

Choosing an Energy Service Company New York State Electric & Gas Service Area 2006

Consumers in the New York State Electric and Gas (NYSEG) service area are again being asked to choose an energy service company (ESCO) to supply electricity to their homes. This process is part of New York States on-going efforts to deregulate electricity markets. Consumers in the NYSEG service area were last asked to make this choice approximately two years ago.

Consumers are required to choose and contract with the selected ESCO **by 7:00^{pm} Friday December 29**. **Consumers who do not make a choice by December 29 will automatically be enrolled in the utilities variable price option** (referred to by NYSEG as the *Default Supply Option*). Consumers should be aware that this is very different from two years ago when they were last asked to choose an ESCO. At that time consumers who made no choice were automatically placed in the utilities fixed-price supply option.

Only the electric supply charges portion of your electric bill is open to competition. Electric delivery charges are regulated by the New York State Public Service Commission (PSC) and you must pay delivery charges to your local utility (see sample bill on page 2 for more information about delivery charges).

Figure 1:



¹The blend option allows consumers to combine various combinations of fixed and variable pricing. For example, consumers can choose a 50-50 blend. This means that 50% of the monthly supply charge for electricity would be at the fixed price and 50% at the variable market rate. It allows consumers to get some benefit from lower electric supply rates when the market is low, but offers some protection from very high prices if the market price spikes.

Below is an example of a typical utility bill. The total monthly price you pay for electricity is listed on three different parts of the bill.

1) Electricity Delivery Charges: The delivery portion of your electric charges are not subject to competition. That is, you must do business with your local utility for the delivery of electricity to your home, and you must pay the charges they have set for this delivery.

Basic service charge: This \$12 charge covers the utility's costs for meter reading, billing, etc. It remains the same no matter how little or how much electricity you use. Note this basic monthly charge will increase to \$14 per month starting January 1, 2007.

Delivery Charge (4.31 cents/kWh on this bill) is what you pay NYSEG to deliver electricity to your home over their transmission lines. It covers the costs of maintenance and repairs of these transmission lines. This charge will be reduced to 3.5 cents/kWh in 2007.

Transition Charge: this is the difference between the market price of electricity and the price of the utilities long-term electric supply contracts. This charge is likely to vary from month to month and may be a charge or a credit.

Systems Benefit Charge & Renewable Portfolio Standard Charge (SBC/RPS): These charges reflect costs associated with public programs such as research & development, low income and energy efficiency programs.

 **Electricity Service - Residential** Service from: 10/05/06 - 11/01/06
Electricity Rate - 12001 Fixed PoD ID:

Meter Number	Current Meter Read Date	Current Meter Read Reading	Previous Meter Read Date	Previous Meter Read Reading	Reading Difference	Billed Usage	Billing Period
58334245	11/01/06	20884 E	10/05/06	20674 A	210	210 kwh	28 days

Type of read: A - Actual, E - Estimate, C - Customer and N - No read

Electricity Delivery Charges			
Basic service charge			12.00
Delivery charge	210 kwh	@ 0.0431	9.05
Transition charge	210 kwh	@ 0.0045	0.95
SBC/RPS charge	210 kwh	@ 0.0019	0.40
Subtotal Electricity Delivery			\$22.40

Electricity Supply Charges			
Fixed supply charge	210 kwh	@ 0.0703	14.76
Subtotal Electricity Supply			\$14.76

Electricity Taxes and Surcharges			
Taxes on delivery charges	@	3.0928%	0.69
Taxes on supply charges	@	1.0101%	0.15
County sales tax	@	2.5000%	0.95
City sales tax	@	1.5000%	0.57
Subtotal Electricity Taxes and Surcharges			\$2.36
Total Electricity Cost			\$39.52

2) Electricity Supply Charges:

This is the portion of your electric bill open to competition. That is you can choose which energy service company (ESCO) you want to purchase your electricity from. The rate per kWh multiplied by the total amount of kilo watt hours consumed equals the monthly supply charge.

3) Electricity Taxes & Surcharges: This portion of the bill lists local tax rates and monthly charges for those taxes. Both supply and delivery charges are taxed.

Variable Rate versus Fixed Rate: What's the Difference?

Variable Rate:

A variable rate for the supply portion of your monthly electric bill is based on the market rate for electricity. It's called a variable rate because market conditions are constantly changing.

