

Offer Service For Residential And Small Commercial Customers In Maryland, to examine electricity procurement for Standard Offer Service (“SOS”) in light of the requirement of Public Utility Companies Article, Section 7-510(c)(4).³ The Commission held evidentiary hearings in that case in October and November 2007 and January 8, 2008. During those hearings, the Commission received evidence on some of the options, such as utility ownership of generation and long-term contracts, that are discussed in the Part I Report. That case is still pending a decision.

The Commission issued a Notice of Hearing in this docket on April 30, 2008 and invited interested parties to provide comments on the Part I Report by May 8, 2008. The Commission has scheduled a hearing on this matter as part of the Administrative Meeting on May 14, 2008.

OPC hereby submits these additional comments regarding the Commission’s Part I Report.

³ Unless otherwise noted, all statutory references in these comments are to the Public Utility Companies Article.

II. Summary

The Commission was directed by Senate Bill 400 to report, by December 1, 2008, on the costs and benefits of the various options for moving to a more regulated electricity supply market for residential and small commercial customers. Senate Bill 1, enacted during the 2006 Special Session, restored much, if not all, of the Commission's regulatory authority with respect to residential and small commercial customers that was removed by the Electric Customer Choice and Competition Act of 1999. The Commission now has the authority to direct the investor-owned utilities to acquire or construct their own generating facilities.⁴ Also, the Commission must oversee the utilities implementation of their on-going obligation to provide an SOS for residential and small commercial customers that is designed to achieve the best price with reasonable protection from price volatility.⁵ The issue now is how the Commission should implement this regulatory authority.

OPC agrees with the basic findings of the study performed by Levitan & Associates and others, which is attached to the Part I Report, that customers would benefit from an entity, such as their utility, taking on an active participation in the wholesale electricity markets on their behalf. Such actions could include construction of generating facilities or entering into long-term contracts for new generating facilities. In fact, OPC has commissioned a study, which is attached to these comments as Attachment C, that analyzes the expected price impacts of various supply alternatives, and combinations of those alternatives, as well as the risk of unexpected outcomes associated with each of the options.⁶ The study commissioned by OPC reaches the same basic conclusion as the Levitan study - that various portfolios of resources would provide

⁴ Section 7-510(c)(6).

⁵ Section 7-510(c)(4)(ii)(1).

⁶ "Risk Analysis Of Procurement Strategies For Residential Standard Offer Service," Resource Insight, Inc. and Synapse Energy Economics, Inc., attached hereto and incorporated into these comments as Attachment C.

better prices for customers than simply passively accepting short-term wholesale prices as currently occurs in SOS procurement and in the “business-as-usual” cases in both studies.

These studies provide strong evidence that supply alternatives that are not in the current SOS portfolio should be pursued. However, more analysis and consideration should occur before implementing these options. OPC urges the Commission to institute a process by which that additional analysis is performed and presented to the Commission for consideration and adoption as soon as reasonably practical. OPC believes that the most efficient and expedient process for moving forward is to direct the investor-owned utilities to file procurement plans that are based on analysis of the resource options available and the expected price impacts and associated risks for each resource. The utilities should make recommendations on a portfolio of resources that meet the goals of Senate Bill 1 - best price with a reasonable level of volatility. While the primary focus of these procurement plans would be the procurement of electricity for residential and small commercial SOS, they could also incorporate assets that are acquired for the benefit of a wider set of customers and address how those assets would be allocated. The Commission should conduct proceedings on the proposed plans with the ultimate result being adoption of a procurement plan for each utility. The basic issue in these cases would be “the costs and benefits to residential and small commercial customers of returning to a regulated supply market.” Thus, they would provide a great deal of information on which the Commission can base its report to the General Assembly.

III. Comments

Senate Bill 400 directs the Commission to “identify the issues related to options for re-regulation” and “discuss the costs and benefits to residential and small commercial customers of returning to a regulated supply market.” There is, of course, a wide range of possibilities for

governmental interaction with any industry. This range spans from complete control of the industry by the government to a total lack of governmental involvement in the industry. Traditional regulation of the electric industry, as well as other utilities, is towards the government-control end of the range and “re-regulation” would move the industry in that direction. “Deregulation” moves the industry toward the no-government-involvement end of the range. In this country, neither extreme end of the range actually occurs. Unless the government takes over the electric industry, there will be limits to the regulatory influence over the industry. And, there is always some governmental involvement in all industries in this country such as, at a minimum, licensing, safety regulations, taxation, product standards, and contractual and tort liability. The question of “re-regulation” or “deregulation” is not a binary, on/off issue but a question of what the regulatory scheme will be for the industry and where it will fall in the range.

