



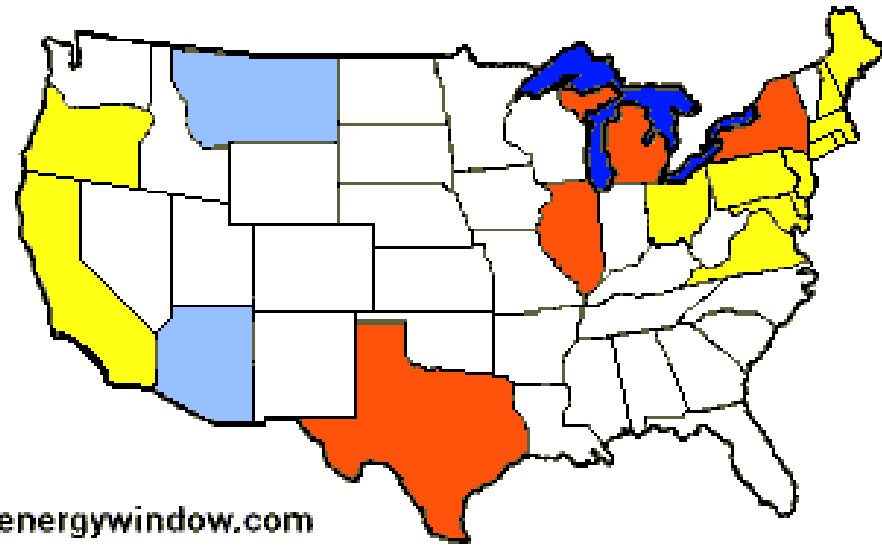
Customer Choice Market Update



**National Accounts Workshop
Orlando, Florida
September 28, 2004**

www.energywindow.com

- **Electricity Market Opportunities**
 - *Overview*
 - *State by state*
- **Natural Gas Market Opportunities**
- **Strategy and Approach Suggestions**
- **Pricing Strategies**
- **Summary**



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Select a commodity:

Legend

Active
Potentially Active
Deregulated But Inactive
Regulated

Source:
EnergyWindow
Focus!™

- **AB 2006**
 - *Gutted of mention of Core/Non-core Direct Access*
 - *On Arnold's desk for veto/signature*
 - *Senator Feinstein offers to work out approach to choice*
- **Grandfathered Direct Access (DA) accounts**
 - *Significant savings compared to tariff*
 - *All account sizes*
 - *Numerous competitors/products*
 - *Value of maintaining eligibility vs. short-term price*

- **Maine**
 - *Standard offer rates every six months*
 - *Monitor; request bids if new rate is higher*
 - *Maine Public Service fixed through 12/31/2006*
- **Massachusetts**
 - *Standard offer goes away in February 2005*
 - *Default rate set every three months for larger customers and six months for smaller*
- **Consider requesting bids for shorter terms**
- **Connecticut**
 - *Lower wholesale prices could trigger savings*

- **Market with significant cost savings potential**
 - *Compared to unbundled tariff or Power Purchase Option (PPO)*
 - *As much as 25% (of supply costs)*
- **Market timing important**
 - *For now best to take short-term deal until spring*
 - *Shop after market indices and competitive transition charges (CTCs) are set in Jan-Feb 2005*
- **CTCs**
 - *Accounts > 400 kw request account specific multi-year CTCs*
 - *Accounts < 400 kw use generic class CTCs*

- **Current general savings for large customers**
 - *Class III (> 600kw)*
 - *Hourly rate beginning in June 2005*
- **Recent savings for shorter term deals**
 - *3 months*
 - *8 months “donut” deals*
- **Modest drop in gas price (\$0.40/mmBTU) could result in low enough prices for general longer-term savings**
- **Allegheny Power higher rates effective 1/1/2005**
- **Standard service auctions are expected to result in higher prices for next year**

- **Interim DTE rate relief reduced savings**
- **Savings still widely available for secondary accounts**
- **Case U-13808, final rate decision, still not resolved**
- **Consumers Power still presents few opportunities for cost reduction**

