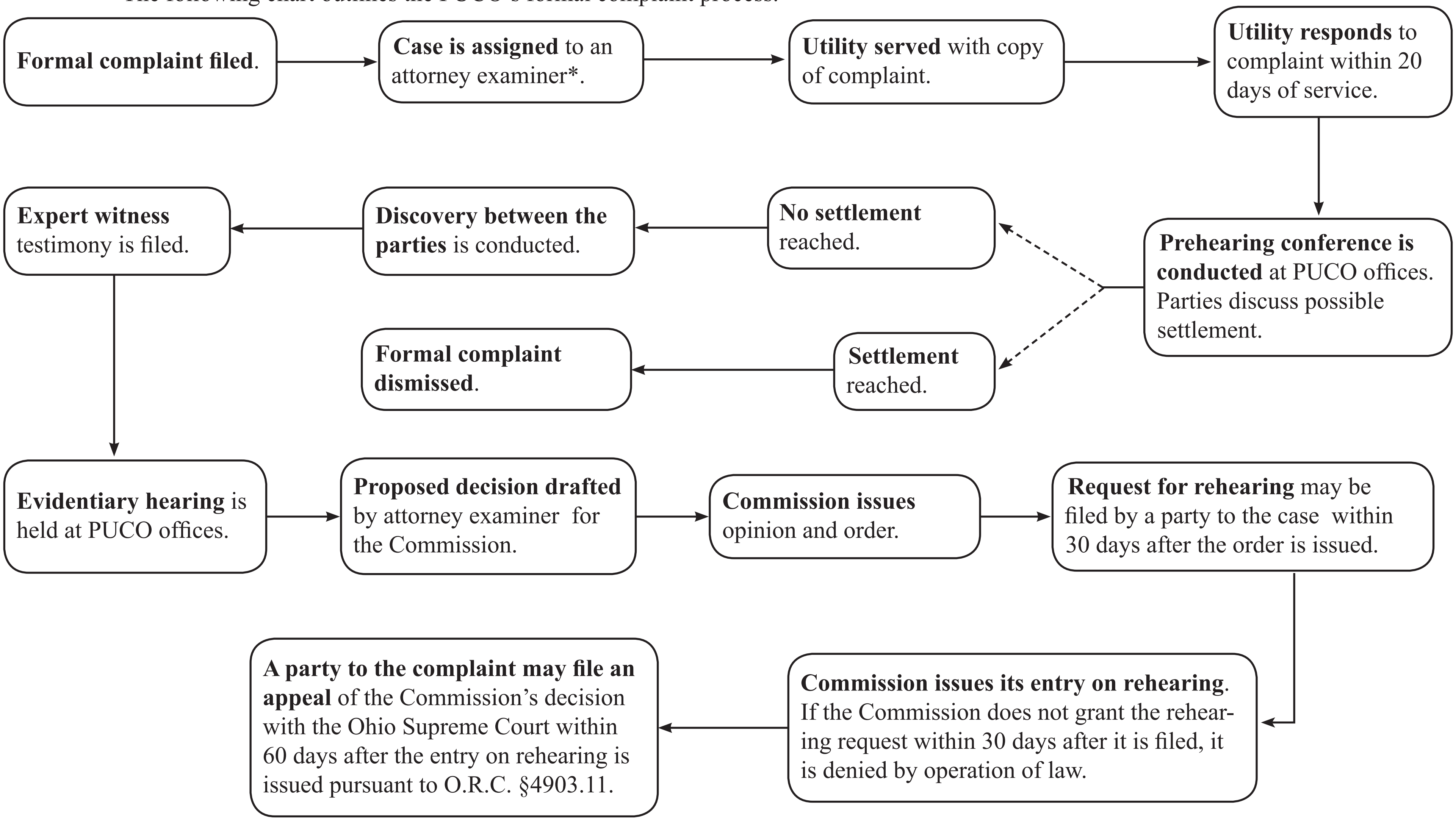
Each Ohio Administrative Code rule must be reviewed every five years and sent to the Joint Committee on Agency Rule Review (JCARR). The following chart outlines the process the PUCO uses to review its rules and make any necessary changes.



