

Reducing Electricity Demand During Peak Periods

The price you pay for electricity during high-demand days is not always what it actually costs your electricity provider. The following questions and answers have been developed to educate you about ways you can reduce your electricity use when demand for electricity is the greatest, often during hot summer days. This effort is important for two reasons. First, cutting back on your electric use will reduce your electric bill and will help to ensure there is enough electricity for all consumers. Second, by controlling your energy use, you can help reduce the wholesale price that your provider pays for electricity, especially during times of peak demand. The following questions and answers will help explain electricity pricing and ways that consumers can use energy wisely.

Frequently Asked Questions

Q #1: How can I save electricity and money?

A: To save electricity and money, and help protect the environment, here are some things you can do:

- Turn off the lights, televisions, computer and monitor, and other appliances when they are not in use;
- Turn up your air conditioner to the highest comfortable setting (78 degrees is suggested);
- Use the microwave or convection oven instead of the oven or range whenever possible;
- Purchase and use compact fluorescent lightbulbs;
- Set the thermostat on the water heater to a lower temperature, such as 120 degrees;
- Avoid using a second refrigerator, if possible. If you do use one, avoid keeping it on in the garage or other locations that get hot and humid. The refrigerator would have to work harder to keep cool;
- Wrap your older electric water heater in an insulating blanket (older heaters usually were not insulated);
- If you are in the market for new appliances or equipment, buy EnergyStar (www.energystar.gov) products for your home or business. Energy Star rates appliances based on their energy efficiency. EnergyStar products and compact fluorescent lightbulbs may cost more than other products, but you will actually spend less money on your electric bills over time.

Q #2: What is an electricity provider?

A: An electricity provider is a company that provides electric generation supply to a consumer. Under Pennsylvania's Electric Competition Act, an electricity provider can be an electric distribution company (EDC) or a licensed electricity generation supplier (EGS).

Q #3: Do electric distribution companies and electric generation suppliers offer the same price for generation service?

A: Not necessarily. EDCs and EGSs may charge different prices for generation service. The rates that EDCs charge were set during the EDCs restructuring cases before the PUC. EGSs set their own prices based on market conditions.

Q #4: Why does an electricity provider pay more for electricity on peak days?

A: In any competitive market, as demand for a product increases, so does its price - - electricity is no different. During times of high electricity demand, companies have to use more costly forms of generation to produce power to meet consumers' needs. This increases the wholesale price that your electricity provider pays for electricity.

Q #5: Why is the price I pay for the generation of electricity different than what it costs my electricity provider?

A: The price your electricity provider pays depends on many factors, including where and how the power is generated, the type of power contract, and the demand for power. The price you pay may differ from the actual cost for a variety of reasons.

If your electricity provider is your EDC, the generation price is set by the PUC. This generation price is the same for all customers on the same rate. As a result of the electric restructuring cases in Pennsylvania, rates are "capped" for a set period of time. This means rates cannot go above a certain level, no matter what your EDC pays for generation, unless the PUC approves an increase.

If your electricity provider is an EGS, the price is based on many factors. EGSs consider market conditions, the amount of power customers use, fuel type, terms of their agreement and other services they may provide. These prices are not subject to PUC review. EGSs must notify you before they make any changes to the terms of your contract.

Q #6: What is peak demand?

A: "Peak demand" is the greatest need for electricity during a certain time period.

Q #7: Why are we sharing this information with you now?

A: A lot has changed in the electric utility industry in recent years. It is important that all consumers understand that the prices they pay for electricity are sometimes less than the

actual cost to produce it. By reducing electricity usage, you can lower demand, which in turn reduces the cost to produce it. Over the long run, this can directly benefit you by encouraging competition, maintaining reliability, helping the environment and saving you money.

Q #8: Will Pennsylvania face the kind of electricity shortages other states are having?

A: Industry analysts have determined that Pennsylvania has enough electric generation supplies to meet consumer needs while maintaining a reserve for emergencies for the next several years. Still, on extremely hot days, unexpected problems can limit electric generation supplies. Transmission equipment failures or generation plants going out of service because of breakdowns or weather-related incidents might increase the need for consumers to conserve electricity.

There is a lot of excellent information about energy efficiency and saving on your utility bills on the following websites: www.ase.org, www.aceee.org, and www.eren.doe.gov/energy_savers/. You may also want to visit the Office of Consumer Advocate website: www.oca.state.pa.us to find information about choosing a new electricity supplier or other information about the ElectriChoice program.