- **Current savings for large customers**
 - *Commercial & Industrial (CIEP)*
 - *Indexed to BGS hourly rate*
- **Modest drop in gas price (\$0.40/mmBTU) could result in prices low enough to yield savings for Fixed Price (FP) accounts**
- **Next auction may produce higher rates but also savings opportunities for FP accounts**

- **Savings available in most EDCs**
- **Savings are a combination of**
 - *Incentive Credits for switching from utility*
 - *Elimination of sales tax on delivery costs*
- **Various products available**
 - *Discount off EDC price*
 - *Indexed (utility energy charge or NYISO plus adder)*
 - *Fixed rate*
 - *Block*

- **Rate Stabilization Plans (RSPs) are limiting opportunities**
- **Savings still available for higher load factors in Cinergy, especially first 20% switched**
- **Current wholesale market has dampened opportunities in FirstEnergy and AEP Southern**

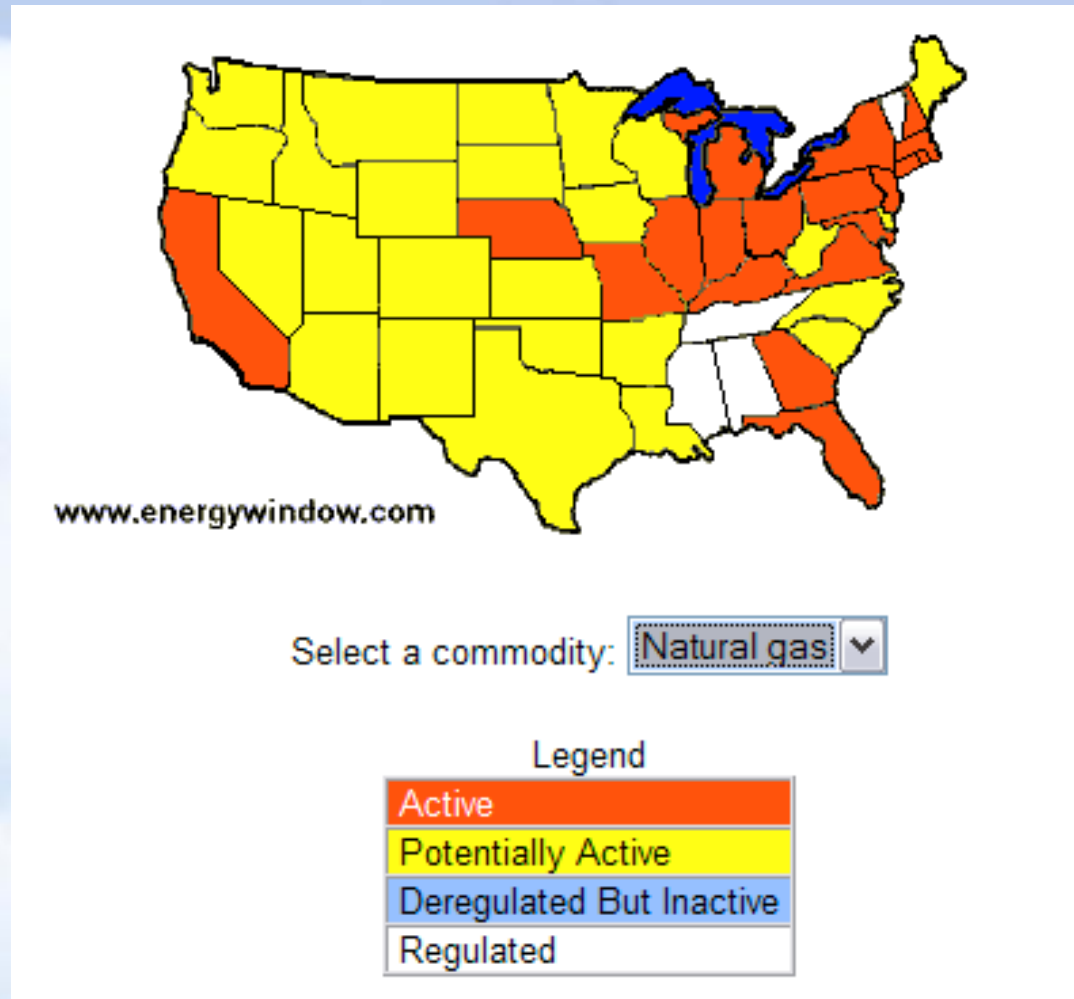
- **Portland General**
 - *Short enrollment period for choice in November*
 - *Discount may be possible*
 - *Will require being able to get bids and act quickly during a short period*