The Public Utilities Commission of Ohio

PUCO Formal Complaint Process

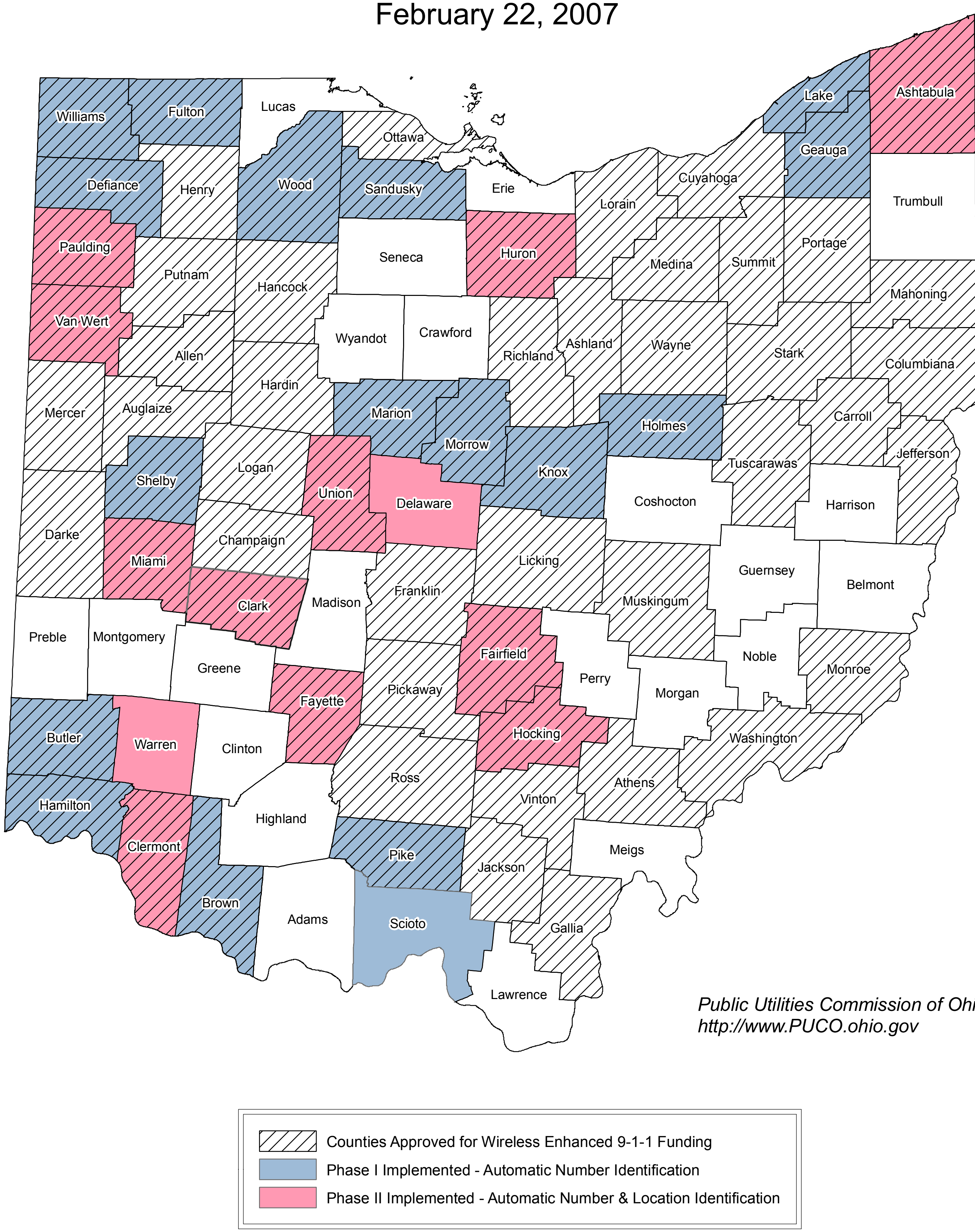
The PUCO operates a call center staffed by professionals trained to resolve issues between consumers and utility companies. In most cases, the PUCO's call center staff are able to help the consumer and utility reach an agreement over the concern at hand. From time to time, however, the consumer will choose to file a formal complaint if a solution cannot be worked out. The following chart outlines the PUCO's formal complaint process.



* PUCO attorney examiners perform the duties of an administrative law judge.

Ohio Wireless Enhanced 9-1-1

February 22, 2007



The following counties do not have Land Line 9-1-1 Service: Columbiana, Harrison, Meigs, Monroe

Article from the Feb. 17, 2007 New York Times

Generating Anger

Soaring Utility Prices Bring Calls to Re-examine Regulation

By ALEXEI BARRIONUEVO

MARION, Ill., Feb. 12 — Robert Butler has seen and heard a lot in his 44 years as mayor of this small southern Illinois town. But not even the blizzard of 1987 compares with the distress many residents expressed after they opened electricity bills for January that were double or even triple December's.

"This is just flabbergasting," Mr. Butler, 80, said. "People should not be in the position of choosing between keeping warm or buying medicine and food, and I fear that too many are going to be in that situation."

Utility rates had been capped in Illinois for 10 years, but the state agreed last year to raise them as part of an effort to open up its electricity markets to competition. Maryland, New Jersey and a half dozen other states are also removing caps. But residents in this part of Illinois are seeing some of the highest rate increases in the country — in some cases, 100 percent to 200 percent higher.

The higher rates are touching off a fresh round of national debate over unleashing competitive forces on traditionally regulated electricity markets. Opening up the markets was supposed to lead to savings for consumers. But that did not turn out as regulators predicted. The anticipated competition among energy suppliers never fully emerged as natural gas prices more than doubled in the last decade.

Yet even as the pain of higher utility bills is setting in, the electric power industry is warning of an energy crisis that could rival California's