A. The Electric Customer Choice And Competition Act Of 1999

The Electric Customer Choice and Competition Act of 1999 (the “1999 Act”) moved Maryland’s electric industry significantly toward the no-government-involvement end of the range. The 1999 Act prevented regulation of the “generation, supply, and sale of electricity” with no exceptions even for regulatory actions to maintain reliability or to react to a failure of the new electric market to develop as hoped.⁷ The 1999 Act established a standard offer service (“SOS”) but the utilities were only obligated to provide such a service to residential customers, or sell electricity at all, until July 1, 2003, unless the Commission made certain findings on, at most, a year-to-year basis.⁸ Further, the Commission was directed to establish regulations to

⁷ Section 7-509. Under the 1999 Act there was still regulation of the industry, such as licensing and consumer protection rules for retail suppliers and oversight of the SOS procurement process. Also, the wholesale electricity market is regulated at the federal level.

⁸ Section 7-510(c)(3). This provision was modified by Senate Bill 1.

conduct an auction to select a different provider of SOS to which all residential customers would be automatically transferred.⁹ Of course, the main thrust of the 1999 Act was to enable companies other than the utilities to sell electricity to customers at retail.

B. Senate Bill 1

Senate Bill 1 (Chapter 5, Acts 2006 Sp. Sess.) moved the regulation of Maryland's electric industry away from the no-governmental-involvement end of the scale and restored it to essentially where it was prior to 1999. It requires the utilities to provide SOS indefinitely.¹⁰ The Commission was given explicit authority to "require or allow an investor-owned electric company to construct, acquire, or lease, and operate, its own generating facilities, and transmission facilities necessary to interconnect the generation facilities with the electric grid, subject to appropriate cost recovery."¹¹ Senate Bill 1 also implemented a new standard for procurement of electricity for SOS. It must be "designed to obtain the best price for the residential and small commercial customers in light of the market conditions at the time of procurement and the need to protect these customers from excessive price increases."¹² Further, the procurement of electricity for SOS must be a "portfolio of blended wholesale supply contracts of short, medium, or long-term and other appropriate electricity products and strategies, as needed to meet demand in a cost-effective manner."¹³

For residential and small commercial customers, Senate Bill 1 restored the regulatory authority over the electric industry that was removed by the 1999 Act.¹⁴ Utilities can either own

⁹ Section 7-510(c)(4). This provision was modified by Senate Bill 1.

¹⁰ Section 7-510(c)(3)(ii)(2).

¹¹ Section 7-510(c)(6).

¹² Section 7-510(c)(4)(ii)(1).

¹³ Section 7-510(c)(4)(ii)(2).

¹⁴ Senate Bill 1 may give the Commission more regulatory authority than it had prior to the 1999 Act by explicitly giving it the right to direct utilities to construct or acquire generation facilities. Section 7-510(c)(6). This authority was not clear prior to 1999.

generation plants or purchase electricity from other companies at wholesale to supply their customers and those options are to be implemented in the most cost-effective manner.

Customers can be required to provide cost recovery and a reasonable return to the utilities. This is close to the regulatory paradigm prior to the 1999 Act, when Maryland's utilities used a combination of their own generation assets and purchased power to supply their customers in the most cost-effective manner possible. There are, of course, significantly different factual circumstances now than in 1999. The utilities now own no generation and customer choice still remains in place for all customers.

Senate Bill 1 has already significantly accomplished "re-regulation" by restoring the regulatory paradigm for residential and small commercial customers to where it was prior to 1999. Therefore, in addressing the General Assembly's questions regarding the "options for re-regulation" and the "the costs and benefits to residential and small commercial customers of returning to a regulated supply market" the Commission should focus on 1) evaluation of further changes to the regulatory paradigm and 2) implementation of the regulatory authority that exists today.