- **PacificCorp**
 - *Theoretical choice*
 - *Complex and very short opportunity*
 - *Ask us about it if you have significant load and want to work hard to achieving savings*

- **Enhanced savings opportunities in Duquesne for certain service classes**
 - *Moving to higher fixed shopping credit for smaller accounts*
 - *Moving to market-based prices for larger*
- **PECO savings possible for some accounts**
 - *Best time for switching is May due to “ratchet”*
 - *First-time shoppers can waive it*

- **Well-established competitive market**
- **Significant savings compared to “Price to Beat” (PTB) Service**
 - *As much as 30%*
 - *Few business accounts should be on PTB*
- **Numerous (> 12) quality suppliers**
- **Variety of products**
- **PTB tied tightly to wholesale market prices**

- **Pepco holding auction for default service beginning 1/1/2005**
- **First bids due 9/27**
- **Adders:**
 - *\$.0065/kWh for large C&I (>100 kW)*
 - *\$.0055/kWh for small*

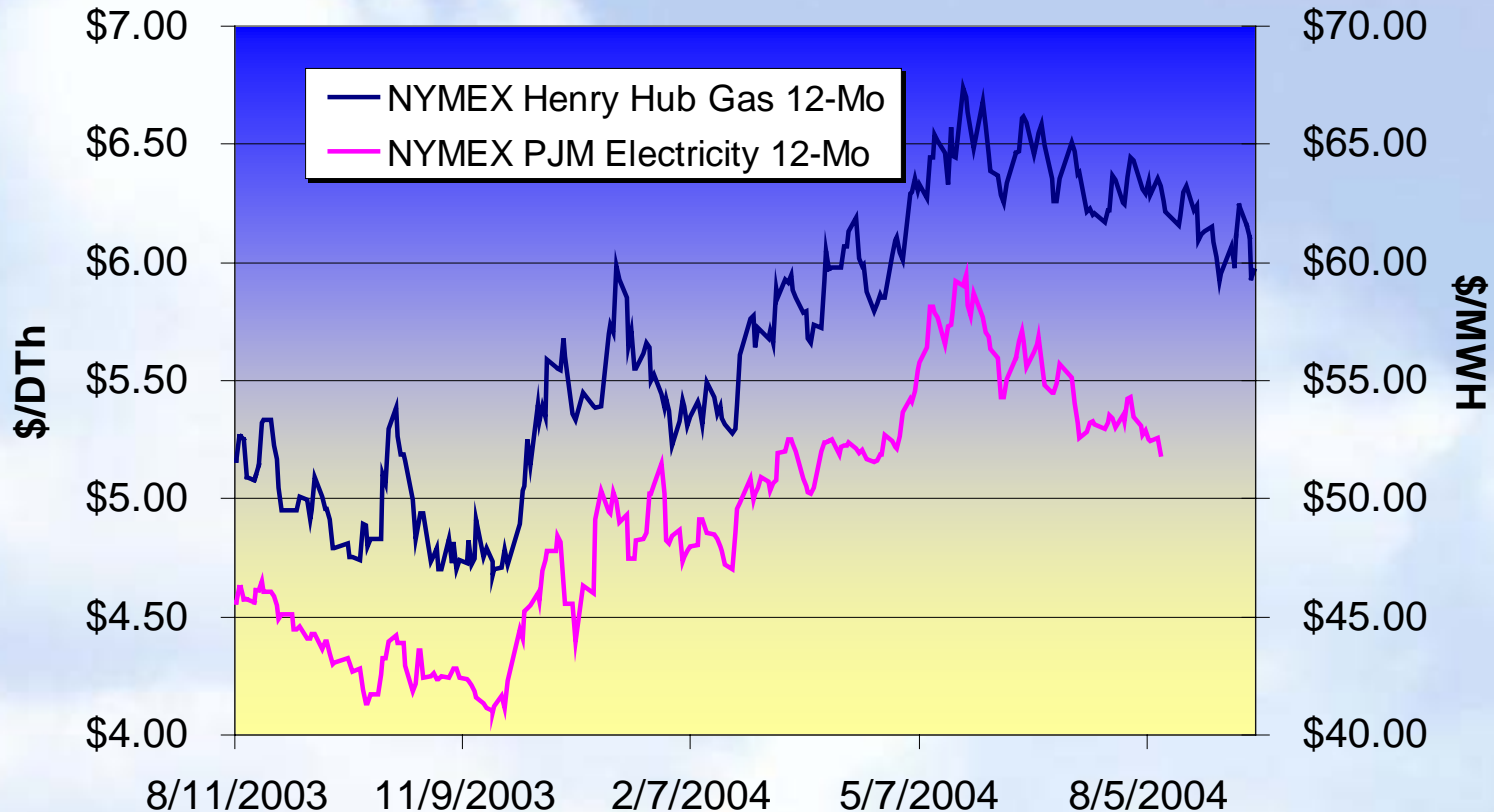


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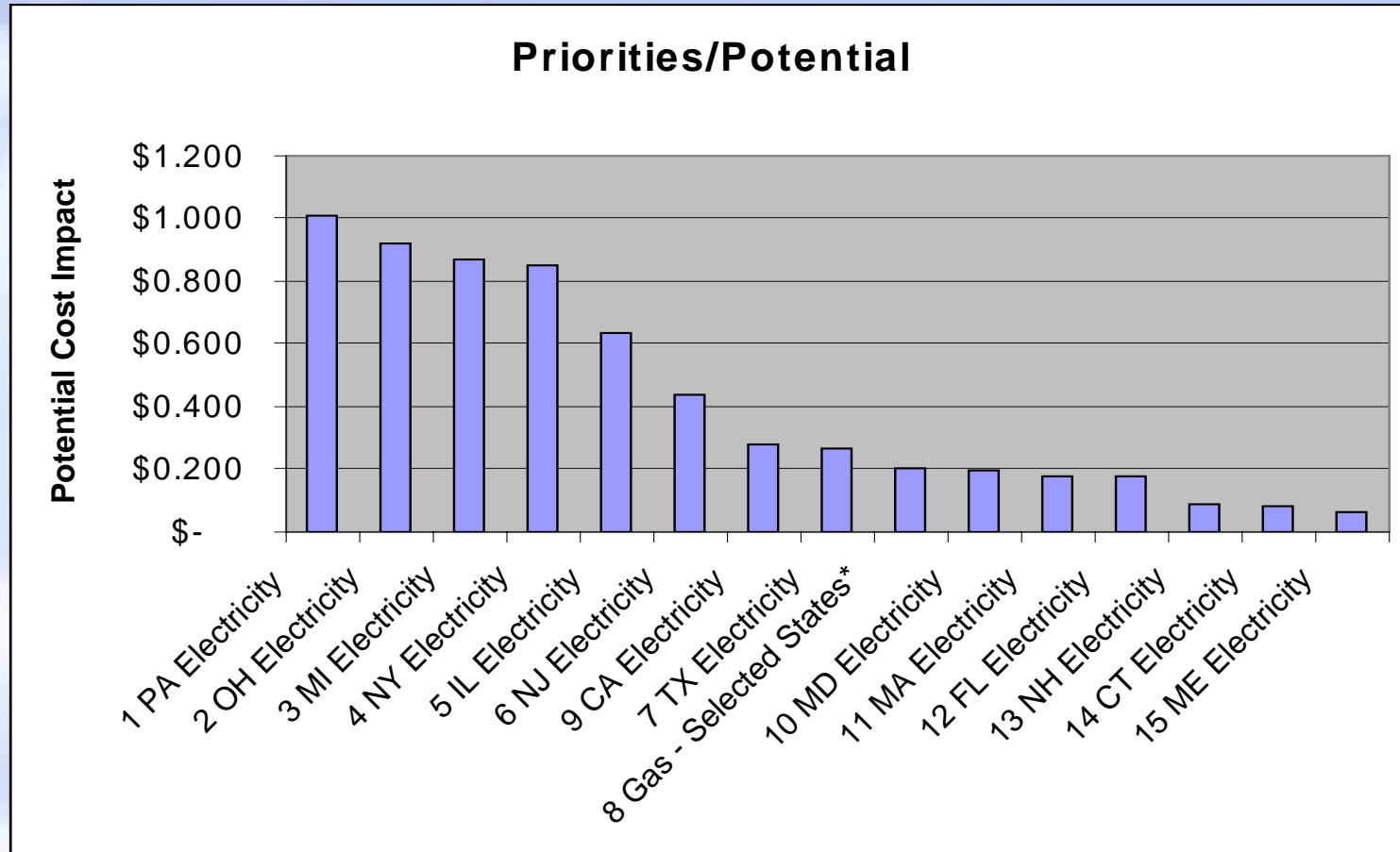
- CA - PG&E
- IL - Nicor (Select limits)
- OH - All major LDCs (Choice limits)
- PA - Most LDCs
- NY - Most LDCs
- NJ - Most LDCs
- MD - Major LDCs
- Many others