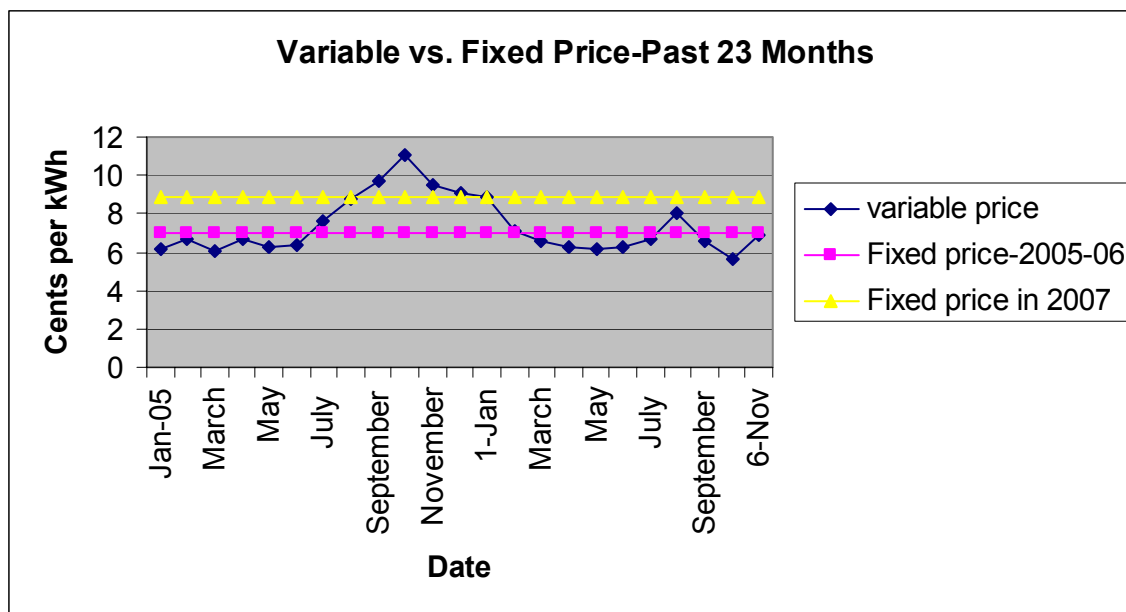
If you choose the variable rate option with an ESCO, you will be charged a market (variable) rate per kilo-watt-hour (kWh) for the electricity you use each month. And the cost per kWh on the supply portion of your electric bill will likely vary each month.

If you do nothing before December 29, NYSEG will automatically place you in the variable rate pricing option.

Fixed Rate¹:

Which rate, a variable market based rate, or a fixed rate, will save you the most on your monthly electricity supply costs? This is a difficult, if not impossible question to answer. Market-set prices are vulnerable to many unpredictable factors that can cause prices to increase or decrease unexpectedly. But looking at historical price trends can provide some information to inform a decision.

The chart below compares variable supply prices with fixed supply prices over the past 23 months (January 2005 through November 2006).



¹ Table 3 on page 6 provides pricing information for fixed price offers from energy service companies in the central portion of NYSEG's service area (to see a list of ESCO's in your area and the supply prices they are offering, go to www.askpsc.com, type in your zip code and then click the "find offers" button.

If you compare the fixed to the variable price for electricity over this 23 month period you can see that the fixed price option would have resulted in a lower supply cost for electricity than the variable rate; \$970 for the fixed rate compared to \$1015 for the variable price. However, the market rate for electricity was severely impacted in the aftermath of Hurricane Katrina from September 2005 through January 2006 (highlighted section in Table). So if you compare fixed and variable pricing from January 2006 through November 2006 when there were no significant energy market upheavals (see Table 2 on page 5) the variable pricing option was the lowest cost choice.

**Table 1: Cost Comparison of Fixed vs. Variable Price for Electric Supply
January 2005 – November 2006**

Month	Variable Price: Cents/ kWh	Fixed Price: Cents/ kWh	Monthly cost for 600 kWh variable price option	Monthly cost for 600 kWh fixed price option
January, 2005	6.13	7.03	\$36.78	\$42.18
February	6.64	7.03	\$39.84	\$42.18
March	6.03	7.03	\$37.80	\$42.18
April	6.68	7.03	\$40.08	\$42.18
May	6.24	7.03	\$37.44	\$42.18
June	6.38	7.03	\$38.28	\$42.18
July	7.65	7.03	\$45.90	\$42.18
August	8.73	7.03	\$52.38	\$42.18
September	9.72	7.03	\$58.32	\$42.18
October	11.1	7.03	\$66.60	\$42.18
November	9.45	7.03	\$56.70	\$42.18
December, 2005	9.12	7.03	\$54.72	\$42.18
January, 2006	8.88	7.03	\$53.30	\$42.18
February	7.07	7.03	\$42.41	\$42.18
March	6.59	7.03	\$39.52	\$42.18
April	6.27	7.03	\$37.65	\$42.18
May	6.15	7.03	\$36.87	\$42.18
June	6.29	7.03	\$37.75	\$42.18
July	6.70	7.03	\$40.22	\$42.18
August	8.08	7.03	\$48.50	\$42.18
September	6.59	7.03	\$39.56	\$42.18
October	5.61	7.03	\$33.67	\$42.18
November	6.92	7.03	\$41.55	\$42.18
Total cost for electricity supply if variable price option had been selected			\$1015.84	
Total cost for electricity supply if fixed price option had been selected				\$970.14