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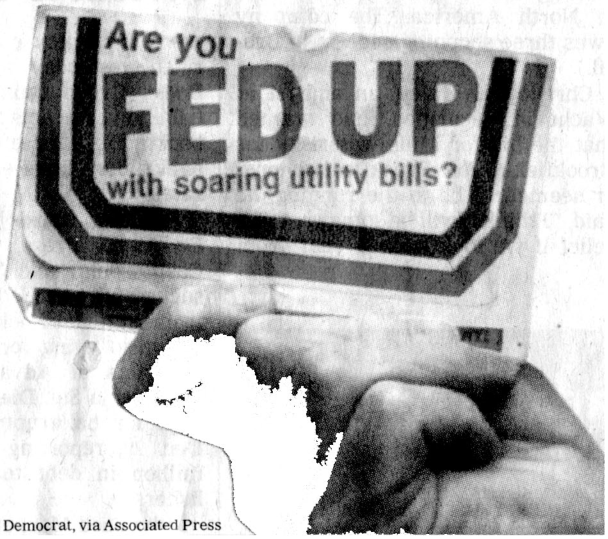
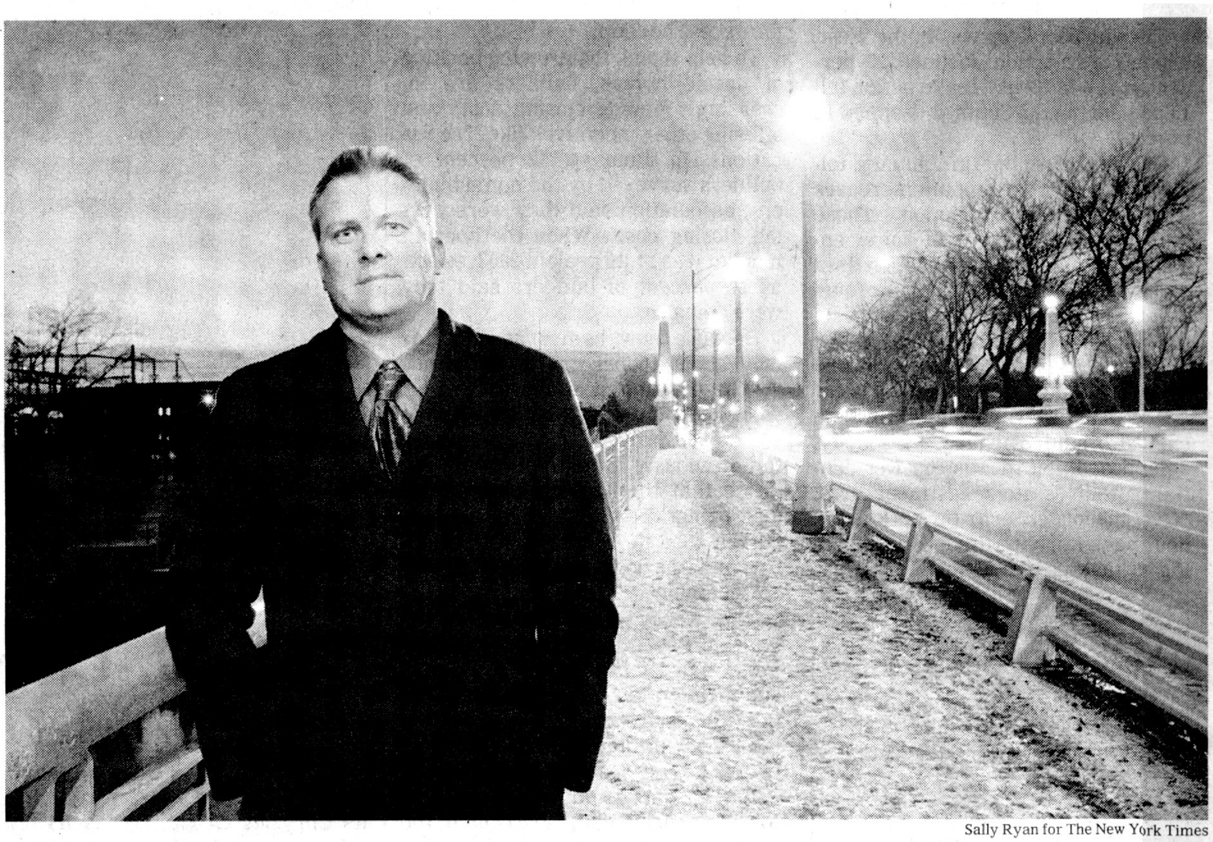


Robert Butler, mayor of Marion, Ill., for 44 years, has never seen residents as upset about anything as they are about their electric bills.

Derik Holtman/Belleville News Democrat, via Associated Press



Sally Ryan for The New York Times

David Kolata, executive director of the Citizens Utility Board in Chicago, a consumer advocacy group, has been working to keep electric rates frozen, and not headed even higher.

Rising Electric Rates Set Off New Debate on Regulation

Continued From First Business Page

if higher fuel and plant construction costs cannot be passed onto consumers.

Commonwealth Edison, which keeps the lights on for 3.3 million residents in the Chicago area, could lose $1.4 billion a year, or $4 million a day, and put the company "on the path to bankruptcy," said Anne R. Pramaggiore, senior vice president of regulatory and external affairs.

But that means little to residents who are clamoring for public officials to do something. In Illinois, the House speaker, Michael J. Madigan, plans to introduce legislation next week that would freeze rates for three more years. A similar effort was never taken up by the state Senate last year after a tough political battle in which **Ameren**, another utility company serving Illinois, and Commonwealth Edison lobbied furiously against it.

Marion's mayor has joined public officials in more than 60 other towns who are looking to buy power from someone — anyone, it seems — that can provide it for less than Ameren.

In Maryland, the decision by the public utility commission to allow a rate increase of 72 percent this year prompted a special session of the General Assembly to provide relief. And in Virginia, lawmakers voted Feb. 6 to abandon the state's decade-old experiment by halting its planned market opening in 2011.

"There has now been more than a decade for this deregulation experiment to work, and as each state implements it, it just gets worse and worse," said Tyson Slocum, director of the energy program at Public Citizen, a consumer advocacy group.

Mr. Slocum has invited officials from several states to Washington on Feb. 26 for a "Take Back the Power" conference, in which participants will discuss deregulation laws and hold closed-door strategy sessions on how to combat the rate increases.

Since California botched the opening of its power industry to competition in 1998, suffering a spate of rolling blackouts in 2000 and 2001, criticism has mounted against the deregulation models. Expectations of stable or lower gas prices set off a building boom of natural-gas-fired plants, with some 200,000 megawatts of capacity built from 1997 to 2003 — far more than what was needed to cover expected growth over 10 years.

In the end, when natural gas prices rose sharply, companies that invested in coal and nuclear plants like **Exelon**, ComEd's parent, became the big winners, reaping big profits under the frozen rates by dominating the sale of power to their regulated utilities.

"The idea at the time was that by the time the rate freezes would expire, the competitive pressure would drive prices down and they would expire with a whimper rather than a bang," said Lawrence J. Makovich, managing director for global power at Cambridge Energy Research Associates.

But that has not happened. In Illinois, ComEd's residential rates increased an average of 24 percent in January, while those in the Ameren service areas rose by up to 55 percent.

Rate increases are far higher — 100 to 200 percent in the winter, and about 80 percent over the whole year — for residents who for years had received discounted rates for electric space heaters. The discounts were taken away in January. (Ameren recently told customers they could opt to phase in the increase over three years if they pay 3.25 percent interest a year.)

Opening markets to competition was meant to lead to savings for electricity.

Over the last decade, fuel costs have risen. Coal costs 31 percent more than in 1996, while natural gas prices are two-and-a-half times what they were then, according to the Energy Information Administration, which is part of the Energy Department.

But in Maryland and Illinois where big rate increases have been approved, nuclear plants generate about half of the power. The average price of uranium used in nuclear plants has risen by only 2 percent in the last decade, and the fuel represents less than a quarter of the cost to operate the plants. As Exelon has told its investors, the cost to produce nuclear power has gone down, not up, as plants have become more efficient.

