

PPL operates power plants and sells electricity in competitive markets in the Northeast and West. We value open dialogue with public officials to achieve constructive outcomes on energy policy issues. Contact us with questions or requests for information about competitive electricity markets and energy policy.



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New Jersey law will damage wholesale market, lead to higher electric rates

A bill recently approved by the New Jersey legislature and sent to Gov. Chris Christie will damage the state's competitive wholesale electricity market and result in higher electric rates in the long run.

The new law authorizes the state's Board of Public Utilities to seek offers for 2,000 megawatts of generation in New Jersey backed by long-term contracts that guarantee profits for the owners of that generation.

The money that funds the state subsidy of new power plants will come from a charge on their monthly electric bills of New Jersey residents and businesses.

Supporters say the measure will create jobs and reduce capacity prices that are higher in New Jersey than in other areas.

"We understand the concerns of policymakers about energy prices and jobs," said Gene Alessandrini, senior vice president-Marketing for PPL EnergyPlus. "Despite the good intentions, the long-term effects

on New Jersey energy prices and jobs will be negative, and the damage to the competitive energy market will be substantial."

Financial risks of power plant construction will shift from power plant owners back to New Jersey electricity users.

The precedent set by this action ensures that builders of future power plants would require similar subsidies.

And while the focus in the current recession is on creating jobs, adding generation in a market where it is not economically justified will cause some existing plants to scale back operations or shut down earlier than expected because they can't compete with new, state-subsidized plants. The net result will be more jobs lost than gained when the new plants are built and the temporary construction jobs go away.

Combine early plant retirements with the bill's chilling effect on future power plant development and the outcome may be even

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Environmental group's report shows benefits of competition

Electric competition in Pennsylvania has led to lower electricity prices, more options for customers and greater access to innovative products, according to a report released recently by the environmental group PennFuture.

The report showed that since Pennsylvania enacted electric competition in 1996, residential electricity customers are paying from 21 percent less to just 5 percent more in constant dollars over the 15-year period.

Electricity prices compare favorably to natural gas (up 71 percent in constant dollars since 1996), gasoline (up 124

percent) and heating oil (up 183 percent).

"While many may debate the merits of electricity restructuring, the benefits to Pennsylvania ratepayers cannot be disputed," PennFuture wrote.

The report noted that the benefits are not entirely due to declining energy prices in the current recession. Power plants, divested from regulated utilities as a result of electric competition, are operating far more efficiently. The competitive market has spurred the development of 9,000 megawatts of new generation in Pennsylvania, including renewable energy.

'Report card' shows competition's benefits

The old "one-size-fits-all" model of traditionally regulated electricity markets is not the best way to meet the diverse needs of consumers, economic development or the environment, according to a 2010 assessment of competitive markets.

Consumers in states with competitive markets have options that are not available to consumers in states with traditional utility regulation, according to the fourth annual "report card" on competitive electricity markets in North America by Distributed Energy Financial Group.

"A well-structured competitive electric

market not only results in reasonable rates, but also creates clean energy jobs, promotes innovation and infrastructure improvements, and encourages energy efficiency measures," said Pennsylvania Public Utility Commissioner Robert Powelson in response to the report.

States were ranked for their implementation of competitive markets based on more than two dozen attributes of electric service.

PPL EnergyPlus is one of the report sponsors. Read the full report at www.pplenergyplus.com.

Ranking of Competitive Electricity Markets in Mid-Atlantic States

State	Residential	Assessment	Business	Assessment
Pennsylvania	4 of 23	Good; outlook positive	6 of 23	Good; outlook positive
Maryland	5 of 23	Marginal	4 of 23	Good
New Jersey	11 of 23	Marginal	9 of 23	Good
Delaware	16 of 23	Marginal	13 of 23	Good

Source: 2010 Annual Baseline Assessment of Choice in Canada and the United States; Distributed Energy Financial Group.

Choice off to strong start in Peco territory

Almost 10 percent of Peco Energy electricity customers in southeastern Pennsylvania chose alternative energy suppliers within two weeks after long-standing rate caps expired.

The Philadelphia Inquirer reported that 148,000 customers — including 96,000 residential customers — shopped for

electricity in the first weeks of January; 40 percent of the electricity delivered by Peco comes from competitive suppliers.

According to the Pennsylvania Public Utility Commission's papowerswitch.com website, more than 800,000 homes and businesses in the state have switched electricity suppliers.

New Jersey law *(continued from front)*

higher capacity prices down the road, Alessandrini explained.

"Rather than subsidizing uneconomical new generation, New Jersey should use a competitive and transparent process that

considers all sources — new generation, transmission, demand management, energy efficiency and conservation — to achieve the most cost-effective long-term outcome for customers," he said.

Maryland policies would turn back the clock, hurt consumers

Policy proposals in Maryland that would direct regulated utilities to build power plants or enter into long-term supply contracts for generation are a backwards step with negative long-term consequences for electricity prices paid by consumers.

"Maryland's focus on in-state generation ignores the major investments to add generation in neighboring states — including PPL Generation's hydroelectric expansion project at Holtwood, Pa., just across the border from Maryland — and dramatic increases in demand management that enable consumers to conserve energy at a far lower price than building new power plants," said Gene Alessandrini, senior vice president-Marketing for PPL EnergyPlus.

The competitive market rewards the most effective use of money and resources. New power plants have not been built in Maryland because the cost far exceeds the market value of the electricity they would generate.

Policies that place such massive capital investment decisions in the hands of government place unnecessary financial risks on the consumers who will pay for those decisions in their monthly electric bills for years to come.

And while subsidized new generation will lower capacity prices in the short-term, it will lead to even higher prices down the road, as existing power plants — unable to compete with subsidized generation — scale back or shut down, and future development becomes dependent on additional subsidies that increase the risks borne by consumers.