



Energy Buying Options in a Deregulated Market— Farmer Presentation Outline

The intent of this lesson is to provide information and skills to farmers so they can better understand purchasing electric and/or natural gas from an alternate supplier as a means to reduce farm energy costs.

Slides 1 through 4: Introduction. The presenter introduces self, the importance and relevance of the subject, and the learning objectives for the module. The audience will learn some history of regulated energy markets and how they work. By understanding how energy markets work, farmers can save money on utility bills.

Slides 5 through 7: The history of electric deregulation as it occurred in Pennsylvania. Understanding how and why we have deregulated electricity and natural gas supplies will improve understanding of the audience. Many states have deregulated the electric supply (generation) portion of their electric service. The supply portion of natural gas service has been deregulated in some locations as well. The delivery service for both natural gas and electric continues to be provided by distribution companies which remains regulated.

Slide 8: Presents the components of electric service as reflected on a farm's electric bill and identifies the one (generation service or supply) which may now be unregulated (a.k.a. a competitive market).

Slides 9 and 10: Illustrate where electric supplier choice has been implemented.

Slides 11 through 14 describe considerations for choosing an alternate electric supplier and the difference between fixed and variable price contracts. Fixed price contracts are based on a supplier's expected costs for buying energy for a group of customers during the contract term. Every kilowatt-hour (kWh) supplied to a group of customers is at the same price. For variable price contracts, the supplier buys electricity from the wholesale market to supply a group of customers and simply adds a markup to the wholesale price. Variable price contracts can result in large price swings during the contract period.

Slides 15 and 16: A cost comparison calculator for home and business (PA).

Slide 17: illustration of a price increase that occurred for customers with variable price contracts in PA. During a long cold spell in January and February, 2014, electric energy was in short supply which caused supply prices to increase dramatically, nearly tripling. The newspaper article excerpt points out that many customers were not at all happy with the outcome. An investigation was launched to look into variable price contracts including the sufficiency of disclosures regarding the possible price increases during a colder than usual winter.

Slides 18 through 20: The deregulation of natural gas supply. Electric deregulation is referenced rather than being repetitious.

Slide 21: An excerpt from the Natural Gas Supplier Choice comparison of gas prices and a brief discussion of its effect. This example is PA specific.

Slide 22: A graphic from the U.S. Energy Information Administration indicating where natural gas supplier choice has been implemented.

Slides 23 through 25: Differences between fixed and variable price purchase agreements for natural gas.

Slide 26 and 27: Strategies for saving energy by electric shopping.

Slide 28: Module summary. There may be alternate suppliers that are willing to provide electricity and/or natural gas at a lower rate than the current supplier. But as always, buyers beware! Read the offer and the contract.

Slides 29 and 30: Reference links to the Pennsylvania Public Utility Commission for information related to deregulation.

Slide 31: Questions.

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