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Restructuring Today

Chronicling ongoing efforts to open and close competitive energy markets

Liberty Power decides to rate markets around US

How good are state markets?

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Liberty operates from Ft Lauderdale.

It's filling in the gap created by the end of the Center for the Advancement of Energy Markets.

Small businesses don't have a voice when it comes to electric policy, Liberty's CEO David Hernandez reminded us.

Electric choice gives them the freedom to choose cheaper prices and more innovative products -- but the ability of a small business to save money depends on how well the market is set up, he added.

We agreed with the various grades -- A through F -- Liberty gave US markets including two failures.

Montana and Nevada earned Fs because they limit choice for small businesses despite making it easier for big industrials to shop.

Electric choice report card for small and mid-sized businesses for 2007

By Liberty Power

	Ability to Compare Prices	Restrictions on Shopping	Protections from Cost Overruns	Regulatory Climate	Overall Grade
New York	A	B+	A-	B+	A-
Texas	A	A-	A	A-	A-
Maine	B+	B+	A	B+	B+
Massachusetts	B+	B	A	B+	B+
Delaware	B-	A	B-	C	B
Illinois	B+	B	A	D	B
Maryland	B	A	A	D	B
New Jersey	B-	A	A	B	B
Rhode Island	B	A	A	B	B
Washington DC	B-	A-	A-	B-	B
Connecticut	B+	A	A	D	B-
California	A	F	B+	B	C
New Hampshire	C	B+	C	C	C
Pennsylvania	D	C	A	C	C
Arizona	D	B+	F	D	D
Michigan	D	C	F	D	D
Ohio	D	C	F	D	D
Oregon	D	D	D	D	D
Virginia	D	B+	F	F	D
Montana	B	F	A	D	F
Nevada	D	F	F	D	F

States not included do not give customers a choice in electric providers

What were Liberty's rating criteria?

Each market was graded by the way it treats business and that's appropriate for Liberty since it primarily sells to small and medium-sized businesses (SMBs).

Basic criteria included the ability to compare prices, curbs on shopping, protection from cost overruns and the regulatory climate.

Liberty stressed the role of small business in creating two thirds of America's new jobs.

Actually 98% of the new businesses here are small and about 40% of the land's gross domestic product comes from small business.

The firm serves over 20,000 small and mid-sized businesses nationally.

Hernandez hopes the report card will empower small and mid-sized businesses to start a dialogue with their policymakers to identify areas that need work.

A return to monopoly regulation is the exception rather than the norm, he added.

He sees a "big market out there" and is confident policymakers will recognize the value of choice to small businesses.

The Report Card

New York, A-: The Empire State is a national leader when it comes to electric choice. The New York PSC's commitment to implement "retail access plans" -- programs that make it easier for small businesses shop for power and understand choice -- has revolutionized how small businesses are able to compare prices and test the market. Most utilities don't own generation and small businesses get a monthly, apples-to-apples price to compare. Small businesses should be worried, though, about a potential shift in regulators' embrace of electric choice and legislative proposals that could make benchmark prices less transparent. A highly successful office within the state's PSC that helped SMBs understand choice -- and made shopping for power easier -- was disbanded. New laws or rules could let utilities blend their prices over longer terms, making it harder for business owners to compare prices. That could endanger the savings that small businesses have enjoyed from electric choice. Competition in power prices saved business customers 15-18% on their bills from 1996-2004, the state's PSC reported.

Texas, A-: Texas earned the top mark for its unique approach to electric choice that saw complete separation of power plants, wires and retail sales. The Texas market design has encouraged over 50 competitive retailers to enter the state, giving SMBs a breadth of different products and services. Texas businesses get completely transparent prices after regulated benchmark price ended January 1st, meaning business owners can now simply and directly compare offers against each other rather than against an artificial rate. Robust competition among electric providers saved Texans \$3.6 billion in 2005, the Perryman Group found. However, only 85% of Texans have access to these benefits as other areas of the state such as El Paso, the Panhandle and East Texas are still in the transition to choice. Regulators are committed to opening the remaining parts of the state to competition and are actively working on plans for two such areas. Although delivery of power was separated from retail sales, the ability of the same firm to own a regulated wires firm while selling at the retail level raises some concerns.

Maine, B+: Mid-sized businesses get a transparent benchmark price every six months though for small businesses the price is set less frequently. The state doesn't impose shopping windows on customers but medium businesses (those using 400+ kilowatts) have to pay an exit fee when they first shop for power. Utilities don't own generation.

Massachusetts, B+: Small business customers get an updated, transparent benchmark price every six months, arming them with better data to evaluate competitive offers. Mid-sized businesses get new benchmark prices every quarter. Utilities don't own generation. Business customers do face some curbs on switching since a rule prevents them from leaving the utility for a competitive supplier if they had been with that competitive supplier in the previous 12 months.

Delaware, B: Delaware gives small businesses a market-based price to compare but only updates it once a year. The state blends several supply contracts together, making the price less transparent. Lawmakers are probing ending a businesses' ability to choose their supplier, too. Delaware doesn't impose minimum stays on

small businesses and utilities have partially divested generation, mitigating the risk customers have of paying for cost overruns.