C. Changes To The Regulatory Paradigm

The current regulatory paradigm for residential and small commercial customers maintains retail choice while allowing the utilities to sell electricity to their customers under SOS either from their own power plants or from electricity bought with wholesale contracts. Under either scenario, the Commission is responsible for establishing the appropriate cost recovery for the utility and, thus, the retail price for that electricity. It is OPC's view that the statute requires that the utility procurement of electricity to sell to its customers must be designed to provide the

best service possible, without compromise for the purpose of assisting retail supplier business models.¹⁵

At this point, the options for shifting the regulatory paradigm for the Maryland electric industry are to move either toward back toward the “deregulation” accomplished by the 1999 Act or move the other direction toward traditional utility regulation. To go back to a more complete deregulation of the industry similar to the result after the 1999 Act would require repeal of the Senate Bill 1 provisions previously discussed and steps to encourage retail suppliers to enter (according to the retail suppliers, this would include creation of a high-priced and volatile SOS based on short-term purchases). To shift the regulatory paradigm in the other direction, toward traditional regulation, the primary issue is whether to retain retail choice in electricity for small customers.

There is no evidence from Maryland’s experience, or from other states around the country, that retail electric choice is benefiting small customers. Here in Maryland, only 3% of

¹⁵ In Order No. 81102, issued in Docket No. 9064 on November 8, 2006, the Commission held that one of the five statements in Section 7-504, *Purpose of subtitle*, creating “competitive retail electricity supply services markets,” was a “*primary* objective of Maryland’s electricity procurement structure” and, thus, on equal footing to the recent amendments comprising Senate Bill 1 as they pertain to SOS pricing. Order No. 81102 at p. 37 (emphasis added). The Commission found that its role is “to fashion SOS procurements that *simultaneously*: 1) *advance retail competition and customer choice*; 2) achieve the best price for customers receiving SOS; and 3) mitigate against excessive volatility.” Order No. 81102 at p. 30 (emphasis added). The Commission adopted the current SOS procurement methodology based on this interpretation of the statute. OPC argued in its “Request For Rehearing And Reconsideration And Motion For Expedited Consideration,” filed on December 5, 2006 in Docket No. 9064, that the Commission had erred in its interpretation of the statute because after Senate Bill 1, achieving the best price with appropriate protection from volatility are the only considerations for designing SOS procurement and those goals cannot be compromised to achieve a higher level of retail switching or benefit retail suppliers because the provisions of Senate Bill 1 are specific to SOS procurement while the purpose provisions are more general and Senate Bill 1 is a substantive change to the statute intended to change its meaning. *Maryland-National Capital Park and Planning Comm’n*, 395 Md. 172 (2006); *Management Personnel Services, Inc. v. Sandefur*, 300 Md. 332 (1984). That request remains pending decision. OPC supported SB583/HB1314 in the 2008 General Assembly session that would have clarified that the statements in the purpose provisions of the statute do not trump the provisions of Senate Bill 1 that call for SOS to be the best price with reasonable protection from volatility. Passage of such an amendment to the statute would render arguments over the apparent tension between the two provisions moot.

residential customers are being served by retail suppliers.¹⁶ There are few offers to residential customers, and the vast majority of those are at prices above SOS rates, including the offers with no environmental claims.¹⁷ Supporters of retail competition continue to point to Texas and New York, but the evidence in Case No. 9117 shows that while there were choices available to residential customers in those states, there was no service similar to the SOS envisioned by Senate Bill 1 (best price with protection from volatility) available for customers in those States, making it difficult to evaluate retail offers. Furthermore, the offers being made are predominantly for monthly prices. These markets do not appear to provide any true savings to customers, but only the opportunity to gamble on whether one offer turns out to be better than another.

There being no demonstrable benefits to retail choice in the nine years since passage of the 1999 Act, which is consistent with the experience in other states, the reasonable conclusion at this point is that there simply are no benefits for residential consumers from retail choice for electricity. Therefore, there is no justification for moving from the current state of regulation back to the more complete deregulation of the 1999 Act.

OPC supported SB583/HB1314 in the 2008 General Assembly session that would clarify that the provisions in the Public Utility Code describing the purposes of the subtitle, such as establishment of customer choice and creation of a competitive market,¹⁸ do not trump the provisions which call for SOS to be the best price with reasonable protection from volatility.¹⁹ If the current state of regulation is maintained, that clarification would be beneficial to customers and should be supported and adopted.

¹⁶ See monthly report available on the Commission's website, <http://webapp.psc.state.md.us/Intranet/samplecode/enrollmtrpt.cfm>.

¹⁷ See OPC's "Utility Supplier Offers" chart attached hereto as Attachment B.

¹⁸ Section 7-504.

¹⁹ Section 7-510(c)(6).