**Table 2: Cost Comparison of Fixed vs. Variable Price for Electric Supply
January 2006 – November 2006**

Month	Variable Price: Cents/kWh	Fixed Price: Cents/kWh	Monthly cost for 600 kWh variable price option	Monthly cost for 600 kWh fixed price option
January, 2006	8.88	7.03	\$53.30	\$42.18
February	7.07	7.03	\$42.41	\$42.18
March	6.59	7.03	\$39.52	\$42.18
April	6.27	7.03	\$37.65	\$42.18
May	6.15	7.03	\$36.87	\$42.18
June	6.29	7.03	\$37.75	\$42.18
July	6.70	7.03	\$40.22	\$42.18
August	8.08	7.03	\$48.50	\$42.18
September	6.59	7.03	\$39.56	\$42.18
October	5.61	7.03	\$33.67	\$42.18
November	6.92	7.03	\$41.55	\$42.18
Total cost for electricity supply if variable price option had been selected			\$451	
Total cost for electricity supply if fixed price option had been selected				\$464

The pricing information in Tables 1 and 2 illustrates how difficult it is to predict which pricing option, variable or fixed, will result in the lowest supply cost for electricity. The future is uncertain and energy markets can be affected, both positively and negatively by many factors. Basically it boils down to betting on future events. If you think the coming year's events will cause energy markets to increase significantly, then you should choose the fixed rate option and let your energy service company assume all risks related to market uncertainty. But if you think energy markets will remain stable over the next 12 months you may want to choose the variable pricing option. If your prediction is correct you will be rewarded with lower electric bills.

Choose an Energy Service Company or stay with NYSEG?

If you switch from NYSEG to an energy service company you will save money on your monthly electric bill. The amount you will save is small, but some savings can be realized. For example, NYSEG charges a Merchant Function Charge of \$0.0034 (34/100 of a cent) per kWh on electric supply. None of the energy service companies charge this fee. So even if you contract with an ESCO that charges the same amount for electric supply as NYSEG, you will be able to avoid this fee and save about \$2.00 on each 600 kWh of electricity you use.

The Bottom Line

The choice you make for an energy service company (ESC) to supply electricity to your home is important. The amount you can expect to save is small, but some savings are available.

Far greater savings can be realized by investing in energy efficiency. For example, if you switch from incandescent light bulbs to compact fluorescent bulbs (CFL's) you can significantly reduce the amount of electricity you use for lighting. For each 75 watt incandescent replaced with an 18 watt CFL, you will save about \$20 a year on your electricity (assumes bulb is on 8 hrs/day). CFL's also have superior longevity (lasting up to 10 – 20 times longer) making them one of the best energy efficiency investments available.

Fixed Rate Options

Company	Rate	Minimum Contract Period	Single monthly bill?	Other notes	Estimated total cost ² for 500 kWh/month
NYSEG Utility Company¹ Typical generation	9.18 cents per kWh. This includes a merchant function charge of .034 cents per kWh	1 month	Yes		45.90
Community Energy 100% clean	NYSEG supply rate plus \$10 per month for each 500 kWh	1 month	Yes	<ul style="list-style-type: none"> • No late payment charges • No deposit required • No cancellation fees 	
ConEdison Solutions	9.99 cents per kWh	1 year	Yes	Same as above	\$49.95
ConEdison Solutions 100% clean	10.99 cents/kWh	1 year	Yes	<ul style="list-style-type: none"> • Same as above 	\$54.95
Energetix, Inc. Typical generation	8.581 cents/kWh	12 months	Yes	<ul style="list-style-type: none"> • 1.5% late fee • \$35 cancellation fee • No deposit 	\$42.90
Energetix Inc. 50% clean	9.331 cents per kWh	12 months	Yes	Same as above	\$46.65
Energetix, Inc. 100% clean	10.081 cents per kWh	12 months	Yes	Same as above	\$50.40
NYSEG Solutions Typical generation	8.581 cents/kWh	12 months	Yes	Same as above	\$42.70 ²
NYSEG Solutions 50% clean	9.331 cents/kWh	12 months	Yes	Same as above	\$46.65
NYSEG Solutions 100% clean	10.081 cents/kWh	12 months	Yes	Same as above	\$50.40
Pro Energy Typical generation	8.75 cents per kWh	1 month	Yes	<ul style="list-style-type: none"> • No late payment charges • No deposit required • No cancellation fees 	\$43.75
Renewable Choice 100% clean	Contact for pricing details	1 month	Yes	Same as Above	
Sterling Planet, Inc 100% Clean	Contact for pricing details	1 month	Yes	Same as above	

¹If you do not choose an energy supply company by December 29, 2006 your electricity will be supplied by NYSEG the Utility. Do not confuse NYSEG the Utility with NYSEG Solutions. NYSEG Solutions is an energy supply company (ESCO) that only supplies electricity to customers that have signed a contract with them. You also have no option to purchase clean power if you take the default option and stay with NYSEG the Utility.

²These prices are for supply only, they do not include delivery or transition charges and also do not include any taxes that may be levied by municipalities