Illinois, B: Illinois moved ahead with implementing a market-based benchmark price that makes shopping for power easier. Utilities don't own generation, protecting small businesses from cost overruns. Medium-sized customers could face burdensome shopping windows depending on their service area, hindering shopping. Gov Rod Blagojevich threatened the Illinois Commerce Commission (ICC) over its progressive policies that made price comparisons easier but the ICC stood up for customer choice and simple comparisons. The ICC's decision attracted about a dozen new suppliers into the state, greatly expanding the breadth of products offered to small business owners. The state's House of Representatives unsuccessfully attempted to thwart that good work by imposing artificial prices on utility service, endangering the accurate comparisons small businesses get.

Maryland, B: SMBs get transparent prices to compare several times a year depending on their size, making comparisons more useful. Small businesses are free to shop at all times and utilities don't own generation. Electric choice, however, came under attack from the state legislature and new Gov Martin O'Malley, a critic of that state's current regulators, intends to re-constitute the PSC.

New Jersey, B: New Jersey small businesses get a market-based benchmark price but it's only set once a year. The price is a blend of contracts spread out over three years, lowering the benchmark's transparency in capturing the market environment. Small businesses aren't exposed to generation cost overruns since utilities don't own generation and SMBs have wide shopping freedom.

Rhode Island, B: Rhode Island's benchmark rate is market-based but is based on long-term contracts between suppliers and the utility -- although fuel adjustments are permitted. That makes the benchmark less useful in comparing offers. Utilities don't own generation and small businesses are free to shop at all times.

Washington, DC, B: The district's benchmark price is blended over three years and is only updated once annually, limiting its transparency. Regulators rejected immediate changes that would make the benchmark price less transparent but are still considering blending the price over a longer time thus harming the ease of comparisons. Most utility generation was sold, protecting customers from cost overruns.

Connecticut, B-: Connecticut created a good market for SMBs, but its grade is hurt by regulatory uncertainty. Small businesses get a new market-based price to compare every six months making shopping easier. Small businesses don't face shopping windows or minimum stays either. Utilities sold their generation but are pushing lawmakers to let them build new, rate-based plants that could expose customers to cost overruns. Key politicians questioned the future of electric choice, too.

California, C: California has a good market for those who can shop but electric choice for most consumers was suspended in September 2001. Only consumers shopping at the time of the suspension can still choose their power provider -- about 16% of the state's electric demand. That created a system where new or expanding businesses were put at a competitive disadvantage as they're unable to access the benefits of electric choice such as lower prices and tailored products that their competitors may enjoy. California imposes a three-year minimum stay for consumers that shopped but return to the utility. Over 180 California retailers, restaurants, manufactures and universities asked the PUC to start the process to reopen electric choice to all customers by January 1, 2008.

New Hampshire, C: Two of New Hampshire's utilities give small businesses an apples-to-apples benchmark price but the state's biggest utility still has lots of generation making price comparisons harder and imposing risks of ratepayers. Small businesses don't face a minimum stay on utility service but do pay an exit fee at one utility. Lawmakers debated letting utilities own more generation.

Pennsylvania, C: Pennsylvania has two utilities where small businesses can get a transparent price to compare but most utilities in the state price power using opaque, transitional rates. Utilities don't own generation but several require a 12-month minimum stay.

Arizona, D: Small businesses don't have real choices in Arizona because utilities still own generation that's used to set the benchmark price -- making price comparisons difficult and shifting risks to customers.

Michigan, D: Once an active market, small businesses' choices waned since utilities don't offer an apples-to-apples price to compare and rules to promote shopping have rolled off. Utilities still own generation and benchmark prices are administratively set. Small businesses face a one-year minimum stay when switching to utility service.

Ohio, D: Another former leader in providing small businesses with choice, small businesses' options plummeted since regulators let utilities continue to own generation and use opaque prices. The benchmark price is set by confusing rate plans that don't have meaning when comparing competitive offers. Some utilities impose a shopping window on small businesses.

Oregon, D: Small businesses -- those using less than 30 kilowatts -- haven't received real choices because utilities offer a suite of competitive products that hinder real competition and make price comparisons difficult. SMBs face burdensome shopping windows and utilities still own generation.

Virginia, D: Small businesses in Virginia are exposed to risks from subsidized, utility-owned generation and don't get a realistic price to compare. The State Corporation Commission staff published reports favoring the rollback of electric choice and the state's largest utility is lobbying lawmakers to repeal choice for all but customers using over five mw. That proposal would place small businesses -- most of whom use less than 2% of that mandate -- at a competitive disadvantage.

Montana, F: Montana severely restricts the freedom of SMBs to shop for power. Small businesses (those using less than 50 kw) can only shop through regulator-approved aggregation pools that don't let customers choose a product specifically tailored to their needs. Medium-sized customers (50 kilowatts to 5 mw) can shop individually but a 20 mw cap is imposed on participation. That could leave some businesses unable to shop and at a competitive disadvantage to those that can. Customers above 5 mw don't face the same curbs, giving them a competitive edge.

Nevada, F: Nevada only extends electric choice to customers using over 1 mw, giving them an advantage over their smaller competitors. Small businesses not only are prevented from shopping but are forced to take on the risks of utility-owned generation, further damaging their competitiveness with larger firms.