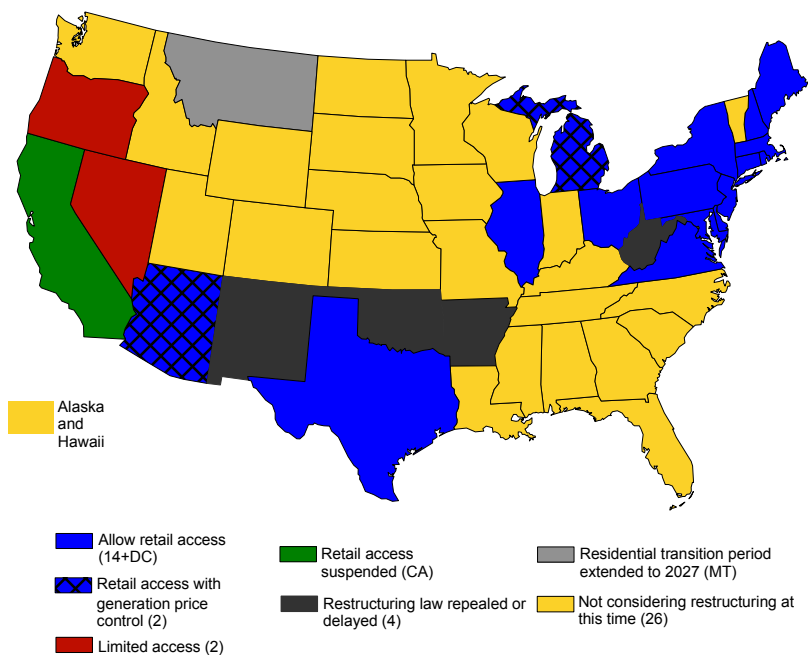


"Take Back the Power" Conference

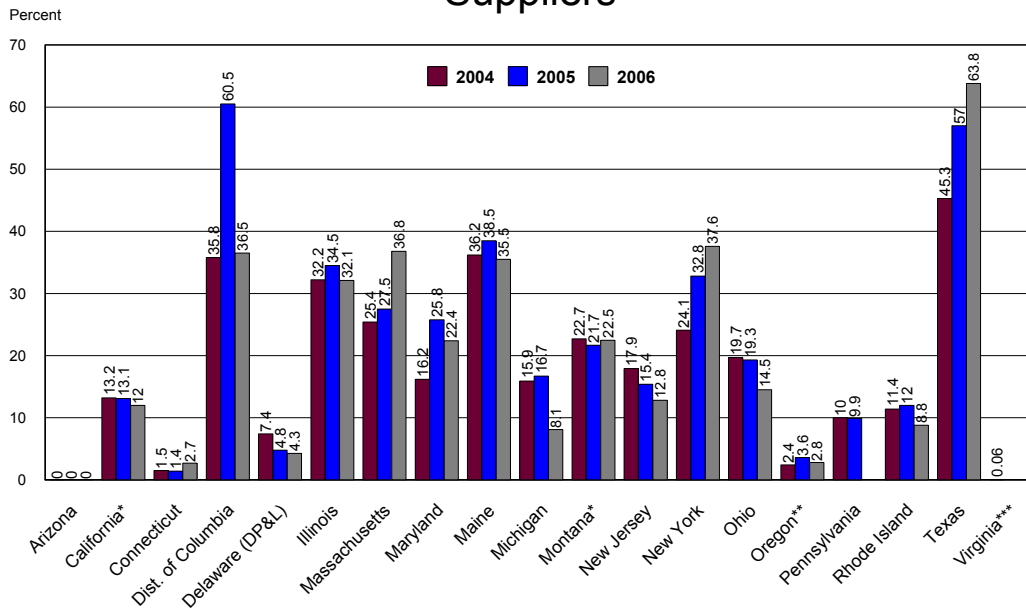
National Press Club
Washington, DC
February 26, 2007

Overview of State Retail Activity
by
Kenneth Rose, Ph.D.

Status of State Restructuring



Percent of Total State Load Served by Competitive Suppliers



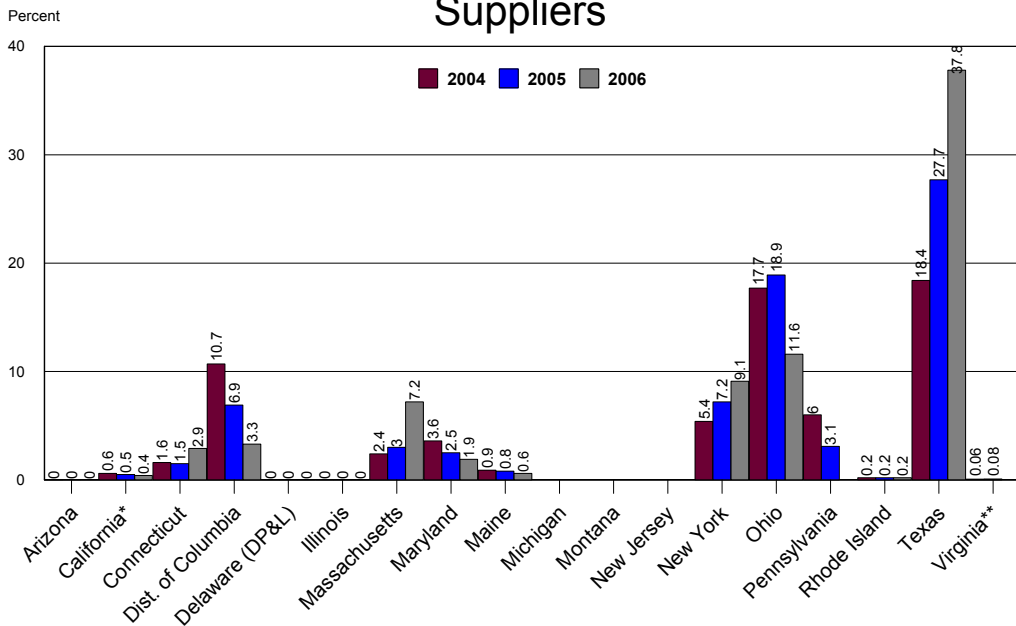
*California retail access was suspended, Montana delayed residential retail access.