The only real question at this point is whether to move from the current regulatory paradigm toward traditional utility regulation and eliminate retail choice for small customers. Witnesses for Pepco Holdings, Inc. presented evidence in Case No. 9117 that the continuation of retail choice made certain options for SOS supply impossible or impractical. By definition, if some supply options are eliminated from consideration, then SOS has been degraded and can no longer be counted on to be the “best price” over time. If the Commission is persuaded that continuation of retail choice for residential customers restricts the choices available for power procurement, then retail choice is harming residential customers and, considering there is no demonstrable benefit to residential customers, it should be discontinued.

D. Comments On The Five Options Identified In The Part I Report

With Senate Bill 1 in 2006, the Commission now has authority over utility sales of electricity to residential and small commercial customers similar to the authority it had prior to the 1999 Act. The Commission elected to exercise that authority for the investor-owned utilities by directing them to continue to procure all SOS power through solicitations of two-year full-requirements contracts.²⁰ The Commission has continued that procurement process to date, pending further decision in Case No. 9117.

In the Part I Report, the Commission, based on its consultants’ report, identified five options for “re-regulation:”

1. utility ownership of all in-state generation and a return to cost-of-service regulation;
2. utility-directed long-term contracts;
3. state power authority;
4. integrated resource planning; and

²⁰ Allegheny Power is a partial exception in that they have been directed to procure power through full-requirements contracts but the terms of those contracts vary between five months and 29 months.

5. aggressive efforts to shape PJM’s wholesale markets.²¹

The Commission currently has regulatory authority to implement the first option with respect to generation acquired or built by the utilities, and it has authority to implement the second option. The third option would require the adoption of new legislation. The establishment of a state power authority is a concept that is worth exploring but it presents complex questions that go beyond the Commission’s role and should be addressed in concert by multiple state agencies.

The fourth option, integrated resource planning (“IRP”), is the process that informs decisions on how to implement the first two options on the list as well as the other procurement options that are available. OPC agrees with the Commission that “reinstating and reinvigorating the IRP process is a critical component of any re-regulatory initiative. Planning the appropriate mix of cost-effective resources – transmission, conservation and new generation – should be one of the core functions of the PSC.”²² The only issue OPC can take with that statement is that an IRP process is a critical component to what the Commission will be doing whether there is a “re-regulatory initiative” or not. Currently 97% of all residential customers buy electricity from their utility, and there is no indication that that number will significantly decrease at any time. The prices those customers pay for electricity are a direct result of the procurement plans utilized by their utility. In turn, the Commission is reviewing and approving all of those procurements. Thus, decisions on what type of resources to use to serve residential customers and how to acquire those resources are being made now and those decisions have a direct impact on customers’ bills whether there is a “re-regulation initiative” or not.

²¹ Part I Report, pp. 32-45.

²² Part I Report, p. 44.

Decisions on procurement should be made based on the best information possible, including analysis of all resource options and how they can work together. The reinvigoration of a planning process is necessary to develop data and analysis of how different portfolios will perform over time to assist in making resource procurement decisions that are in the best interests of customers. OPC applauds the Commission's statement that it has "initiated plans to develop a dedicated in-house IRP unit"²³ and urges the Commission to implement those plans as soon as possible.

OPC also applauds the efforts the Commission has made in implementing the fifth option, to strengthen efforts to shape PJM wholesale markets. The Commission has already achieved successes in this effort and OPC urges the Commission to continue.

E. Implementation Of Senate Bill 1

Senate Bill 1 has provided the necessary regulatory authority to implement most of the options for "re-regulation" identified in the Part I Report. The exception is the option to create a state power authority. The prime option for "re-regulation" is implementation of an SOS that is designed to provide benefits to consumers over the long-term. A full evaluation of the portfolio options available to accomplish that goal will examine the "costs and benefits to residential and small commercial customers" of the various supply options available to serve them. The question before the Commission now is how to implement that authority. OPC believes it is time to implement SB1 and determine which procurement methodology leads to the best prices for residential customers, while maintaining reliability and providing reasonable protection from volatility. For residential customers, the bulk of this procurement will take place through SOS procurement but could also take the form of an asset (whether ownership of a plant or a contract)

²³ *Id.*

that is assigned to a wider group of ratepayers because of its benefits in ensuring reliability or moderating price volatility.

