



POLICY BRIEF

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Citizen's Guide to Electric Choice & Competition

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Background

Why are we now getting electricity choice and competition?

In the late 1990s, Pennsylvania's electricity rates were 15% above the national average, despite the abundance of low-cost coal generation in the Commonwealth. At that time, electricity was sold by a monopoly utility provider per designated region. Then federal regulations changed to allow electricity markets to develop. The state legislature responded with the Electricity Generation Customer Choice and Competition Act, signed in December 1996, promising lower prices and better service through consumer choice and generation competition.

Consumers now have a choice and, thus, greater control over their electric bill. Consumers can leave a generation supplier if they experience bad service.

Fearful of price gouging and initial market fluctuations, legislators tweaked the bill to place rate caps on utilities, which are now expiring. These actions caused havoc in the market when the cost of materials—like coal and natural gas—increased, preventing competitors who could not beat artificially low rates from entering the marketplace. But as rate caps expire, all companies will begin to charge the market price of electricity.

There are three parts to electricity delivery: generation, transmission, and distribution. Today, consumers can shop for a new supplier who passes generation and transmission costs directly on to them. Distribution is still regulated by the government.

When will rate caps expire?

Pennsylvania is divided into 11 distribution territories. As of January 1, 2010, rate caps have expired in all but four territories: Metropolitan Edison, PECO Energy, Allegheny Power, and Pennsylvania Electric. Their caps will expire on December 31, 2010.

Is rate cap expiration good?

Consumers now have a choice and, thus, greater **control** over their electric bill. Consumers can leave a generation supplier if they experience bad service or rates change, and they can customize their energy use with green options and programs that reward users for using power when demand is low. None of this was possible under the old monopoly system. In the long-run, it is likely rates will fall as companies continue to compete for customers.

Why are my rates increasing?

PPL's electricity rates are increasing by an average of 29.7% for several reasons. First, capped rates are being adjusted for inflation. Pennsylvanians were paying 12% less for their electricity in 2008 than they were in 1996.

Second, rising manufacturing costs have made the process of generating electricity more expensive. For example, the cost of fuel rose rapidly from 1999 to 2008 (coal and natural gas increased by 200% and 300%, respectively).

Finally, PPL purchased its electricity for 2010 at a time when energy costs were higher than they are today. Current projections indicate that the average cost increase for territories like PECO, where rate caps expire in 2010, will be significantly less.

Electricity consumers can shop for a new generation supplier at any time; however, many of the new generation suppliers are offering special limited-time offers. Customers should be aware that it can take over a month to switch suppliers.

Shopping Guide

When can I shop?

Electricity consumers can shop for a new generation supplier at any time; however, many of the new generation suppliers are offering special limited-time offers. Customers should be aware that it can take over a month to switch suppliers.

How do I shop?

1. Calculate how much you pay for electricity. (See the sample in the Appendix for help).
2. Compare your price with the price-to-compare spreadsheet; you can also view regularly updated prices to compare at the Pennsylvania Office of the Consumer Advocate website: <http://www.oca.state.pa.us/Industry/Electric/elecomp/ElectricGuides.htm>.
3. Contact the alternative supplier that best meets your needs. You can do this online in most cases, or call the generation company. They will walk you through the switching process.
4. Your generation will not be switched until you receive a letter from your distribution company verifying your choice. You have 10 days to respond if there is a mistake.

What is the price to compare?

The price to compare when shopping is the cost for **electricity generation plus transmission**; this price is in kilowatt-hour (kwh) and is offered by electric suppliers. PPL has announced its residential supply rate for 2010 is **10.448** cents per kwh.

PPL is offering this as a **fixed rate**. Electricity rates can be fixed, variable, or time-of-day.

- **Fixed** rate: The price of electricity will remain the same throughout the contract.
- **Variable** rate: The price of electricity will vary monthly depending on the market.
- **Time-of-day** rate: The price for electricity fluctuates depending on the time of day it is used. During peak hours, when there is a higher demand, electricity costs more. It is typically cheapest at night, when businesses have closed.

Currently, fixed rates are the only option available for residents in the PPL region, but some suppliers might offer other options in the future.

It is important to remember that the generation and transmission costs do not represent the entire electricity bill but only the generation supplier's portion. The entire bill includes charges for **PPL distribution** services—this cost will be the same regardless of the supplier.

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Can I get renewable energy?

