

ELCON PRESS RELEASE

FOR RELEASE: October 24, 2005

CONTACT: Marc Yacker/202-682-1390

PUHCA REPEAL “WAIT AND SEE” GAME FOR CONSUMERS

“Utilities have been trying to repeal PUHCA [the Public Utility Holding Company Act] virtually since its enactment in 1935,” stated John Anderson, president of the Electricity Consumers Resource Council (ELCON). “They have claimed that PUHCA was anti-consumer since it restricted utility investment, prohibited mergers, and imposed huge administrative and compliance costs. Now that PUHCA is repealed, the consumer community is in a wait-and-see mode – we have to wait and see what utilities will do now.”

Anderson, speaking at the Energy Daily-EEI Conference on the Energy Policy Act of 2005 held at George Washington University, noted that he had first testified against PUHCA repeal over 20 years ago. “Opposing PUHCA repeal was the Holy Grail for consumer groups for years. I don’t know of any bona fide consumer group that has ever supported PUHCA repeal,” he said.

“But I am not sure how great the impact will be. Most of the times I testified in opposition to repeal, the Securities and Exchange Commission testified in support. The SEC wanted to give up administration of the Act, and, to be honest, in recent years they were somewhat lax in their review of utility mergers,” he continued. “For example, PUHCA says that in order for a utility merger to be approved, the resulting utility must operate in a single region. But we have seen the SEC decide that Philadelphia and Chicago were in a single region as were Columbus and Tulsa.

“Now utilities will be put to the test,” asserted Anderson. “Will the reduction in administrative costs result in rate cuts for consumers? I hope so. Will the opportunity to invest in additional utility ventures result in more money being put into new transmission and transmission upgrades – and not at incentive rates? I hope so. Will the ability to engage in mergers more easily result in more efficient utilities and fewer utility ventures into risky unrelated businesses? Again, I certainly hope so. But we will have to wait and see.

“One final point to consider,” explained Anderson, “is that although PUHCA is repealed, regulation of utility mergers as well as the ability to investigate each utility’s financial books and records still exists. We in effect will have 50 mini-PUHCAs, as state commissions are expected to play a larger role in both reviewing mergers and examining books and records. In addition, FERC has additional merger review authority, as well as beefed up authority to investigate alleged examples of market manipulation. Consumer groups, including ELCON, will be watching both state and federal regulators and the utility community to ensure that the ultimate impact will not be anti-consumer.

“That’s why, right now, we just have to wait and see.”

#####

ELCON, established in 1976, is the national association of large industrial users of electricity from virtually every manufacturing sector. ELCON members seek a reliable supply of electricity at competitive prices and have long supported federal and state efforts to achieve that objective. More information about ELCON is available at ELCON’s website, www.elcon.org.