



Electricity Procurement Program FAQ

What changes when I move my service for Generation and Transmission of electricity to a competitive Retail Supplier, like Constellation NewEnergy?

The physical delivery of your electric service will not change. PPL will still be responsible for the safe and reliable delivery of electricity to your place of business. PPL will still send you a bill for the Distribution charges related to this service. The Distribution charges are for the physical use or flow of energy across PPL's wires to your location. Charges for the Generation and Transmission of electricity from power plants to PPL for delivery will be billed by your new supplier, such as Constellation NewEnergy.

How was Constellation NewEnergy selected as The Chamber's endorsed supplier?

They responded to a Request for Proposal put forth by The Lancaster Chamber. Constellation's response addressed pricing, financial strength, member communications, operational processes and customer service. A key component of their response was price competitiveness for the members and their willingness to work together within a Program Agreement favorable to The Chamber. Based on these factors, Constellation was selected over other suppliers who responded.

What is the "Price to Compare?"

The "Price to Compare" is the new effective rate that PPL will announce in October as the bundled rate for Generation and Transmission charges customers will start paying in January 2010, if they do not shop and switch to a retail supplier. Because energy prices fluctuate, PPL scheduled six different times between July 2007 and October 2009 to make purchases for the default supply rate for GS1 and GS3 rate classes. Five of six purchases have been made. As such, a fairly good prediction of the final "Price to Compare" can be made, assuming the final purchase will be close to current market conditions. Currently the "Price to Compare" is expected to be around \$0.1040 per kWh, or 10.4 cents per kWh. The "Price to Compare" for LP4, LP5, and LP6 rate classes will be based on a single purchase by PPL in October of this year. The PPL auction for these rates will be for a one-year price whereas The Chamber program is offering multiple year prices.

Should I wait for the PPL rates to be announced to make a decision?

For customers with GS1 and GS3 accounts, five of 6 purchases have been already made for the PPL default rate, all of which occurred during times of significantly higher energy prices than exist in the market today. Current market based prices are lower than the expected "Price to Compare." Since only 1/6 of the PPL "Price to Compare" is still to be determined, the final PPL "Price to Compare" for GS1

and GS3 accounts is not likely to change much from current expectations. Market prices, however, are at multi-year lows and certainly have the potential to move up. Customers with LP4, LP5 or LP6 accounts should discuss with a Constellation NewEnergy representative the relative merits of a customized strategy for their accounts, including the significance of the October PPL purchase.

What will my price be?

Constellation will calculate a price for each member based on that member's usage pattern, contract term and prevailing market costs/conditions. Included in this price is a small, less than 1%, fee paid to The Chamber for the administration of this program. Recent price quotes to Chamber members have been consistently well below the expected PPL "Price to Compare." However, some member's may not see benefit because of specific usage patterns, Constellation will notify all members that fall into this category to stay with the PPL rates.

Does everyone get the same price?

Each member will get a separate price. For example, since electricity costs more during On Peak hours and more during Summer than Spring or Fall, customers who use more during these times will be quoted a higher Fixed Price for electricity. Conversely, customers with more favorable usage patterns will receive a lower quote. In addition, energy market price levels fluctuate from day to day, similar to any other financial market. As such, a price quote for the same customer will vary from day to day. But once locked in, it will become the contract price for the entire term of the contract, which currently can go out as long as 36 months, thru December 2012.

Do we get a better price as a Chamber member?

Our selected electric supplier, Constellation NewEnergy, has agreed to reduce the normal administrative cost portion of their price for Chamber members who participate in the program. In addition, Constellation NewEnergy's contracts have been reviewed and negotiated by The Chamber and their energy consultants. Lastly, by participating directly through The Chamber program, fees associated with using a broker can and will be avoided.

Does it make sense to get prices from a broker including a price from Constellation?

Brokers potentially offer customers the ability to get competitive offers and review supplier contracts. In exchange for this service they charge a fee which is imbedded in the supplier's price to the customer. The Chamber selected Constellation as its endorsed supplier based on a number of factors, including heavy emphasis on its price competitiveness. The Chamber regularly monitors Constellation's pricing to members to ensure it remains competitive. The Chamber also thoroughly reviewed Constellation's supply contract after negotiating several changes on behalf of its members. This revised contract is now standard for all Chamber members. Thus, the principal benefits of price competitiveness and contract review are available directly to Chamber members without paying an additional broker fee.

Would I benefit from the expertise of a broker?

While there are many knowledgeable brokers, the fact remains that they are almost always either individuals or small organizations who depend upon the suppliers themselves for most of their

information. For example, brokers have no direct information on electric market prices without asking suppliers for quotes. Since suppliers, like Constellation, are constantly in the market, they can provide market information at any time. Lastly, if you cannot get an answer to a question from a particular supplier representative, you can always find someone in the supplier's organization who can answer your question and explain its meaning in great detail. Faced with the same question, many brokers will simply call a supplier, gather the information from the supplier and call you back to relay the information.

Do brokers purchase the energy or do they simply act as a middle man?

By definition, "A **broker** is a party that mediates between a buyer and a seller for a fee. A **commodity broker** is a firm or individual who executes orders to buy or sell commodity contracts, such as energy, on behalf of clients and charges them a commission. This commission can be embedded in the price of the commodity or charged as a separate fee." Brokers provide a valuable role for those parties unsure or without the expertise to grasp the concepts and strategies of energy procurement or for those who do not have the time to get pricing from several suppliers themselves. The broker will pull pricing together from several retail suppliers, add their fee and present to the client. Nearly all customers would pay less by, as The Chamber Program is, going directly to the retail supplier. The Chamber, in conjunction with our energy experts have completed an RFP (Request for Proposal), selected a Retail Supplier (primarily based on competitive pricing), pre-negotiated contracts and required the Retail Supplier to notify all customers if their rate looks higher than the expected "Price to Compare." In other words, we have done all the work for you in advance.

Do bigger customers get better pricing? Should I join an aggregation group?

The costs included in an electric price quote are based almost entirely on prevailing market conditions and the usage pattern of the individual/particular customer (e.g. On Peak vs. Off Peak, Summer vs. Non Summer) and not on the volume of usage. A true aggregation where different loads are added together to smooth out the overall usage pattern or load factor to get a better price will necessarily create a cross-subsidization effect, where the customers with better load shapes are sacrificing better pricing to subsidize those with worse load shapes. As such, most aggregations are simply groups of customers buying at the same time where the perception, but not the reality, of a bulk discount is allowed to prevail. The real benefits of aggregation therefore are usually limited to standardized contract review and reduced administration for the consultant or broker handling multiple customers. So, for the end user/customer, a purchasing strategy like The Chamber's that focuses on market conditions nearly always outperforms a strategy based on aggregation.

PPL just announced a rate mitigation plan. Should this impact my decision to buy from an electricity supplier like Constellation?

Customers should still consider seeking to lock in a favorable price from Constellation. The PPL rate mitigation plan is simply an installment plan that allows residential and small commercial customers to pay a portion of the increase in electric costs over time with interest. So while initial bills will be not as high, later bills will be as the deferred increase is paid back with interest.