Some suppliers offer renewable energy plans. Another option is to add-on a renewable energy component to your electric supplier plan. This additional cost will be added to your monthly bill to support renewable energy. Community Energy and PPL Energy Plus currently offer this add-on option for PPL regional customers.

What should I know before switching?

Before switching electric suppliers, consider the length and other terms of the contract including: generation price, additional metering costs, services including energy audits, and cancellation fees. Some suppliers require year-long contracts and charge early cancellation fees whereas others charge monthly and have no fees for leaving early.

What should I do when I am ready to switch?

When you are ready to switch, have an old utility bill available; the new supplier will need your previous account number. Most suppliers allow you to switch online or on the phone.

What are my options?

The residential suppliers available depend on what Electric Distribution Company territory you live in. You can find out what suppliers exist in your region by going to the PUC Electricity Choice website <http://www.puc.state.pa.us/utilitychoice/listofsupp.aspx?ut=ec>.

For PPL residential customers, the Pennsylvania Office of Consumer Advocate lists five alternative residential suppliers. A current list of these suppliers and prices can be found in the Appendix.

Question For Residents

Can renters shop?

Anyone who receives an electric bill directly from a distribution company can shop. Some tenants receive individual utility bills and some do not. If you receive a monthly bill, you can switch. Check with your landlord if you are unsure.

Who will I call after I switch for outages and maintenance?

Your distribution provider will remain the same if you choose a different generation supplier. The distribution company (PPL, PECO, Met-Ed, etc.) will still be responsible for regular maintenance of your meter and power lines. If you have a question related to the generation of your electricity you can call your new generation supplier.

All PPL residential customers will see about a \$2.00 transition credit on their bill in place of the old transition charge from February through December 2010.

What happens if I move?

If you shop and then move into a different distribution provider's territory, you may need to shop for a new supplier. Contact the distribution company in your new location to see if you can keep your alternative generation supplier. Your supplier might not be providing service in your new location. Depending on the electric supplier, you might pay an early cancellation fee for switching territories before your contract expires.

What happens to my PPL pre-payment plan if I shop?

If you participated in PPL's pre-payment plan, you can still shop. The money you saved in the 6% interest accruing account will be used for future electric bills, regardless of the generation supplier you choose.

What happens to my PPL deferred payment plan if I shop?

The deferred payment plan is available to all consumers, even if you to shop. Customers can defer any rate increase over 25% in 2010, and in some cases, 2011. All payments will be due in 2012 with 6% interest.

Will I still get the refund from PPL if I shop?

PPL is repaying electricity consumers \$30 million. This payment will be received by all residents, regardless of your generation supplier because these overcharges deal with transition costs on your bill. All PPL residential customers will see about a \$2 transition *credit* on their bill in place of the old transition charge from February through December 2010.

Will my taxes go up?

Pennsylvania's Gross Receipts Tax on electricity suppliers is the only tax of its kind in the nation. Currently, the rate stands at **5.9%**. This tax is not itemized on

your bill but is embedded in the cost. Since it is a percentage of your total bill, as rates increase, the tax will go up.

Will I get two bills?

Most suppliers will give you the option to receive one bill. Before you switch, check with your supplier to see if you will make one payment for all your utility services, or receive two bills.

Glossary

Distribution- the distribution of electricity into your home and workplace.

Distribution Company– a company that distributes electricity, also known as a EDC, and maintains power lines in a given geographic area; PPL and PECO are examples of distribution companies.

Generation– the production of electricity

Generation Suppliers– a company that generates electricity also know as a EGS or alternative generation supplier. Direct Energy and Dominion Peoples are examples of alternative generation suppliers.

Peak and Non-Peak Use– some suppliers give discounts if consumers put off electricity intensive activities for low demand hours when power usage is not high or at the “peak.”

Transmission– the transportation of electricity from the generation plant to the local distribution company’s territory.

Transition Charge– a temporary charge applied to the bill of every customer accessing the transmission or distribution network. This charge is designed to recover an electric utility’s transition or stranded costs as determined by the Commission.

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Appendix

Sample Bill

Your Bill Account Number
00000-00000
Use when calling or writing

When switching suppliers you will need to know what rate category you fall under. For most residential areas this is RS.