The Commission has continued to direct the utilities to procure power based on the methodology adopted in Order No. 81102 issued on November 8, 2006 in Case No. 9064. In January and February 2007, solicitations for electricity for residential SOS were held pursuant to that order resulting in the procurement of approximately 37.5% of the BGE residential SOS requirement for Planning Year (“PY”) 2007 and 12.5% of the BGE residential requirement for PY 2008. For Pepco and Delmarva residential customers, the January and February 2007 solicitation procured approximately 62.5% of the requirement for PY2007 and 37.5% of the requirement for PY2008. In April and October 2007 and April 2008, solicitations have continued under the order in Case No. 9064 that have procured, for BGE residential customers – 12.5% of PY2007, 62.5% of PY2008, 62.5% of PY2009, and 12.5% of PY 2010; for Delmarva and Pepco residential customers – 12.5% of PY2007, 62.5% of PY2008, 50% of PY 2009, and 12.5% of PY 2010. The Commission docketed Case No. 9117 in August 2007 and held hearings in that case in October and November of 2007 and on January 8, 2008 but has never made a finding that the current method meets the standards enacted in Senate Bill 1.

OPC has commissioned an analysis of the type that is necessary to evaluate “the costs and benefits to residential and small commercial customers of returning to a regulated electric supply market.” At OPC’s request, Jonathan Wallach and Paul Chernick of Resource Insight, Inc. and David White and Rick Hornby of Synapse Energy Economics, Inc. performed an analysis of the potential benefits and drawbacks of various supply options for electricity service for residential customers. Their report on this analysis, entitled “Risk Analysis Of Procurement Strategies For Residential Standard Offer Service,” is attached hereto and incorporated into these

comments as Attachment C (“OPC Risk Analysis”). The authors of the study conducted sophisticated computer modeling to analyze the expected costs and risks associated with a variety of supply portfolios for residential customers over an extended period of time. The portfolios analyzed in this study represent the status quo as well as movement toward and away from a more “regulated electric supply market.”

The study analyzes portfolios made up of a number of supply alternatives, including short-, medium-, and long-term contracts, energy efficiency, and investment in new generating plants, such as wind turbines, natural gas and coal fired plants. The computer model ran one thousand different scenarios for each portfolio. For each scenario, the model used different values for the necessary inputs such as fuel prices and environmental compliance costs. The values used for these inputs were randomly created and covered a range of reasonable expectations for these costs. This allows the results of the modeling to provide a picture of the benefits that the portfolio can provide to customers as well as the risk that the portfolio would impose costs on customers that are higher than expected.

The portfolios studied are:

- the current SOS approach (which is referred to as “Business As Usual”),
- a portfolio of all spot energy purchases,
- a portfolio that incorporates energy efficiency and new wind resources into the current SOS procurement methodology, and
- three different portfolios that blend energy efficiency resources with short (two years) and medium (five year) contracts and investment in new wind, natural gas, or coal generating plants.

The modeling results indicate that the current approach, which relies on short-term (two year) contracts will result in the highest prices for customers and is the riskiest and most volatile of all the portfolios studied (except spot purchasing). Relying on spot (hourly) purchases provides modest savings

in terms of expected prices but carries with it significant risk of prices that are higher than expected and high volatility.

The portfolios that performed the best were those that have a diversification of resources and include energy efficiency and investment in new generating resources. Incorporating medium length contracts (five year) and investment in new wind turbines, natural gas-fired or coal-fired generation along with short-term (two year) contracts resulted in lower expected prices over the long-term and less risk of prices turning out to be higher than expected. The analysis indicates that these blended portfolios would produce the best results for Maryland residential customers.

The OPC Risk Analysis builds on the “Analysis Of Options For Maryland’s Energy Future,” which was prepared for the Commission by Kaye Scholer LLP, Levitan & Associates, Inc., and Semcas Consulting Associates and incorporated as part of the Part I Report (the “Levitan Study”). The Levitan Study compares electricity prices for all customers in the State under business-as-usual conditions versus incorporation of various types of resources into the portfolio. In both the Levitan Study and the OPC Risk Analysis, retail prices over time are directly tied to the prevailing short-term wholesale market prices in the business-as-usual scenario. Both studies analyze portfolios with a specific resource, or mix of resources, incorporated at a contract price based on cost plus return recovery with the remainder of the portfolio supplied at prevailing market prices. The OPC Risk Analysis did modeling over many different scenarios to determine expected prices for the portfolio and quantify the risk of prices being different than expectations. The Levitan study did not perform this type of risk analysis but does recommend that such an analysis be done.²⁴

The Levitan Study and the OPC Risk Analysis come to the same basic conclusion: the Commission can direct the investor-owned utilities to access the wholesale electricity markets in

²⁴ Levitan Study, p. 6.

certain ways that will result in better prices for customers than simply accepting the prevailing short-term market prices. While OPC believes that more analysis should be performed before decisions are made on resource procurement, these two studies give the Commission sufficient basis for moving forward with a process to review that additional analysis and make those decisions.