In Illinois, however, this matters little, because under the state's deregulation plan, power contracts are priced according to "bundled" contracts pegged to keeping the most expensive plants running, which are now natural-gas-fueled plants.

Mr. Makovich said it would not be off base to compare the situation in Illinois to the experience in California. Pacific Gas and Electric, one of that state's three major utilities, filed for bankruptcy protection in 2001 when it could not push through soaring wholesale prices because of a cap on retail rates. Energy traders at Enron and elsewhere made matters worse by attempting to manipulate the West Coast power market.

A bankruptcy in Illinois would not mean the lights would go off but it would hurt investors and could cause the restructured company to cut back on planned maintenance and investments in new plants. For the moment, however, there is no imminent shortage of power in the Midwest, analysts said.

Still, in some parts of the country, like the Virginia-Carolinas region, there could soon by supply problems. And costs there are rising fast. Last year, Duke Energy, citing surging prices for skilled labor and for raw materials like steel, increased its cost estimate for two new coal-fired plants in North Carolina to $3 billion from $2 billion. Then, this month it said those costs were likely to rise still higher.

"The costs of building new plants is skyrocketing," said John Shelk, president of the Electric Power Supply Association, a trade group. "In a year or two those costs are going to dwarf what is happening now with rate increases."

Consumer groups and many politicians in Illinois and Maryland, however, have little sympathy for the claims by utilities of imminent financial ruin, pointing to record profits at Exelon in 2006, mostly from generating and selling power to its regulated utilities.

"The notion that they faced hardship under the rate freeze is just absurd," said David Kolata, executive director of the Citizens Utility Board in Chicago, a consumer advocacy group that has been working to keep rates frozen. "If you have this relationship where the biggest buyer of electricity is owned by the biggest seller, then customers need to share some of the benefits of that."

Consumer advocates denounce the utilities' marketing tactics. Last year, Consumers Organized for Reliable Electricity, a lobbying group almost solely financed by ComEd, spent more than $10 million on a television ad warning that Illinois could be heading toward a "California-style energy crisis."

In October, a group dressed in red T-shirts appeared on the steps of the Illinois statehouse and sang "We Shall Overcome" in support of higher utility rates.

Avis LaVelle, a spokeswoman for the lobby, said the efforts were a "dose of hardcore reality." She said the utilities were already in a precarious situation because bond-rating agencies, concerned last year that the governor of Illinois would stop the unfreezing of rates, downgraded the ratings of both ComEd and Ameren to junk or near-junk status.

Critics of the utilities, including Illinois Lieutenant Governor Pat Quinn, countered by urging residents to put tea bags in the envelopes with their utility payments to symbolize the Boston Tea Party.

In Marion, with a population of 17,000, dozens of residents continue to stop Mayor Butler at the grocery store and in church to complain. Robert Barnett, a local county commissioner, showed Mr. Butler a bill for $2,540 for the Veterans of Foreign Wars clubhouse — more than twice the previous month's bill of $1,260.

"I guarantee you there will be a lot more people using fans this summer than air-conditioning," Mr. Barnett said. "That is like rolling the clock back 35 years."

Mr. Butler said he was worried not only about residents on fixed incomes who will not be able to afford the increase but also about skyrocketing municipal power rates forcing officials to cut back on other services.

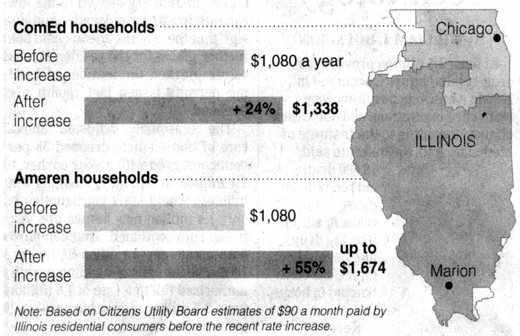
The mayor and dozens of other local officials from other small towns recently met at a civic center in Marion to discuss their plan to buy power from an independent supplier. With summer only a few months away, there is little time to waste.

Mr. Butler acknowledged that local officials should have heeded the warnings of the utilities that rates would shoot up after January and taken action earlier. "But we were creatures of habit," he said. "Now the wheel has come off the cart."

In Illinois, Rising Rates

Half a dozen states plan to join others this year in opening their electricity markets to competition. As part of the move, the states are removing their caps on electricity rates. Commonwealth Edison and Ameren, two major suppliers of electricity to Illinois, imposed substantial increases this month.

CHANGE IN AVERAGE ANNUAL ELECTRIC BILLS
FOR THE AVERAGE RESIDENTIAL CONSUMER, 2005-6



Note: Based on Citizens Utility Board estimates of $90 a month paid by Illinois residential consumers before the recent rate increase.

RATE CAPS EXPIRING NATIONWIDE

2009	2011	Recently expired
Ohio Pennsylvania (has caps expiring in both 2009 and 2011)	Rhode Island Virginia (or if proposed legislation is enacted, in 2009) Pennsylvania	Connecticut, Massachusetts, Maryland, Delaware, Illinois, New Jersey and Texas

Sources: Ameren Corp., Exelon Corp., Citizens Utility Board, J.D. Power & Associates

The New York Times

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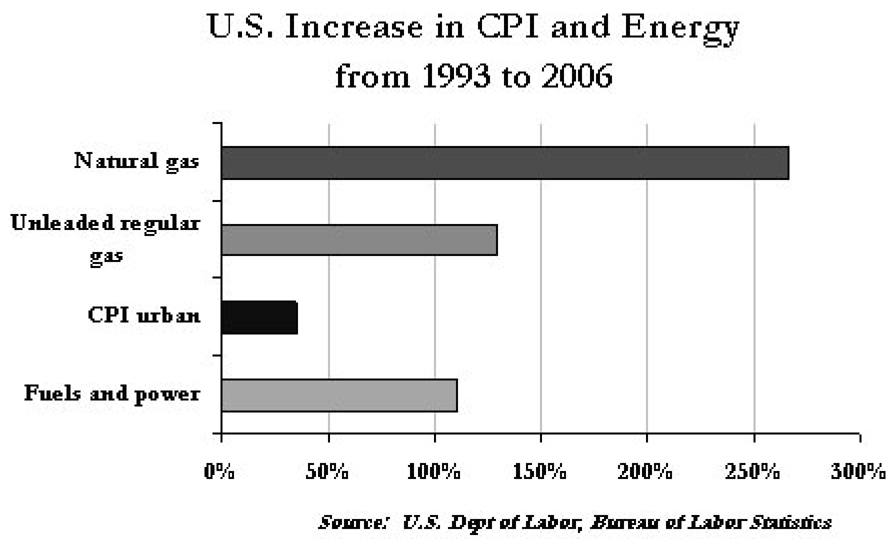
The Maryland Energy Debacle—Why Not Consider Really Giving Customers a Choice? - By Patti Harper-Slaboszewicz
Daily IssueAlert
6/28/2006