Total from Last Bill	\$75.82
Payment Received Dec 4 – Thank You!	\$75.82

Billing Details

Balance as of Dec 15, 2009	\$0.00
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Charges for – PPL ELECTRIC UTILITIES

Residential Rate: RS for Nov 13 - Dec 15

Distribution Charge:		
Customer Charge		8.32
200 KWH at 2.89200000¢ per KWH		5.78
600 KWH at 2.63000000¢ per KWH		15.78
305 KWH at 2.47900000¢ per KWH		7.56
PA Tax Adj Surcharge at -0.06400000%		-0.02
Transmission Charge:		
1,105 KWH at 0.75200000¢ per KWH		8.31
Transition Charge:		
200 KWH at 1.21000000¢ per KWH		2.42
600 KWH at 1.07300000¢ per KWH		6.44
305 KWH at 0.99100000¢ per KWH		3.02
Generation Charge:		
Capacity and Energy		
200 KWH at 5.94900000¢ per KWH		11.90
600 KWH at 5.23100000¢ per KWH		31.39
305 KWH at 4.80000000¢ per KWH		14.69
PA Tax Adj Surcharge at 0.01300000%		0.01

This service is provided by distribution companies, like PPL. This charge will be the same regardless of who your supplier is.

These are the two services your new supplier will provide. The price you are comparing when you shop includes both of these charges and the PA Surcharge Tax. PPL bills previously charged different rates for KWH usage depending on amounts used. This will no longer be the case in 2010. PPL will charge one fixed rate.

This charge will be eliminated from your bill once rate caps expire. PPL region customers were previously over-charged and will receive a credit here.

Total PPL ELECTRIC UTILITIES Charges	<u>\$115.55</u>
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Pay This Amount No Later Than Jan 5, 2010	\$115.55
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Account Balance	\$115.55
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How Do I Calculate My Rate?

To calculate the supply rate you are paying **currently** through PPL - add together the transmission, transition and generation charges.

Transmission -	0.752¢
Transition -	1.210¢
Generation -	5.949¢
Total	7.911¢

Where is My Monthly KWH Usage Found?

Usage information is not located on the Billing Detail page of your bill but can instead be found on the first page under **Meter Reading Information**, as shown below.

Meter #00000000	Meter Reading	
Dec 15	Actual	71345
Nov 13	<u>Actual</u>	<u>70240</u>
32 Days	KWH Billed	1105

Alternative Residential Suppliers for PPL Territory as of February 24, 2010**ConEdison Solutions**

866.842.8166

www.ConEdSolutions.com/SAVEinPPL

Contract Length	Price In cents per kWh	Early Cancellation Fee?
Fixed rate: through Dec. 2010	9.39¢	No

Direct Energy

888.734.0741

www.directenergy.com

Contract Length	Price In cents per kWh	Early Cancellation Fee?
Fixed Rate: one year	8.99¢ for first 3 months 9.49¢ for next 9 months	\$100
Fixed Rate: three year	9.99¢	\$300
Renewable Wind Plan Fixed Rate: one Year	10.99¢ for first 3 months 11.49¢ for next 9 months	\$100

Dominion Energy Solutions

888.216.3721

www.dom.com/products

Contract Length	Price In cents per kWh	Early Cancellation Fee?
Fixed Rate: one year	9.403¢	No

Gateway Energy Services Corporation

888.601.3141

www.gesc.com/PA

Contract Length	Price In cents per kWh	Early Cancellation Fee?
Monthly variable rate: one year	9.89¢	No
Fixed rate: through Dec. 2010	9.89¢	Yes - cancellation fee is pro-rated

Liberty Power Holdings

866.POWER.99

www.libertypowercorp.com

Contract Length	Price In cents per kWh	Early Cancellation Fee?
Fixed rate: one year	9.89¢	Yes - cancellation fee is pro-rated
Fixed rate: two year	11.14¢	Yes - cancellation fee is pro-rated

Mxenergy

800.785.4373

www.mxenergy.com

Contract Length	Price In cents per kWh	Early Cancellation Fee?
Fixed rate: one year	9.925¢	No
Fixed rate: 6 billing cycles	9.881¢	No

Washington Gas Energy Services

888.884.9437

www.wges.com

Contract Length	Price In cents per kWh	Early Cancellation Fee?
Fixed rate: through Jan. 2011	9.30¢	Yes - cancellation fee is pro-rated
Fixed rate: two or three year	9.60¢	Yes - cancellation fee is pro-rated

PPL Price to Compare:	10.448 cents per kWh
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ABOUT THE AUTHORS AND THE COMMONWEALTH FOUNDATION

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