

Energy Procurement 101



McHale Energy
Energy Solutions For Your Business

Electric Deregulation - 101

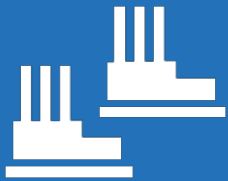
- An electric bill has various components that prior to deregulation were “bundled.”
- Under deregulation the charges are “unbundled”

Generation Supplier

- Generation charges – Price based on a combination of forward markets and generation costs for electricity
- Transmission charges – Tariff cost to move electricity from power plant to utilities, governed by Federal Energy Regulatory Commission (FERC)

Local Utility

- Delivery charges – Tariff cost to deliver electricity, governed by state commission



Generation
producing electricity
at power plants



Transmission
moving electricity over
long distances



Distribution
delivering electricity
to end users

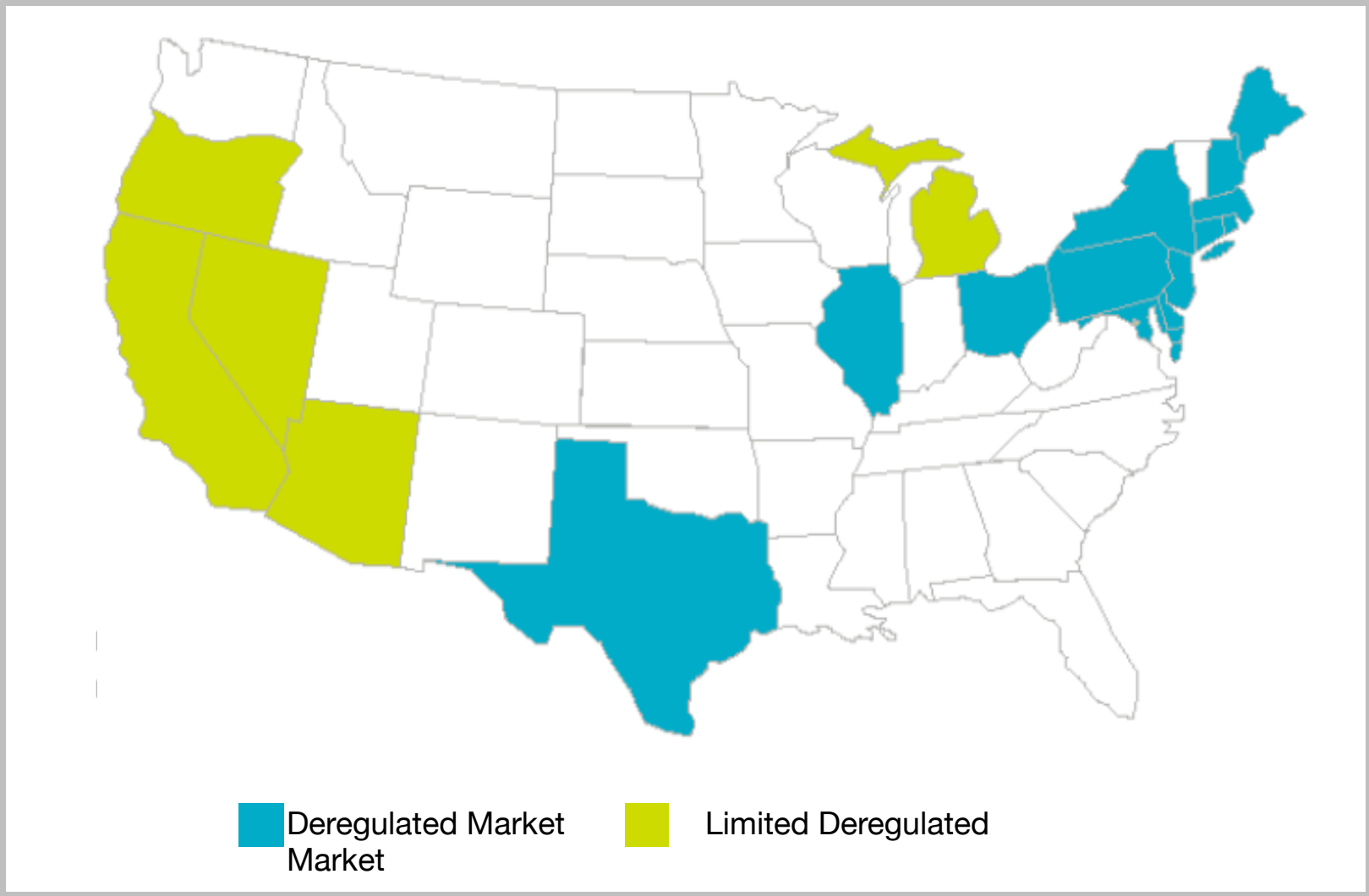


Customers
Strategically using