** Where indexed price < the LDC default price*

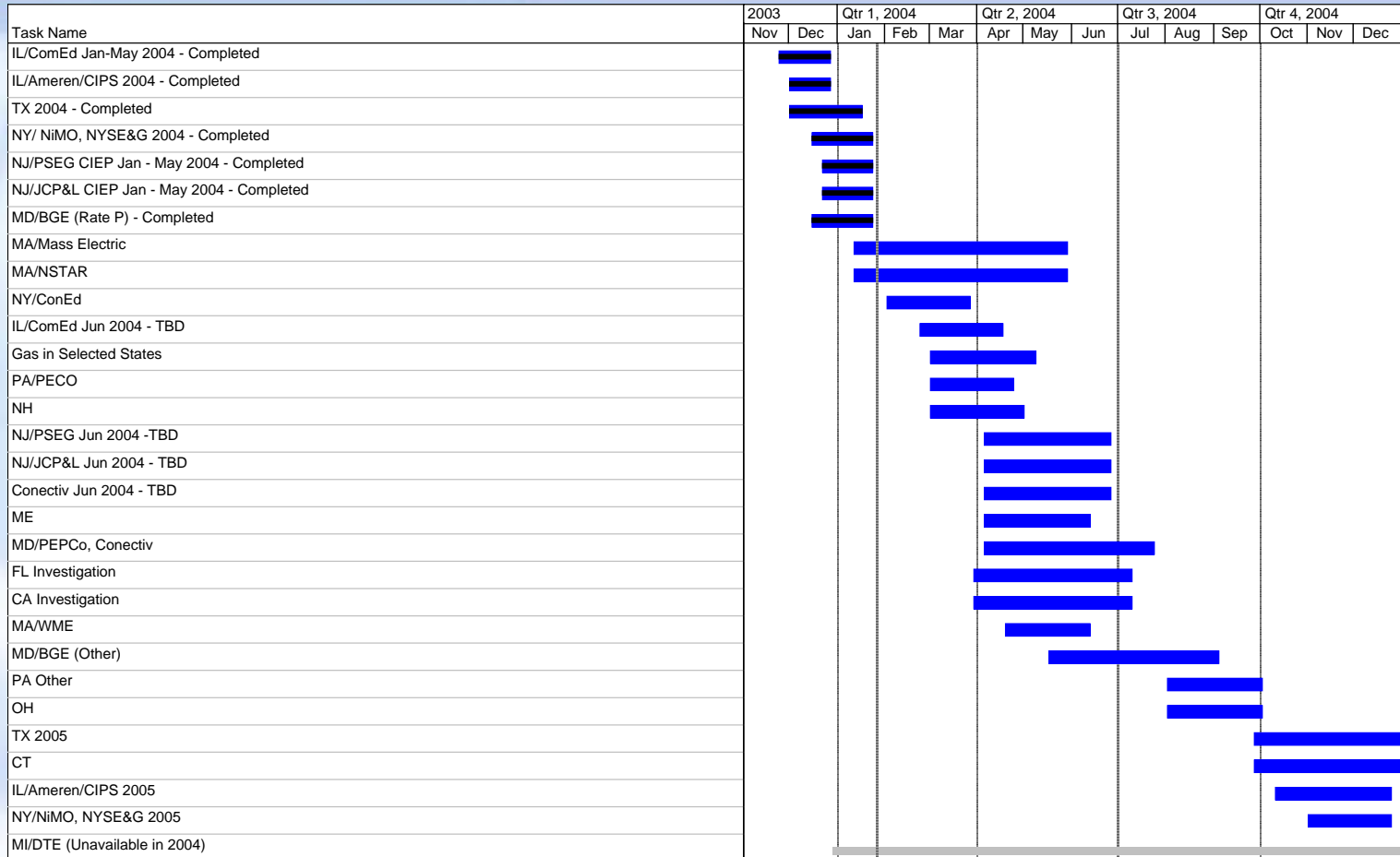
Energy Futures Trends



- **Diversification**
 - *Regulated and competitive*
 - *Suppliers*
 - *Product/price structure*
 - *Contract end dates*
- **Get bids when market is right; not just near end of contracts**
- **Don't wait for "best" price; take savings when available**
- **Consider shorter, and longer, contracts**
- **Accept some risk; treat facility service contracts as a "portfolio"**

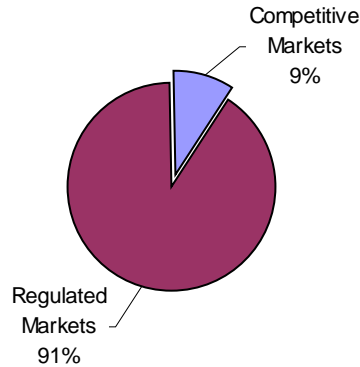


- **By folding together relative cost impact and market information**

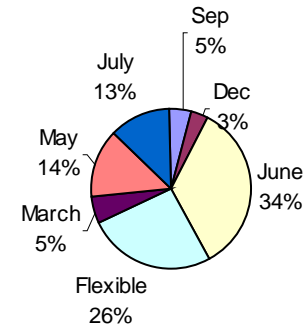


- Based on priorities, markets, contracts, & eligibility

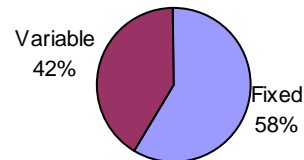
Competitive vs. Regulated Markets



Contract Expiration



Price Structure



- Know the default price and price structure
- Default prices = market prices with time delay
- Match price structure with
 - *Business objective (budget & performance goals)*
 - *Risk profile*
 - *Default price structure*
- Market-based rates: Most Gas DCs, NY electric
 - *Indexed price (with trigger)*
- Fixed tariff rates: Most Electric DCs
 - *Fixed rates*

- Many opportunities, even with relatively high wholesale prices
- Have priorities, strategy, and plan
- Be ready to act quickly - all the time
- Don't wait for "best" time
- Manage risks and opportunities actively
- Monitor markets: what you ignore or don't know can hurt you