**Oregon has retail access for large customers only.

***Virginia percentages are percent of customers, all others are percent of load.

Data Sources: KEMA, Inc., "Retail Energy Foresight," June/July 2004, May/June 2005, March/April 2006 and the Virginia State Corporation Commission.

Percent of Residential Load Served by Competitive Suppliers

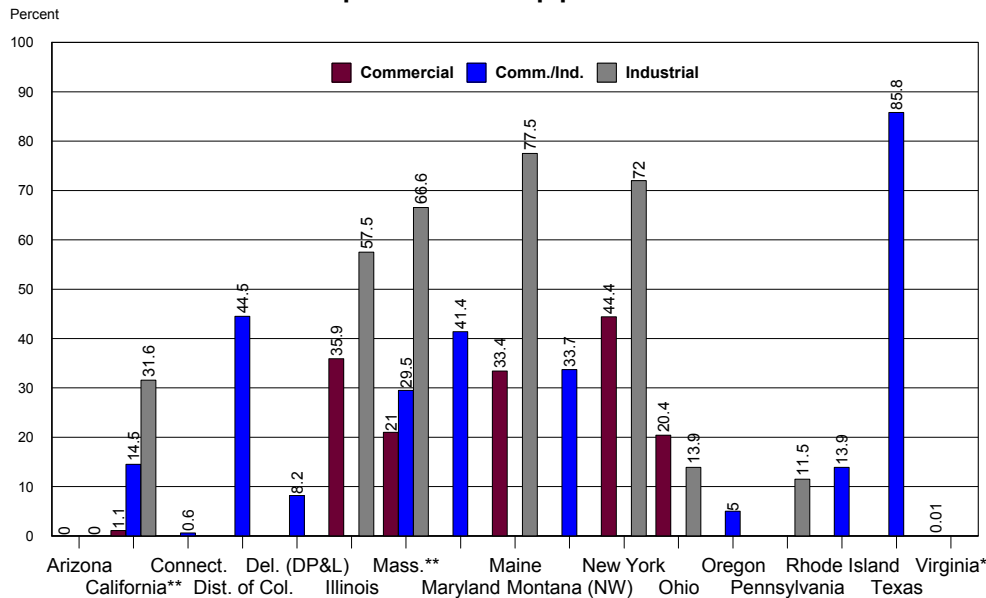


*California retail access was suspended, Montana delayed residential retail access.

**Virginia percentages are percent of customers, all others are percent of load.

Data Sources: KEMA, Inc., "Retail Energy Foresight," June/July 2004, May/June 2005, March/April 2006 and the Virginia State Corporation Commission.

Percent of Commercial and Industrial Load Served by Competitive Suppliers, 2006



*Virginia percentages are percent of customers, all others are percent of load.

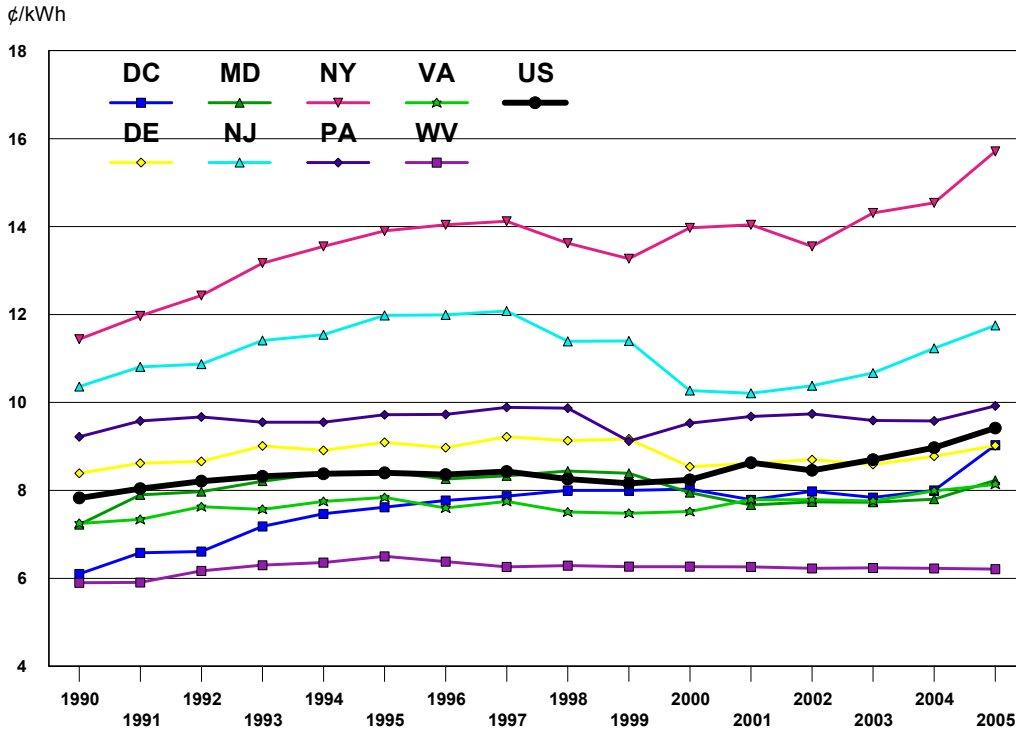
**For California and Massachusetts, the category shown as "Comm./Industrial" is large commercial.

