

How To Choose an Electric Provider

How to compare your options and make an informed choice

With the recent deregulation, commercial enterprises and residences in much of Eastern Pennsylvania now have the choice of electric providers. While rates will be going up, the available providers do vary in ways that make it necessary to compare your options. Before looking for a new provider, be sure you know your current rate schedule.

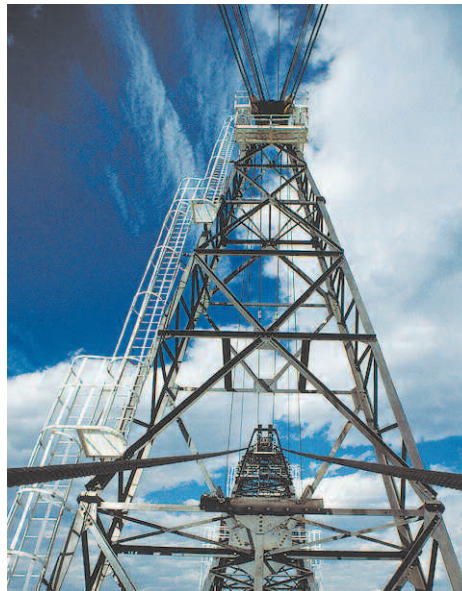
"If they don't switch to another provider, they will have a set rate each year. The 2010 rates for GS [customers] will be about 10.4 cents, and that will be fixed for one year," says David Braun, regional vice president for GDF SUEZ Energy Resources NA in Chicago.

Larger business customers with the LP rate schedule had a choice to contract with the utility for one year at 9 to 9.5 cents. Those who didn't enter that contract by the November 9 deadline can contract with one of the new area providers, or they will be billed at an hourly variable rate with the incumbent electric provider in the area.

Understanding the variables

Whether a business selects a fixed rate or variable (index) rate with a provider depends on how much risk they're willing to accept. Variable rates will often come out a little lower, but there is more risk. These rates typically work best for businesses that are able to pass any fluctuation in electric prices onto their customers. Entities, such as school districts, that can't easily raise their tax/revenue base, often opt to go with a fixed rate.

Ask a prospective fixed-rate provider how much electricity you can use before incurring additional costs. In a contract there can be a usage or tolerance band that says a company can use 10 to 20 percent more than the agreed upon usage, but then those additional hours may be bought or sold at the hourly price. A caveat to this is that contracts that give the most latitude will also be the most expensive.



Certain fees will not be included in the rate quotes businesses get from prospective suppliers, such as the distribution charges. Fees such as the transmission charge, capacity charge, gross receipts tax, ancillary services, and line losses may not be included in the rates quoted, but will show up on the bill, sometimes as a line item. While most supplier rates are fairly similar, these fees will vary and should be asked for before signing a contract.

Researching the providers

Once you feel you've found a prospective provider, experts suggest that you run a credit report on them. Don't be afraid to ask the supplier for their credit rating. Be sure to research the provider's or their parent company's Web site. Utility and distributor Web sites will list the providers that are currently operating in their area.

There are also brokers and consultants who, for a fee, will help businesses compare supplier rates.

"By shopping these customers can often find a better price, but they just need to understand what they're buying and be careful," says Braun.

TIP LIST

- Know what rate schedule you have before researching other providers
- Figure out whether a fixed or variable rate will work best for you
- Ask for and understand all pertinent fees before signing a contract
- Research a prospective provider online and by doing a credit report

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