



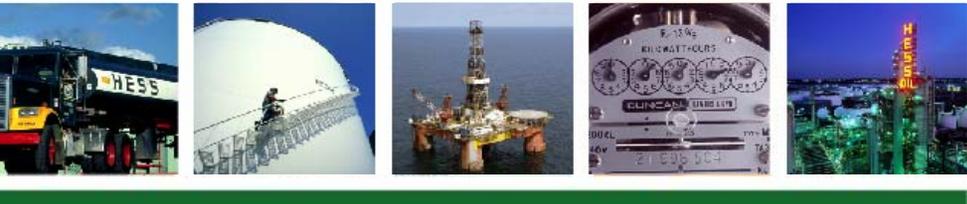
ENERGY MARKETING
NATURAL GAS • FUEL OIL • ELECTRICITY



New York Public Service Commission

Case No. 03-E-0641 – Expansion of Mandatory Hourly Pricing

February 15, 2006



- **Expansion of Mandatory Hourly Pricing (“MHP”) Service Can Produce Two Important Benefits For Customers**
 - **Empowerment to manage energy costs**
 - **Increased Choice and Opportunities in Competitive Retail Electric Markets**

- **Three Critical Elements For Accurate Price Signals**
 - **Transparency**
 - **Cost Causation**
 - **Standardization**

- **Transparency of the MHP Price Cost Components Is Essential Because:**
 - **Customers Must Be Able To Determine How MHP Service Costs Are Allocated On A *Customer-Specific* Basis**
 - **Customers must be able to receive accurate price signals to adjust their own demand in response to price**
 - **Accurate price signals enable customers to make an informed choice of supplier and product**

- **Structuring of the MHP Price Based On Customer-Specific Cost Causation Is Essential Because:**
 - **Non-Customer Specific Methodology will mask accurate price signals**
 - **Customer-Specific Cost Causation Will Increase Load Response Benefits**
 - **Customer-Specific Cost Causation reduces the opportunity for Cherry Picking and/or Gaming**
- **When customers shop, collection of supply side costs should be the responsibility of the supplier, not the utility**

- **The MHP Pricing Formula Should Be Standard Across New York State**
 - **A customer should be able to receive a transparent and fully allocated MHP price regardless of the utility service territory in which the customer is located**
 - **At the same time, MHP prices should always reflect local market conditions**
 - **A single MHP pricing formula is more efficient for customers and the MHP education process**

- **The MHP Pricing Formula Should Be Structured As Follows:**

Energy = Day-Ahead Energy x Hourly Load x (1 + Losses) + Imbalance Cost

Capacity = UCAP x Spot Auction Price + Excess Demand Curve Purchase

Ancillary Service = Hourly Load x (1 + Losses) x (NYISO Schedule 1-6 Charges).

NTAC = Hourly Load x (1 + Losses) x Monthly Rate

If a customer asks a supplier:

“If all things are equal how does your rate compare to the utility’s rate?”

Answer under the Current Method:

“The utility bills you based on class average prices other than for energy. I have to bill you based on my actual cost of supply for your specific load. There will be cost differences because your specific supply obligations will not exactly match the utility’s class average.”

Answer under Hess’ Proposed Method:

“If you choose to stay on hourly pricing with us, then the supply portion of your bill from the utility or your bill from a us would total the same amount. However, we will provide additional product options.”