

To determine the amount of electricity we need to buy for you, we use a calculation called a "total loss factor" to adjust your actual kWh usage. We calculate the loss factor by comparing the total amount of electricity we buy on your behalf to the amount of electricity we deliver to your home and/or business.

Why is my neighbour's bill lower than mine?

Household energy consumption varies greatly depending on the size of the family, lifestyles and how family members use energy. Energy use is a little like cartloads of groceries at the supermarket – all different. Even though some of the same things are in the cart no two will ever be identical – some carts will be \$100 while others will be \$200. Your neighbour, in the summer, may set the thermostat at a higher setting and have fewer or smaller appliances. They may not use all of the rooms in the house or have upgraded their insulation, or have installed more energy efficient windows and doors.

Can I trust my meter?

Yes, before installation all electric meters must meet stringent accuracy requirements set by the Consumer Bureau of Industry Canada. Once installed, meters are periodically checked by the utility and government inspectors to ensure that they continue to give accurate readings.

What is the Debt Retirement Charge?

The Debt Retirement Charge is used to pay down the debt of the former Ontario Hydro. This charge will be calculated on the amount of electricity used, at \$0.007 per kWh.

AUTHORIZATION AGREEMENT FOR THE PRE-AUTHORIZED PAYMENT PLAN* and/or EQUALIZED PAYMENT PLAN

NAME _____

CNP ACCOUNT # _____

ADDRESS/CITY/POSTAL CODE _____

TELEPHONE # _____

I/We authorize Canadian Niagara Power Inc. and the financial institution designated to begin monthly deductions for payment on my/our Canadian Niagara Power Inc. account.

BANK _____

BANK ACCT. # _____

ADDRESS/CITY _____

This authority is to remain in effect until Canadian Niagara Power Inc. has received written notice to cancel.

(Authorized Signatures)

(Date)

Check one:

- Pre-authorized Payment* *and* Equalized Billing Plans
 Pre-authorized Payment Plan* *only*
 Equalized Billing Plan *only*

**Please attach a void cheque if signing on for Pre-authorized Payment Plan.*

Detach and mail to Canadian Niagara Power Inc., 1130 Bertie Street, Fort Erie, ON L2A 5Y2.

Customer Newsletter

November 2002



Canadian Niagara Power Inc.

On May 1, 2002 the Ontario government established a new competitive electricity market. The government introduced this market to create competition and allow consumers a choice in hopes of establishing an electricity market that was viable over the long term. The old system had been heavily subsidized and resulted in the huge spiraling debt for the former Ontario Hydro.

For the residential consumer this means that your electricity service will continue to be provided by your local utility, such as Canadian Niagara Power Inc. (CNPI), but you can choose who will supply that electricity (retailers). Those who do not sign a fixed price supply contract will continue to receive their electricity supply from their local utility and pay spot market prices (cost of power). Local utilities, such as CNPI, do not profit, and are in fact prohibited, from making any profit from this cost of power charge and actual market prices are passed through to the end user.

The recent high electricity prices you have seen on your hydro bills are not unique to Port Colborne. Your per kilowatt hour electricity cost is based on the hourly spot market price and will vary based on supply and demand in the electricity market. CNPI encourages energy efficiency through the responsible use of electricity. Our Customer Service department is standing ready to discuss your options for managing and dealing with the potential price spikes that come as a result of high demand periods and strained supply.

*Bill Daley
President Elect*

The following addresses some of the questions you may have.

Why does my bill seem higher than last year?

The new competitive electricity market works on the economics of 'supply and demand'. With this past summer being the hottest on record [several records were set for electricity consumption] consumers are using more electricity and it is costing more. Higher temperatures increase usage of electricity by air conditioning, refrigeration, etc.

How is the price of electricity calculated?

Unless you have signed a fixed price contract with an electricity retailer, CNPI will continue to supply you with power at market rates. The cost of the electricity commodity will be calculated through a direct pass-through of the actual spot market price for power purchased and consumed.

What is Standard Supply Service?

The price you pay for your electricity under Standard Supply Service is based on the actual spot market price for electricity, averaged over your billing period with no mark-up or profit. The hourly spot market price for electricity can be found on the IMO website at www.theimo.com. As the data on this site is reported in Megawatts (MW), you will need to divide the Current Hourly Ontario Energy/Price by 1,000 to get the kWh-based prices reported on your bill.

What is loss factor and how is it calculated?

When electricity is transmitted over distances and passes through lines and transformers, a small percentage is lost naturally along the way. This is an unavoidable part of the electricity distribution business. This makes it necessary to purchase a little more electricity (on your behalf) than you actually use.

The following graph is based on an average residential consumption of 1,000 kWh per month. The figures are based on actual data from May to September 2002.

The effect of electricity price fluctuation on an average residential hydro bill.					
TYPE OF CHARGE	MAY 2002	JUN 2002	JUL 2002	AUG 2002	SEP 2002
Fixed Monthly Charge (1)	\$12.64	\$12.40	\$12.64	\$12.64	\$12.40
Distribution Charge (1) [0.0093 / kWh]	\$9.30	\$9.30	\$9.30	\$9.30	\$9.30
Wholesale Market Service [0.0062 / kWh]	\$6.20	\$6.20	\$6.20	\$6.20	\$6.20
Transmission Connection [0.0050 / kWh]	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
Network Service [0.0047 / kWh]	\$4.70	\$4.70	\$4.70	\$4.70	\$4.70
Debt Retirement Charge [0.0007 / kWh]	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
Administration Charge [0.25]	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
Cost of Power (2) [daily average spot market price]	\$30.50	\$37.30	\$61.70	\$68.50	\$82.60
TOTAL CHARGES	\$75.59	\$82.15	\$106.79	\$113.59	\$127.45

(1) This is the *only* portion controlled by CNPI.

(2) This variable rate charge is for the actual amount of electricity you consume, which is provided to you under the Standard Supply Service, unless you have signed a rate contract with an energy retailer. Subject to rate fluctuation based on supply and demand. The electricity rates for May to September varied between three to seven cents per kWh.

How can I avoid billing fluctuations?

CNPI offers an *Equalized Payment Plan* and a *Pre-Authorized Payment Plan.**

The *Equalized Payment Plan* can help you manage your payments and cash flow more easily by equalizing your payments into 11 equal installments. This will help smooth out the fluctuating prices and will be balanced out once a year. The *Equalized Payment Plan* is not available to customers who signed a contract with an electricity retailer.

The *Pre-Authorized Payment Plan** can eliminate monthly cheques, postage costs, as well as save time and avoid late payment charges by authorizing automatic deductions of your electric bill from your bank account (see reverse).