Data Sources: KEMA, Inc., "Retail Energy Foresight," March/April 2006 and the Virginia State Corporation Commission, 2005.

Last Year's Headlines

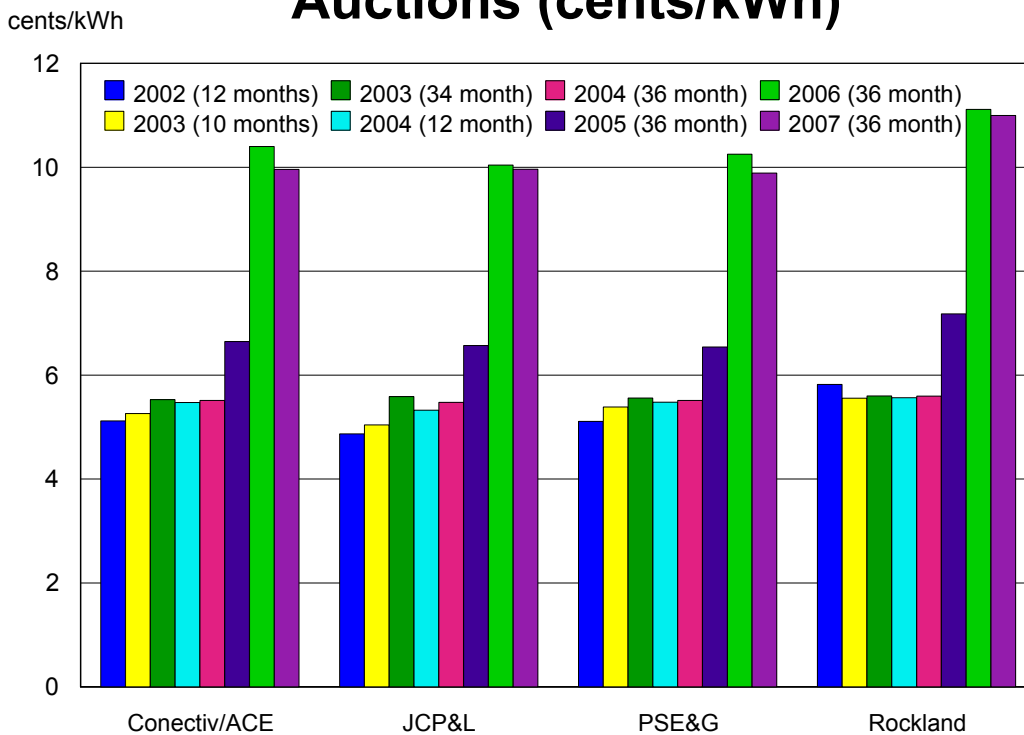
- Maryland (BGE): 72% increase for residential customers beginning July 1, 2006 -- phased-in
- Pennsylvania (Pike County Light & Power): 70% increase
- Delaware (Delmarva): 59% increase for residential customers, 47% to 118% increase for business class customers beginning in May of 2006 -- to be phased-in
- D.C.: 12 percent increase for residential customers effective June 1, 2006
- New Jersey: 12% to 14% in June 2006
- Illinois: 22% for ComEd, 40% to 55% for the three Ameren companies