Free
Like most families, we pay more attention to utility rates now that we did just two years ago. Add to this the high price for gasoline (at least by U.S. standards), and rising water rates, and we are faced with significantly higher utility rates and transportation costs, none of which appear to be headed down in the foreseeable future. Baltimore Gas and Electric (BGE) customers in Maryland, however, are facing a crisis because between the legislature and the commission, customers have not seen a rate increase for electricity since 1993. The rate freeze is due to expire on July 1, 2006, and the shock of paying market rates for energy (a 72 percent increase in prices) has ended with the legislature passing a law to fire the governor-appointed commission, the governor vetoing the new law, and the legislature firing back by overturning the veto. In the latest round, the chairman of the PUC has filed suit to block the portion of the new law that fires the commission, arguing that only the governor can fire the commissioners. In the midst of the confusion over rates and who will sit on the commission, BGE is attempting to merge with Florida Power and Light (FPL).

Since 1993, prices have changed dramatically for most energy fuels. *Chart 1 U.S. Increase in CPI and Energy Costs 1993 to 2006* below compares the increases in various energy indexes estimated by the U.S. Department of Labor with the overall increase in the Consumer Product Index (CPI) for people in urban areas. Natural gas prices have increased the most with an increase of over 250 percent over the period, but fuels and power have increased by over 100 percent. Over the same period, the CPI increases appear to be fairly mild at 36 percent.

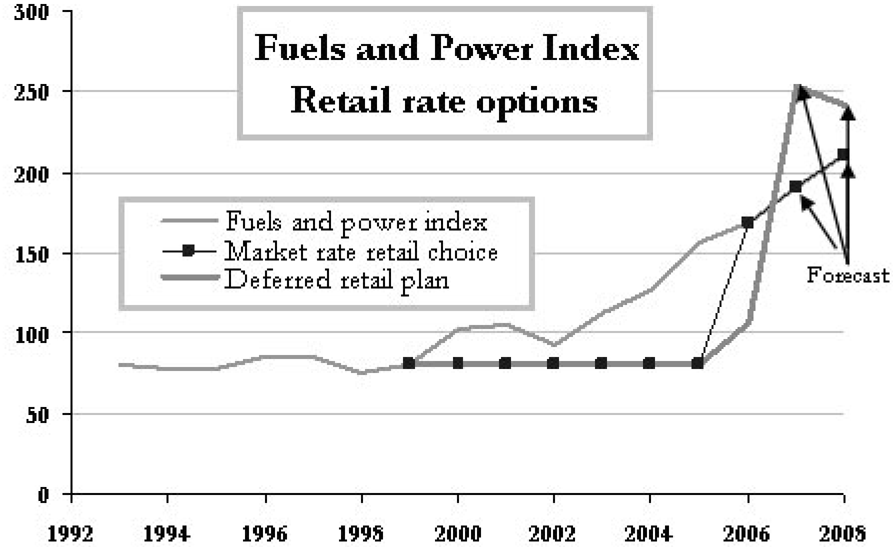
Chart 1 U.S. Increase in CPI and Energy Costs 1993 to 2006



What's behind the crisis in Maryland? Maryland restructuring legislation had frozen the default retail rates for electricity since 1999 (at the 1993 level) for residential customers as part of the restructuring plan to introduce competition. Few residential customers took advantage of this opportunity to change suppliers, however, since the default rates were lower than what competitive providers could offer and still make a profit. Over the past seven years, and particularly since 2002, wholesale costs for energy have risen dramatically. Jumping from the low, frozen rate level to the real cost could have led to price increases of over 70 percent. Customers have been paying less than otherwise for the past seven years, but it is unlikely that customers have put the savings aside to ease into rates based on the current cost of producing energy. One might expect customers and their advocates to react with dismay at the prospect of yet another drain on their budget. The new law passed by the legislature reflects this angst, although it is not clear who to blame.

Neither state legislators nor the Maryland commission can control world energy prices, but depending on wholesale energy prices to not increase over a period of seven years is akin to relying on investments to increase in value because you need the money to pay for college expenses. One could see, however, why in 1999 the Maryland legislature and regulators charged with implementing the restructuring law may have felt comfortable since energy prices were relatively flat from 1993 to 1999. (See *Chart 2* below where the green line represents energy prices based on the Fuels and Related Products and Power index estimated by the Department of Labor). It was only in 2002 that energy prices began their steep climb, increasing 81 percent from 2002 to 2006. UtiliPoint forecasted the price index out until 2008, as shown, using the price trend from 2002 to 2006.

