

March 29, 2006  
93<sup>rd</sup> Issue

## WHO'S KNOCKING AT YOUR DOOR AND, SHOULD YOU LET THEM IN?

Although our business is to help you manage your business through improved commodity pricing and control we are frequently asked about offers being peddled door-to-door by residential energy marketers.

As an added value to our clients, their employees, and associates we are pleased to provide our views on these retail offerings plus some guidelines for how best to determine if you are being presented with a good deal. Here are some points to consider:

- **Don't show them your bill**

First and foremost, NEVER show your electric or natural gas bill to someone knocking at your door. If they are from your local utility they will not need to see your bill because they will already have that information in their system. If you get to the point where you wish to enter into a contract, then you can present them with your billing account information.

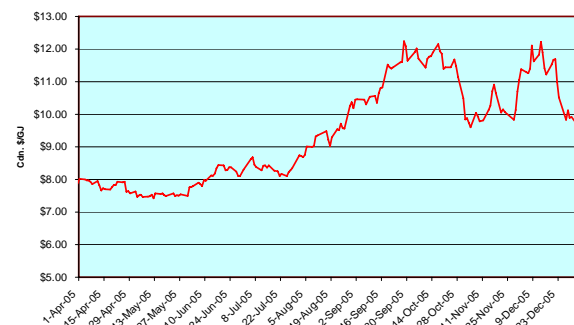
- **Be aware of the huge volatility in long-term prices**

It's important to bear in mind that open-market rates for electricity and natural gas, whether they be near or long term, vary significantly from day to day, or week to week. This is largely due to the number of speculators that have entered the energy hedge-fund markets. For instance, some days we see four times as many crude oil futures trades as took place just a few years ago. The fact is energy traders don't make money unless there is volatility so they don't care whether prices are rising or falling; they just want to see them moving.

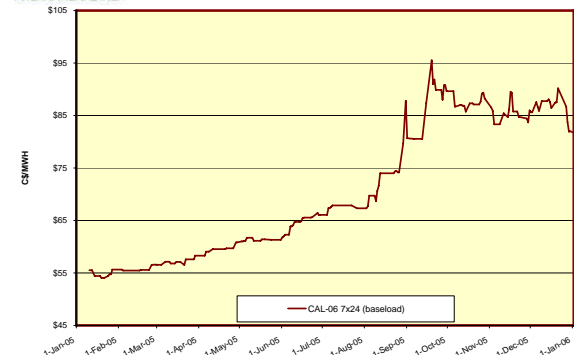
The following are two graphs, one showing the term rates that were available for natural gas this year and the other showing the term rates that were available

for electricity (Ontario electricity supply is used in this example, but similar volatility exists in other open access markets).

EN-PRO INTERNATIONAL INC. CANADIAN TERM INDICATIVE NATURAL GAS PRICES  
Nov. 2005 to Oct. 2006



EN-PRO INTERNATIONAL INC. 2006 Indicative Electricity Term Prices - Ontario



What's interesting is that there are times where it is much better to lock in pricing for the long term and there are other times where it is extremely expensive to do so. Strange thing is, according to the door-to-door marketers, it's ALWAYS a good time to lock in because unless you do so they don't make any money.

- **Understand their margins**

When selling very small amounts of natural gas and electricity they don't make very much money unless they tack on huge margins. So, just paying that annoying sales person who keeps knocking on your door a commission can add significantly to the cost of the commodity. The margins we see on residential offerings are extreme. As an example, a quick look at available one-year residential gas offerings in Ontario shows rates that range between \$0.46 and \$0.50 per cubic metre. Keep in mind that is just the supply AND you still have to pay your utility for transportation and distribution. The supplier providing you with those rates would go to the open market to secure the gas and the rate they would be paying today for that period (May 2006 to April 2007) would be about \$0.33 per cubic metre. That's a 40 to 51% margin!

Our review of residential retail offerings for either gas or electricity confirm that this is the margin range that retailers aim to secure. Therefore, in order for a retail offering to benefit you, YOU have to be certain that you are locking in when the base market rates are very low and that they will rise by at least 40-50% during the term that you are locking in for.

- **Know what the utility price is**

Your local utility, while not being in the business to sell natural gas and electricity (they are in business to distribute the product), does have some clout when buying the commodity. Through Energy Board regulations they are not allowed to profit on the actual sale of that commodity so their margins, unlike the door-to-door retailer, are low. For example, if you are buying natural gas in Ontario from Enbridge, starting April 1, 2006, the supply price is \$0.338 per cubic metre (\$0.12 to \$0.16 lower than the retail offerings available for the next 12 months).

- **Be wary of slick marketing tactics**

We have seen advertisements and sales pitches that outline how much energy prices have risen over the past few years. They then show how locking in at their fixed rate proposal -- using electricity as an example -- will help protect you should that rising trend continue. The suggestion that prices are going to continue to soar at the same pace as recently experienced is, in our opinion, misleading and unrealistic. It is however a good way to sell a customer a very high long-term energy price.

- **Their offering will only impact a portion of your bill**

You should understand that the only portion of your energy bill that they can affect is the "supply" portion. That typically makes up 50-75% of the total bill, depending on where supply costs are at the time. The other components, those being delivery and transportation/transmission, are still completely regulated and charged by the local utility. So if you are comparing their rate to the "total" rate you are paying on your bill, you will not be making an "apples to apples" comparison.

- **In summary, know all the facts before making a decision**

While there are many things to be wary of when examining a residential energy offer, we can't paint all offerings with one brush. There are certainly going to be times when it makes financial sense to lock in some price protection. There may also be offerings available that are better than some of those we have highlighted in this article. Just make sure you check the facts before entering into a long-term deal and don't feel pressured to make a decision on the spot, especially while standing with your door open. You could be losing more in energy waste by letting the hot or cold air escape than you will ever make up in energy savings through the offering they are trying to sell you.

---

This material may be used editorially provided  
En-Pro is credited.

**EN-PRO INTERNATIONAL INC.**

174 Simcoe Street North  
Oshawa, Ontario, L1G 4S9

[www.en-pro.com](http://www.en-pro.com)

Phone: (905) 686-6400

Fax: (905) 686-6439

Media Relations: (416) 490-6961

---

**EN-PRO**  
INTERNATIONAL INC.

*Your Energy Management and Commodity Price  
Professionals Since 1985*

*Celebrating 21 Years of Service in 2006*