The OPC Risk Analysis is not intended to be, in and of itself, a resource procurement plan. OPC believes that the same can be said about the Levitan Study. They are, however, examples of the type of analysis that should be done to inform resource procurement decisions. They provide strong evidence that it can be beneficial for customers for the entity that is buying power on their behalf to be an active participant in the wholesale markets instead of passively accepting short-term market prices on behalf of their customers. These studies should be a starting place for the process described in the next section of these comments.

F. Process Recommendations

The Commission should begin a process that will arrive at a decision on which procurement option, or combination of options, will produce the best result for customers over the long term. The Commission has the opportunity now to start the process to get there. OPC believes the most efficient and expedient way to begin this process is for the Commission to direct the investor-owned utilities to consult with stakeholders and submit a long-term procurement plan covering 15 to 20 years, supported by data and analysis, within 60 days. These plans should analyze the expected price impacts of all potential supply and demand resources as well as the risk that the resource option will result in higher than expected prices and the risk that it could create price volatility. Based on this type of analysis, the utility should make a

recommendation of the portfolio that will result in the lowest expected prices with a reasonably low risk of prices being higher than expected and reasonably low risk of price volatility.

OPC submits that the utilities should be directed to incorporate, or at least respond to, the results and findings of the Levitan Study and the OPC Risk Analysis. The plan should describe how electricity for SOS customers will be procured but can also include resource procurement that will be for the benefit of a wider group of customers. The utilities should have the obligation to produce a plan because they have the statutory obligation to provide SOS to residential and small commercial customers on a continuing basis and they have the statutory obligation to provide service that is “safe adequate, just, reasonable, economical, and efficient, considering the conservation of natural resources and the quality of the environment.”²⁵ They also have access to information on load characteristics that is not readily available to others. Further, the statute directs the Commission to “require each public service company subject to its jurisdiction to formulate and, after approval by the Commission, to implement long-range plans to provide regulated service.”²⁶ Senate Bill 1 clarified that SOS is a regulated service that will be in place for a long time, thus a long-term plan for providing that service is necessary and required. The Commission should conduct proceedings on each plan that would result in a Commission order adopting a procurement plan for each utility. Of course, procurement will be an on-going activity that will need to be periodically reviewed. At the very least, the process, if begun now, could be far along by October 2008 when the next SOS solicitation is scheduled, giving the Commission information on which to base a decision on whether, and if so how, to proceed with that solicitation.

²⁵ Section 5-303.

²⁶ Section 2-118(b).

There has been issues raised in Case 9117 and in the 2008 General Assembly session of whether a long-term asset, if one is to be procured, should take the form of a long-term contract or actual ownership of the plants and whether public or private ownership of generating plants would be most beneficial to customers. The Commission should ensure that these questions receive a public vetting. This can be accomplished a variety of ways: by directing the utilities to address the issue in their procurement plan filings, by requesting comments on a whitepaper authored by the Staff or the Commission's consultants on the subject, or by docketing a generic proceeding on the issue to run in parallel to the proceedings on the utilities' procurement plans.

The investor-owned utilities have already procured 100% of the electricity they need for residential SOS through May 31, 2009, 75% of that requirement through September 30, 2009, and lesser amounts through September 30, 2010.²⁷ This does not preclude implementing measures that would act as a financial hedge for customers prior to the date that electricity is needed. It does, however, provide a natural transition period to produce, evaluate, adopt and implement procurement plans.

IV. Conclusion

If the Commission adopts the procedural recommendations in these comments, the final version of the Part I Report could provide the Commission findings on "the costs and benefits to residential and small commercial customers of returning to a regulated electric supply market" which would come from its evaluation of the procurement options available for residential and small commercial customers as developed through the proceedings on utility procurement plans. This evaluation would lead to a decision on which option, or portfolio assembled from the options, will provide the best price for customers over time with reasonable protection from

²⁷ Allegheny Power is on a different procurement schedule than the other investor-owner utilities.

volatility.

Continued for signatures:

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