Mid-Atlantic Residential Average Retail Price



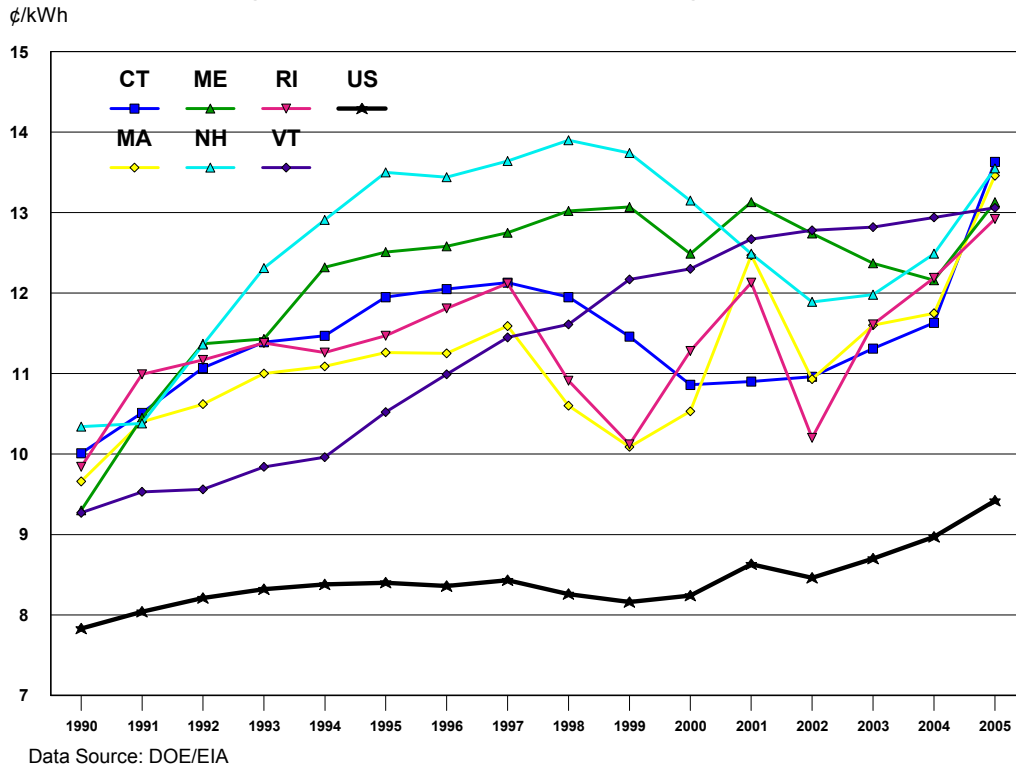
Data Source: DOE/EIA

Results of the "Fixed Price" New Jersey Auctions (cents/kWh)