Chart 2 Energy prices climb 81 percent from 2002 to 2006



Source: U.S. Dept of Labor, Bureau of Labor Statistics

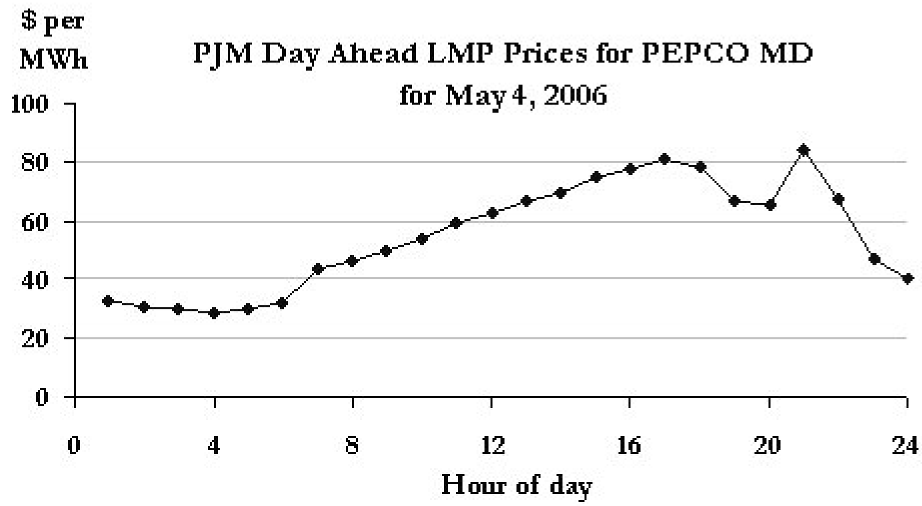
What plan did the (soon-to-be-replaced?) Maryland regulators decide to do in the face of significantly higher prices, and the expectation of prices increasing even more in the coming years? In the case of BGE, the state's largest utility, the proposal is that customers who choose to stay with the default provider will have a choice: pay the market rate beginning in June 2006 (the blue line in the above chart), or face increases of 15 percent in June 2006, another 15.7 percent increase in March 2007, and pay market rates beginning in June 2007 (the orange line in the above chart). However, if customers pick the smaller increases now, they will face market rates in June 2007 and recovery of deferred charges incurred from June 2006 through May 2007.

For the customer opting to pay market rates beginning in June 2006, the customer will see the large percentage increase beginning in June, with another 13 percent increase expected in 2007 and another 10 percent in 2008 (based on our forecast). By the end of 2008, these customers can expect their rates to more double the rate paid in May 2006.

Customers who defer will pay even higher rates beginning in June 2007 to make up for the deferred charges from June 2006 to June 2007. This is illustrated in the above chart, where the deferred retail plan is in orange, and the market retail option plan is shown in blue. Customers choosing the deferred plan will pay less from June 2006 to June 2007, but will then pay higher rates than those choosing the market rate option now.

The regulators were between the proverbial rock and a hard place, but if the necessary metering were in place Maryland regulators could have offered customers other options, such as critical peak rebate or hourly pricing. In the chart below, the day-ahead locational marginal prices are shown for one day to illustrate the variance in wholesale energy prices across the 24 hour period. The day-ahead prices for this particular day climb steadily from 8 am until 5 pm, and then decline until 9 pm, with the lowest price occurring in the wee hours of the morning, and the high price at 9 pm, with a price spread of $55 per MWh, or 5.5 cents per kWh. On most days, the LMP prices vary, with some days with greater variance and on other days with less. This day was chosen at random from among recent weekdays posted by PJM.

Chart 3 Pepco Maryland PJM Day Ahead LMP prices for May 4 2006

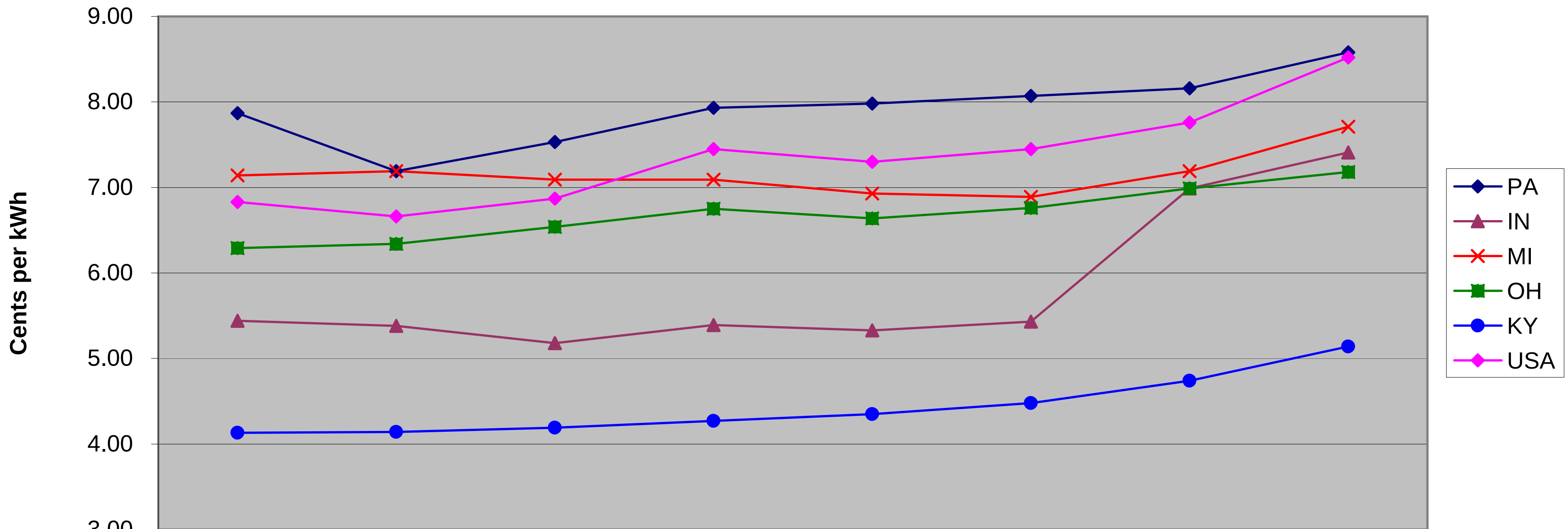


Price spreads such as these provide opportunities for customers to mitigate the move from the artificially low retail rates still in effect in May 2006 in Maryland to market based rates beginning in June of 2006 or 2007. Residential customers who have agreed to participate in time-based rate pilots or ongoing time-based rate programs in other jurisdictions have liked the time-based rates not only for the potential or realized savings but for the feeling of control. Another option would be prepay rates, which help customers understand where and when the energy costs add up based on what appliances are in use. Most customers on prepayment plans prefer prepayment to the more common monthly bill because they can match the timing of their payments to their payroll dates and budget more effectively.

