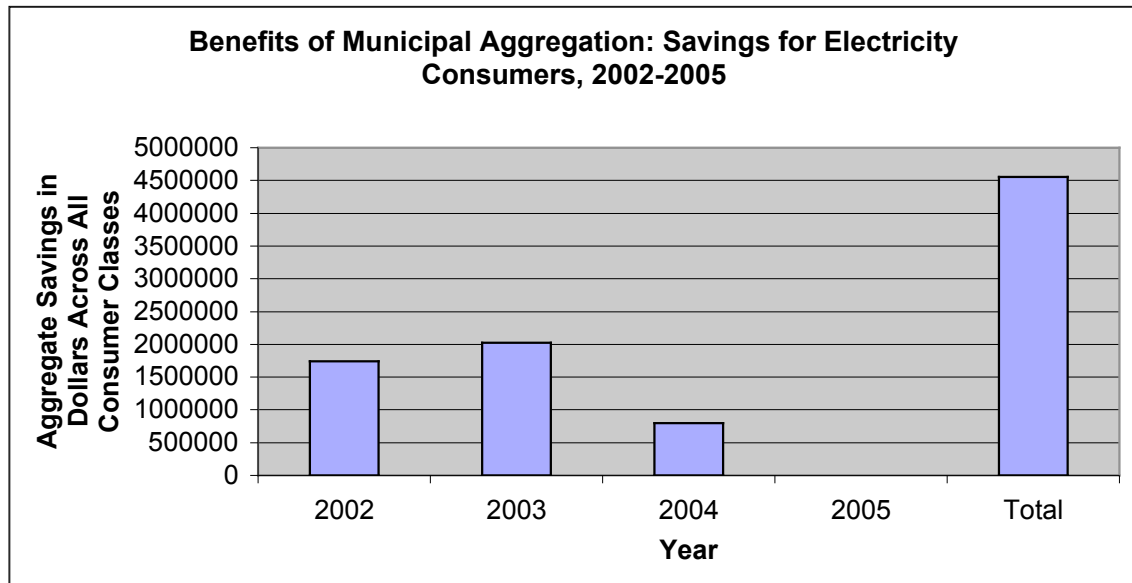
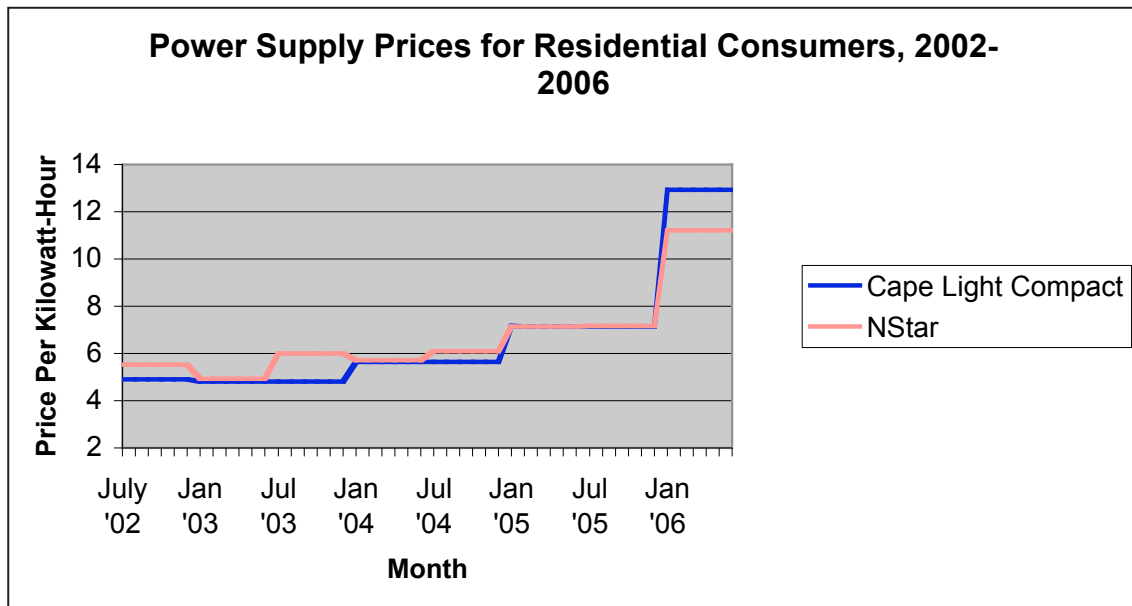


Electricity Supply Costs & Savings Through Aggregation

By Chris Powicki, WEEinfo Services



Summary: Electricity is becoming an increasingly expensive commodity: The price of each kilowatt-hour purchased through the Cape's primary power suppliers has more than doubled over the past 3 and a half years, increasing the Cape's total electricity bill from approximately \$200 million annually to approximately \$300 million in 2005, and likely to around \$400 million in 2006. Skyrocketing commodity prices reflect recent events as well as global demand pressures that have driven up the out-of-pocket costs of fossil fuels, even as the "true costs" borne by local communities have become more evident.

Consumers on the Cape and Martha's Vineyard are fortunate to be served by the Cape Light Compact, which was created in 1997 to reduce consumer costs and otherwise protect consumer interests during the restructuring of the Massachusetts electricity industry. When it provides access to lower-priced power, the Compact improves well-being and supports Cape Cod's economy: dollars that otherwise would be exported to corporations headquartered elsewhere are freed up for local uses - a critical issue for businesses with narrow profit margins, communities with tight budgets and residents with low or fixed incomes.

From 2002 to 2004, when the Compact began buying power from competitive suppliers on behalf of a subset of local consumers, aggregate savings totaled more than \$4.5 million, relative to out-of-pocket costs that would have been incurred by purchasing power through NStar, the incumbent utility. In 2005, the transition to full retail competition, as defined by the Massachusetts Electric Restructuring Act of 1997, ended. As the number of consumers served by the Compact grew, the price gap between the Compact's and NStar's residential service offerings narrowed. Savings for individual consumers were modest, but the Compact's aggregation program reduced the overall 2005 power supply bill of Cape and Vineyard residents and businesses - and municipal taxpayers - by a total of more than \$700,000. For 2006 and beyond, the Compact's ability to offer favorable pricing and contract terms across all consumer classes, relative to NStar, remains uncertain due to institutional, regulatory and market factors. Approaches for addressing these barriers are being actively pursued.

Sources: Data from Cape Light Compact & NStar; analysis by WEE*info* Services.