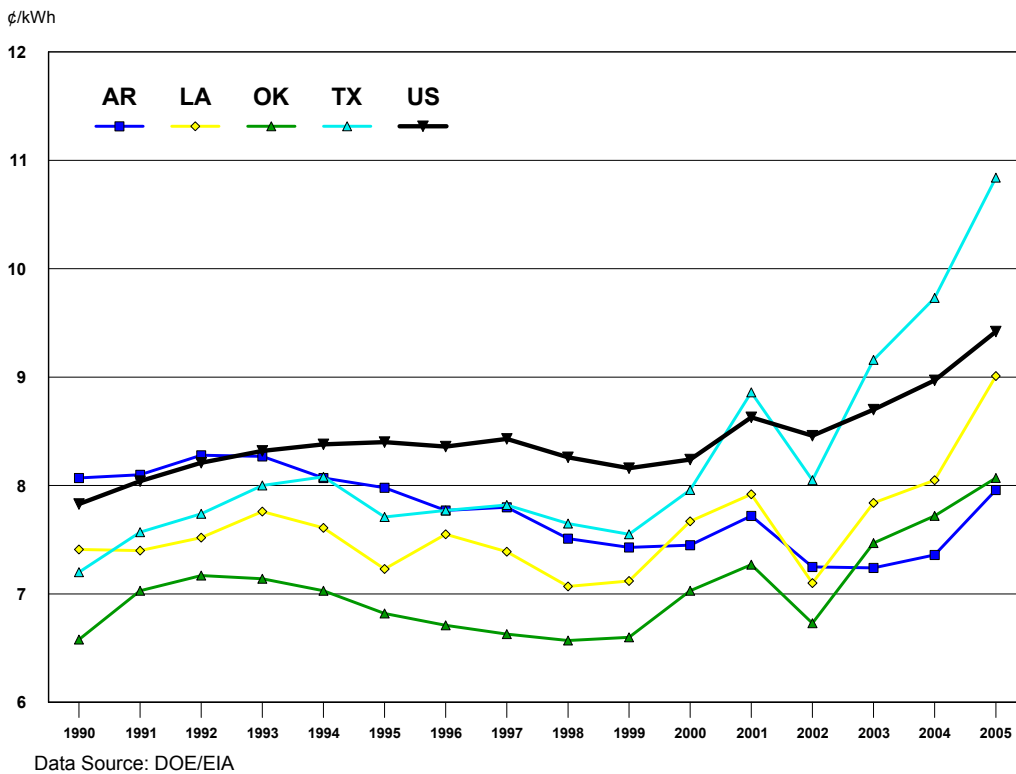


Data Source: New Jersey Board of Public Utilities

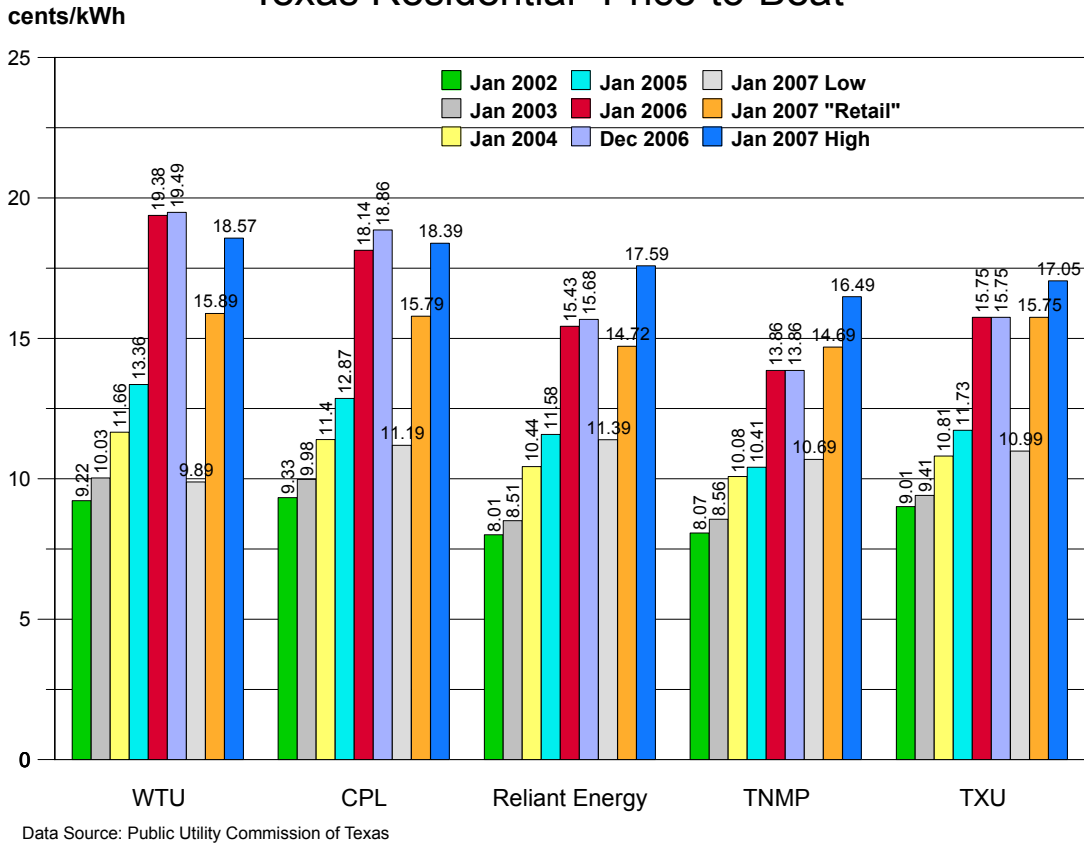
New England Residential Average Retail Price



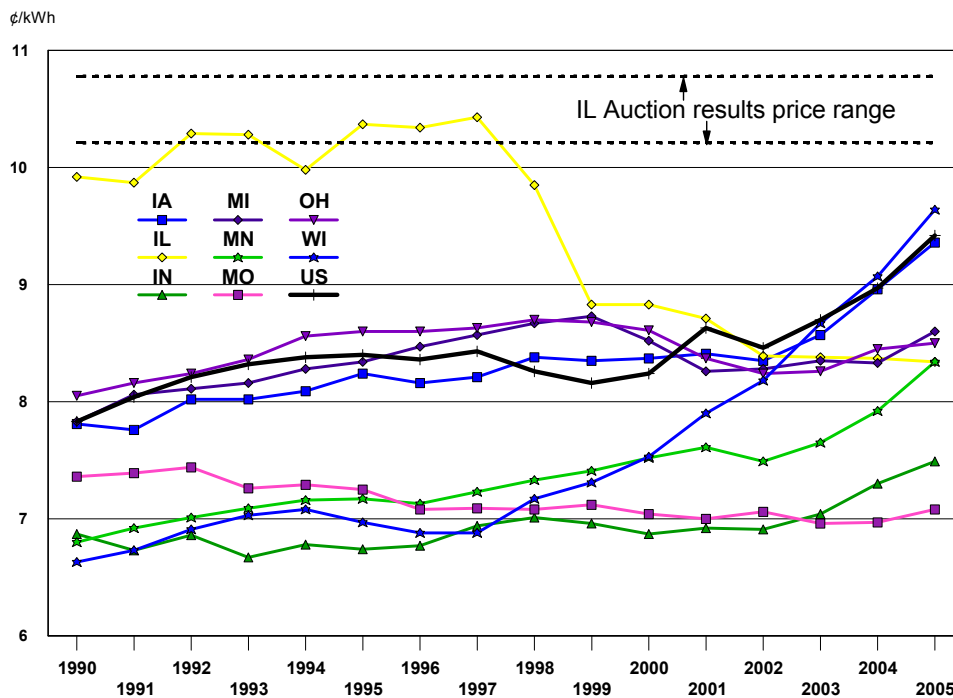
Mid-South Residential Average Retail Price