Giving customers the feeling of control when prices appear to be spiraling out-of-control is a good option. Yes, the metering costs more, but the time may be right to consider something besides long term average pricing, which offers little choice to customers but to pay higher prices, regardless of which particular rate plan is ultimately put in place. UtiliPoint urges those involved in the ongoing controversy in Maryland to consider offering time-based rate options and prepayment plans. No one should blame Maryland regulators and legislators for world energy price trends, disruptions in the oil supply, or hurricanes. Instead, we should encourage everyone to explore thoroughly tested alternatives to give customers tools to rise to the challenge of sustained high energy prices. Customers in all 50 states will face higher prices, not just those in Maryland.

And perhaps freezing rates for long periods of time should be avoided because it leads to price shocks further down the road, which as the Maryland commissioners and legislators are learning, is quite a bumpy road indeed.

State Comparison - Average Retail Electric Rates

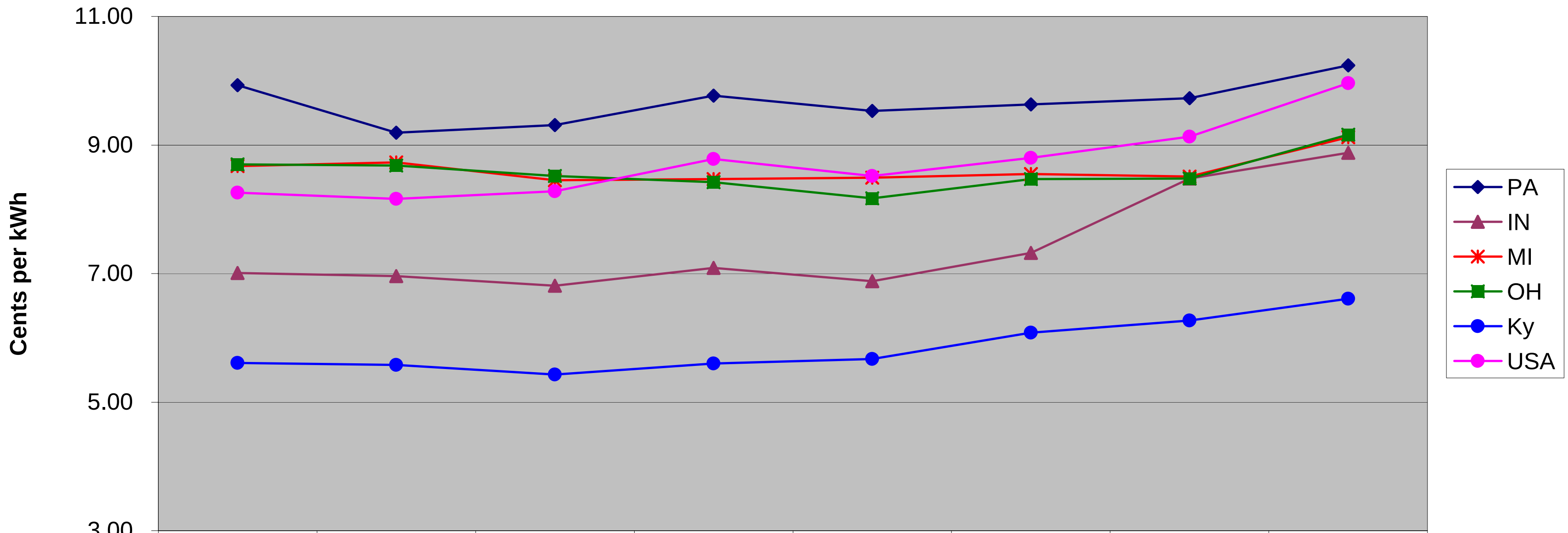


	1999	2000	2001	2002	2003	2004	2005	2006
PA	7.87	7.19	7.53	7.93	7.98	8.07	8.16	8.58
IN	5.44	5.38	5.18	5.39	5.33	5.43	6.99	7.41
MI	7.14	7.19	7.09	7.09	6.93	6.89	7.19	7.71
OH	6.29	6.34	6.54	6.75	6.64	6.76	6.99	7.18
KY	4.13	4.14	4.19	4.27	4.35	4.48	4.74	5.14
USA	6.83	6.66	6.87	7.45	7.30	7.45	7.76	8.52

Excludes special contract customers.

Information taken from Edison Electric Institute
Typical Bills and Average Rates Report
All Utilities Averages (Summer Report)

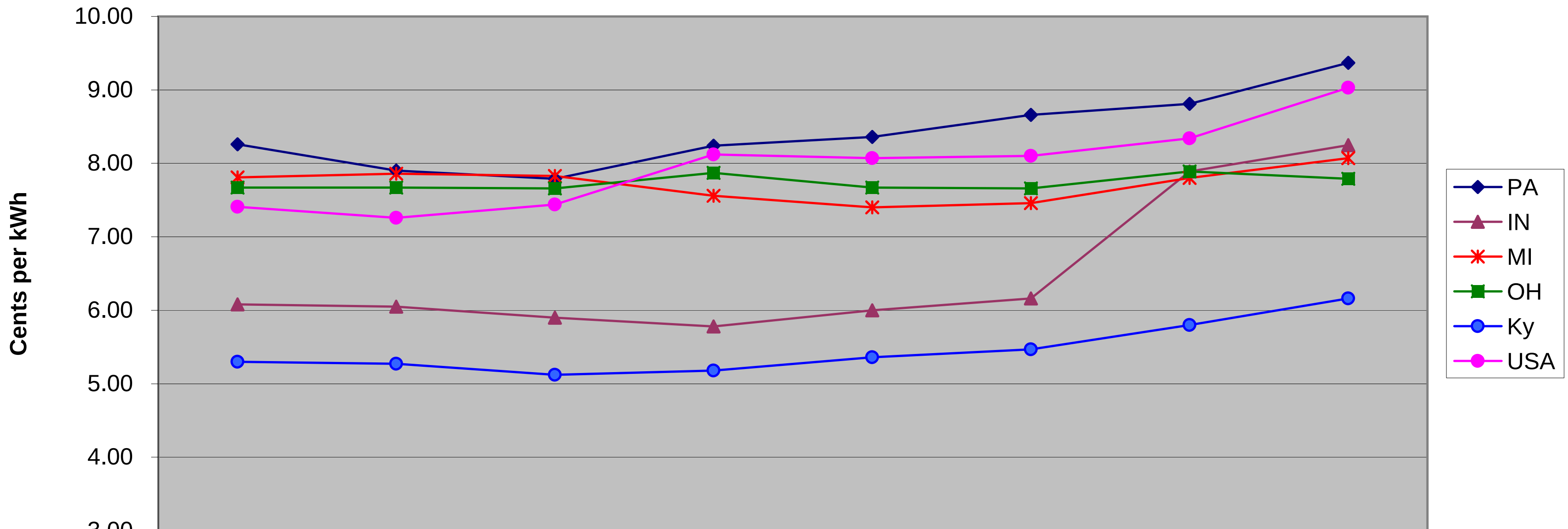
State Comparison - Residential Electric Rates