energy

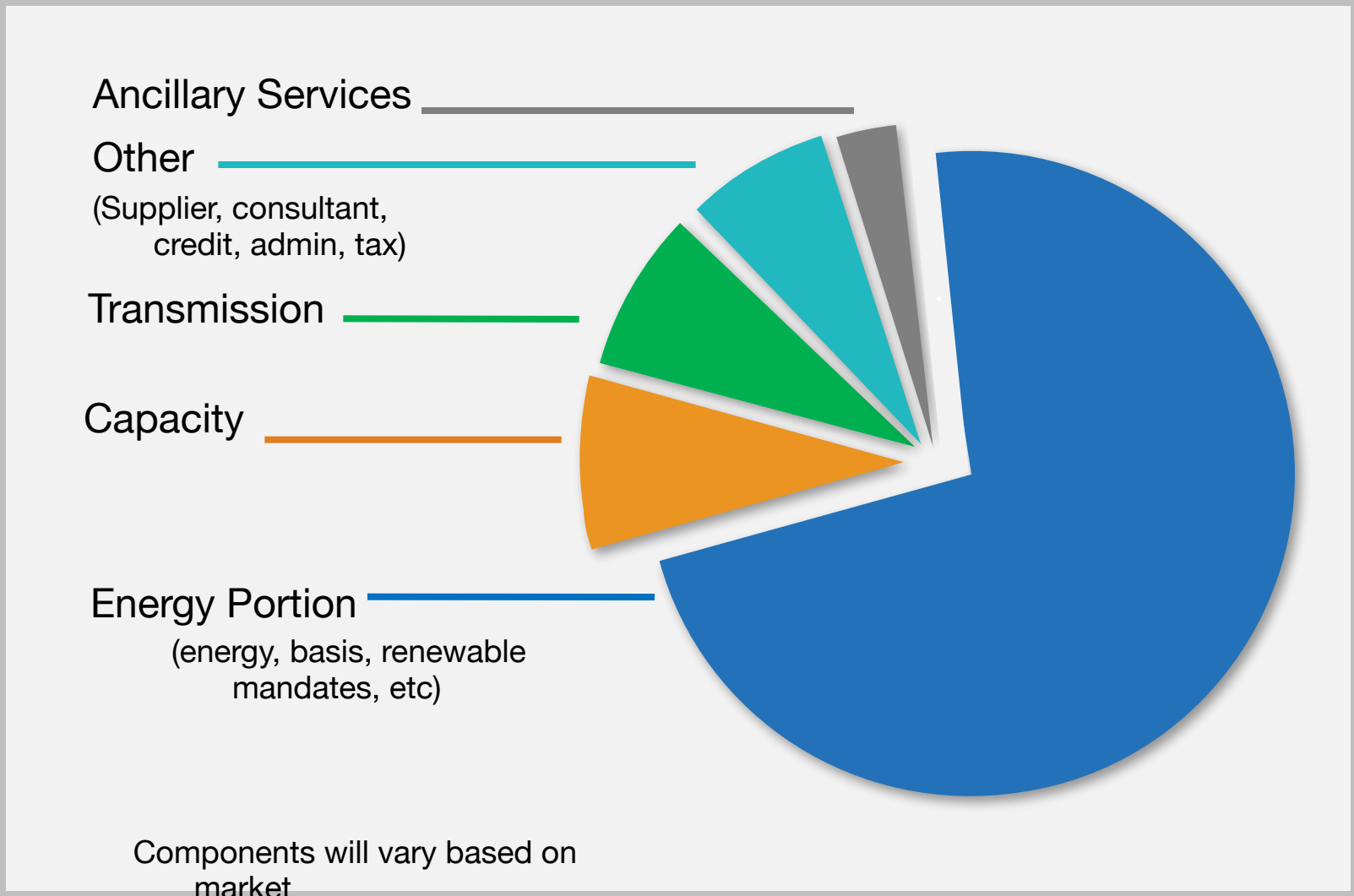


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Electric Deregulation by States



Components of a Generation Price



Components of Your Electric Generation Price

Market-based

- Energy, basis, losses and renewable requirements
- Capacity

Tariff-based

- Transmission
- Ancillary services

Administration

- Supplier & Consultant fee, state & local taxes, credit provisions and billing

Energy Procurement Process: Key Activities



Determine your organizational goals

Risk tolerance
Target price



Gather your information

(Account #s, invoices, etc)

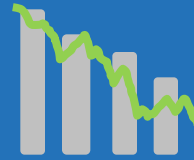


Sign Letter of Authorization

(To retrieve usage history)



Consultant evaluates products and suppliers
(Fixed, Index or Hybrid approach)



Watch the market & Contract for supply



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