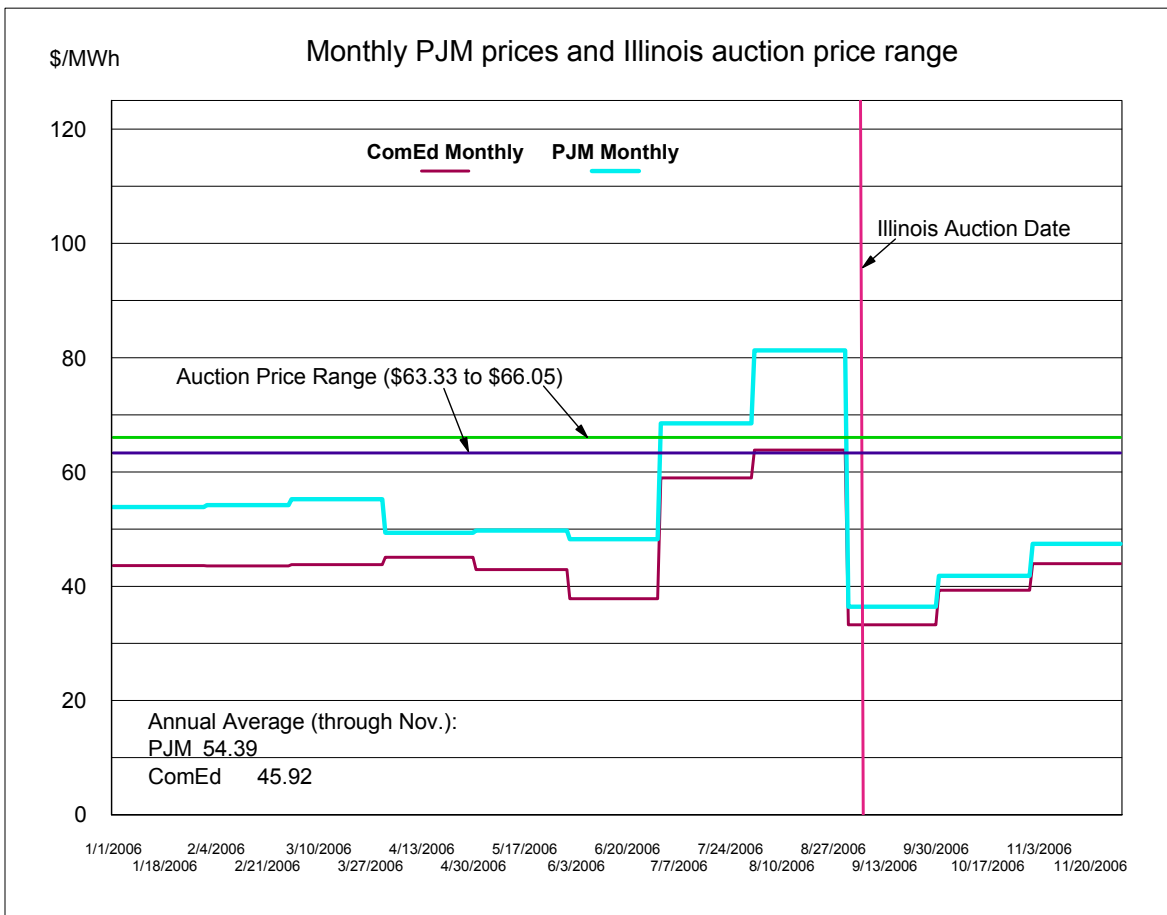


Texas Residential "Price-to-Beat"



Midwest Residential Average Retail Price





States Where the Residential Price is (Mostly) Determined in the Market

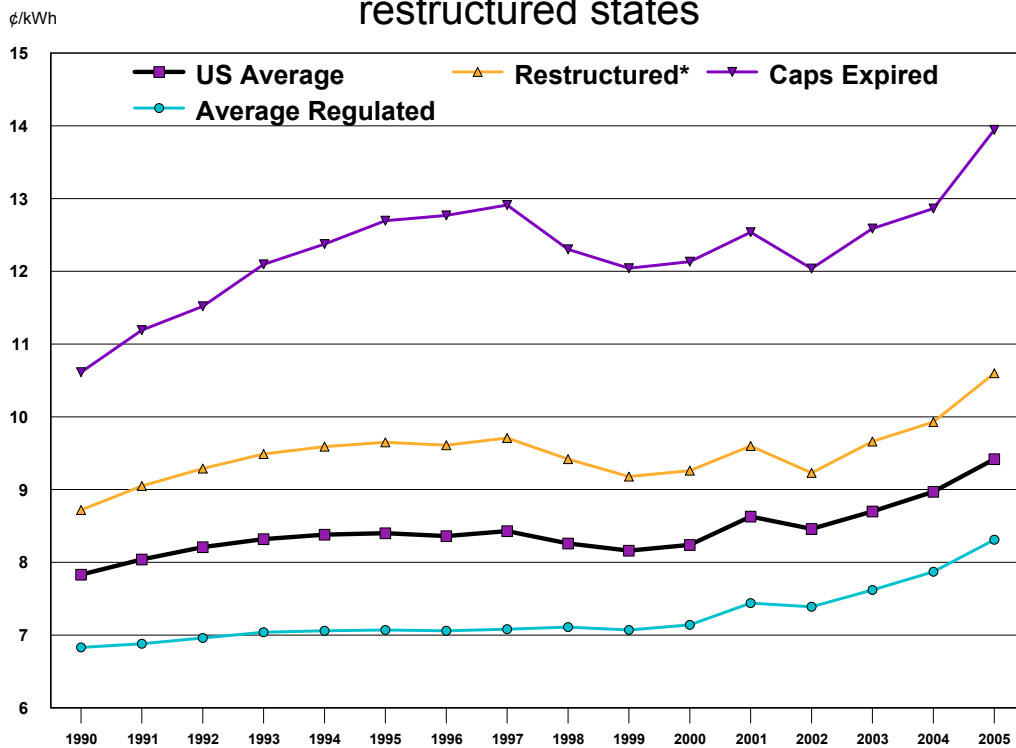
- 2006 or before:
 - ▶ Delaware
 - ▶ District of Columbia
 - ▶ Maine
 - ▶ Maryland
 - ▶ Massachusetts
 - ▶ New Jersey
 - ▶ New York
- Begin 2007
 - ▶ Connecticut
 - ▶ Illinois
 - ▶ Texas