	1999	2000	2001	2002	2003	2004	2005	2006
PA	9.93	9.19	9.31	9.77	9.53	9.63	9.73	10.24
IN	7.01	6.96	6.81	7.09	6.88	7.32	8.48	8.88
MI	8.67	8.73	8.45	8.47	8.49	8.55	8.51	9.12
OH	8.70	8.68	8.52	8.42	8.17	8.47	8.48	9.16
Ky	5.61	5.58	5.43	5.60	5.67	6.08	6.27	6.61
USA	8.26	8.16	8.28	8.78	8.52	8.80	9.13	9.96

Information taken from Edison Electric Institute
Typical Bills and Average Rates Report
All Utilities Averages (Summer Report)

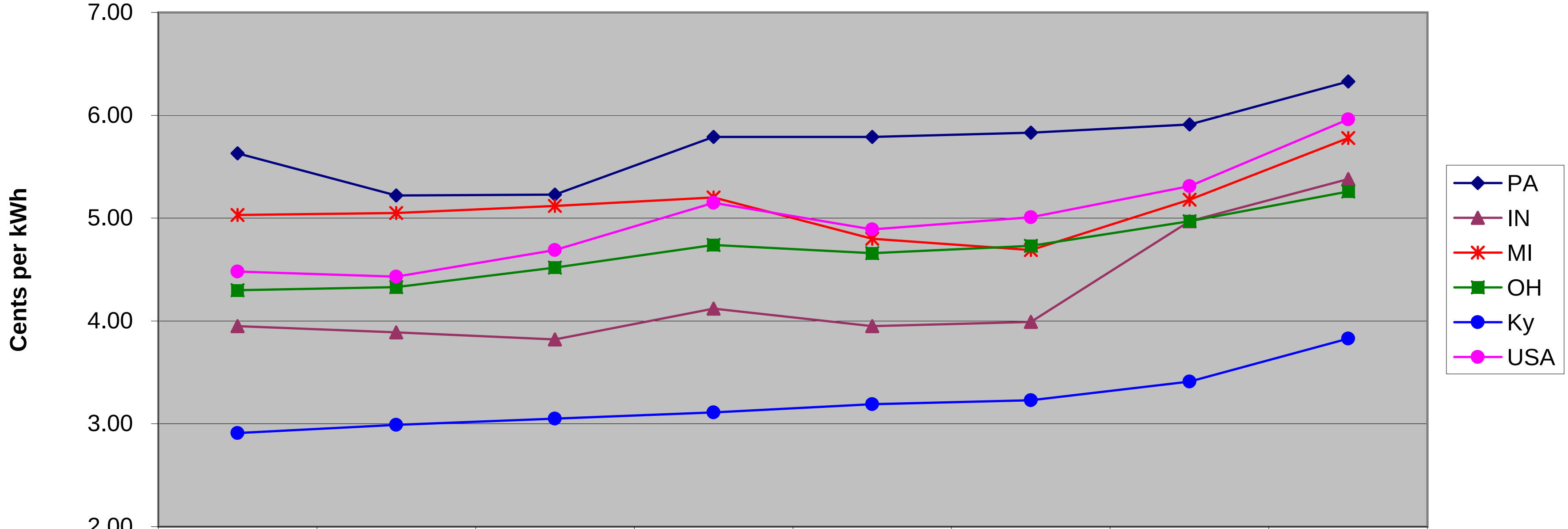
State Comparison - Commercial Electric Rates



	1999	2000	2001	2002	2003	2004	2005	2006
PA	8.26	7.90	7.79	8.24	8.36	8.66	8.81	9.37
IN	6.08	6.05	5.90	5.78	6.00	6.16	7.89	8.25
MI	7.81	7.86	7.83	7.56	7.40	7.46	7.80	8.07
OH	7.67	7.67	7.66	7.87	7.67	7.66	7.89	7.79
Ky	5.30	5.27	5.12	5.18	5.36	5.47	5.80	6.16
USA	7.41	7.26	7.44	8.12	8.07	8.10	8.34	9.03

Information taken from Edison Electric Institute
Typical Bills and Average Rates Report
All Utilities Averages (Summer Report)

State Comparison - Industrial Electric Rates



	1999	2000	2001	2002	2003	2004	2005	2006
PA	5.63	5.22	5.23	5.79	5.79	5.83	5.91	6.33
IN	3.95	3.89	3.82	4.12	3.95	3.99	4.97	5.38
MI	5.03	5.05	5.12	5.20	4.80	4.69	5.18	5.78
OH	4.30	4.33	4.52	4.74	4.66	4.73	4.97	5.26
Ky	2.91	2.99	3.05	3.11	3.19	3.23	3.41	3.83
USA	4.48	4.43	4.69	5.15	4.89	5.01	5.31	5.96

Excludes special contract customers.

Information taken from Edison Electric Institute
Typical Bills and Average Rates Report
All Utilities Averages (Summer Report)