Utility Share of Generation in States Where the Residential Price is Determined in the Market

	Utility Share of Generation - 1993*	Utility Share of Generation - 2002*
Delaware	92.1	2.8
District of Columbia	100.0	0.0
Maine	51.7	0.0
Maryland	96.7	0.1
Massachusetts	76.0	2.8
New Jersey	70.9	2.5
New York	85.6	31.1

*Electric utility share of total electricity generation in the state (MWh). Source: DOE/EIA.

Caps expired, regulated, US average and restructured states

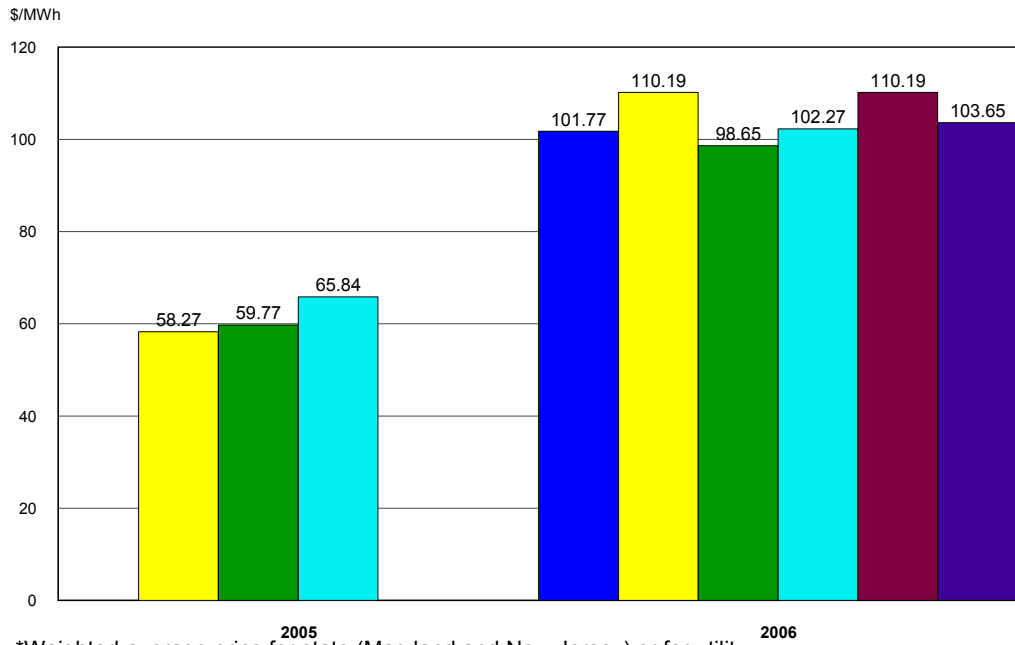


*Does not include Arizona, California, and Michigan. Averages are weighted by state residential sales. Data source: DOE/EIA.

Data Source: DOE/EIA

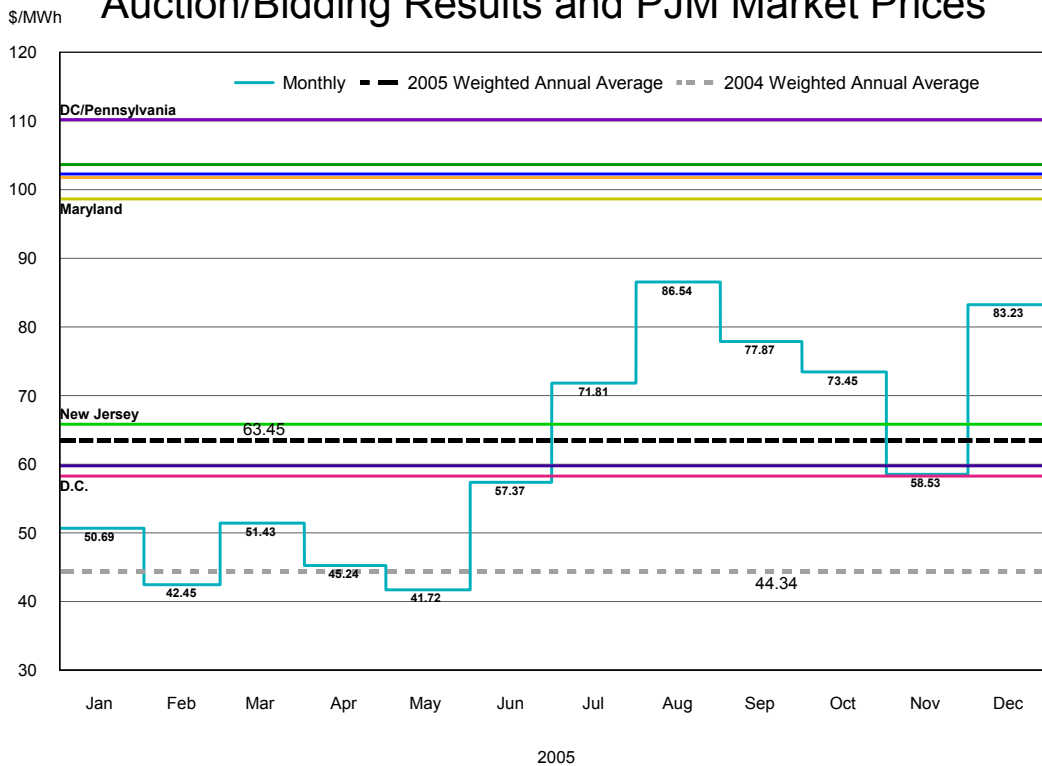
Auction/Bidding Price Results for Generation in Mid-Atlantic States*

■ Delaware (Delmarva) ■ Maryland ■ Pennsylvania (Pike County Light & Power)
■ Dist. of Columbia ■ New Jersey ■ Virginia (Delmarva Power & Light)

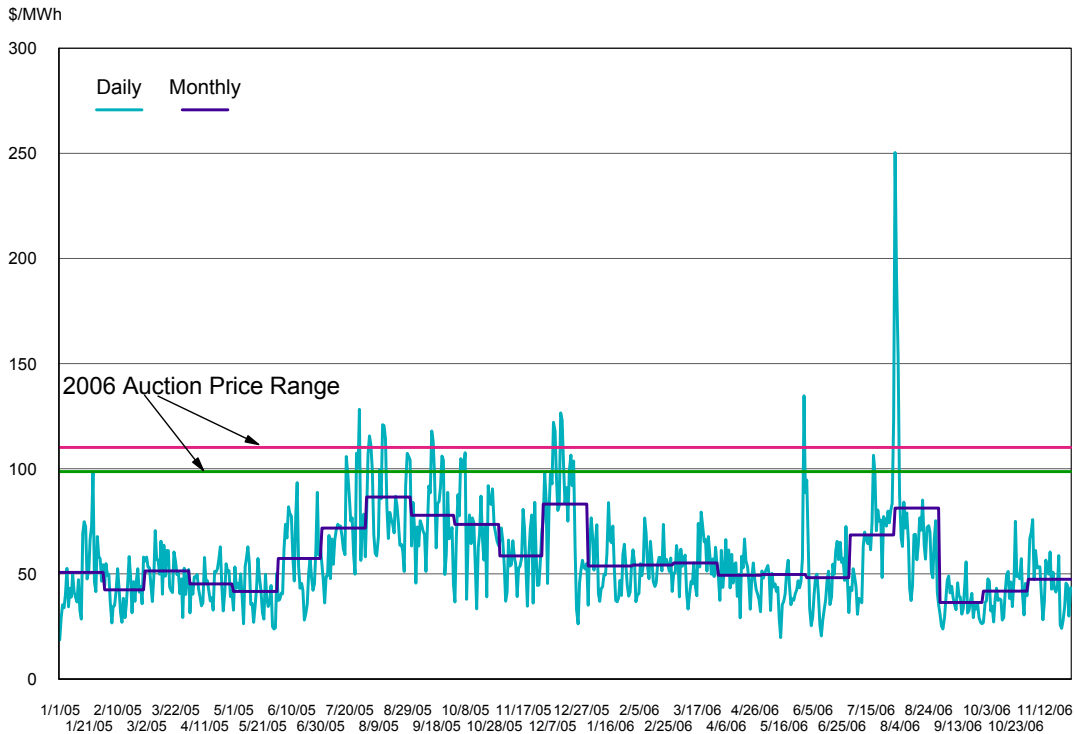


*Weighted-average price for state (Maryland and New Jersey) or for utility.
Data Sources: various state sources.

Auction/Bidding Results and PJM Market Prices



Monthly and Daily PJM Prices and 2006 Auction Prices



Data Source: PJM and state auction results

Minding the Gap

- What accounts for the difference between wholesale spot market prices and the auction prices?
 - ▶ risk that natural gas prices will spike again
 - ▶ capacity costs and other costs not accounted for in the energy price
 - ▶ strategic and manipulative behavior (i.e., market power)

Market Structure Concerns

- Markets are concentrated regionally and highly concentrated locally
- Significant entry barriers still exist
 - ▶ for new generation capacity
 - ▶ from transmission constraints
- Inelastic demand
- Continuous interaction of suppliers and knowledge about other suppliers' cost
 - ▶ increases the likelihood of strategic bidding and tacit collusion

Three Big Challenges Facing the Electric Supply Industry

- Higher fuel prices -- especially natural gas
 - Need for additional generation and transmission capacity
 - Additional environmental constraints? -- possible limits on carbon dioxide emissions
- This adds up to the electricity supply business facing perhaps its biggest challenges in its 125 year history

WHERE DO WE GO FROM HERE?

- Perhaps the industry's biggest challenge yet -- even considering the last 30 years haven't been exactly "calm"
- How should we meet these challenges?
 - ▶ with the current structure, more or less market mechanisms, old or new style regulation?
- Need more pragmatism, less dogma