

www.chicagotribune.com/business/ct-biz-0516-blue-star--20100516,0,7114543.story

chicagotribune.com

BlueStar breaks into residential energy market

Alternative supplier offers 12-month contract; 4 other firms certified by ICC to offer residential electricity

By Julie Wernau, Tribune reporter

May 16, 2010

For the first time since Illinois opened competition in the residential electricity market eight years ago, an alternative supplier has entered the Northern Illinois region.

Chicago-based BlueStar Energy is offering a 12-month contract to lock in prices that it says would save the average consumer between \$6 and \$7 per month from Commonwealth Edison's most recently announced rates, which begin June 1. The company is also offering an option for customers to purchase electricity from renewable energy sources that would be about \$4 per month below ComEd's rates.



Four other companies have been certified by the Illinois Commerce Commission and are registered with ComEd to supply residential electricity. Experts say their decision to compete will depend on BlueStar's results.

"BlueStar Energy believes that Illinois consumers deserve a choice in who provides their electricity and in the type of power they wish to use," said Aaron Rasty, co-founder and chief operating officer of BlueStar Energy, which ran a residential pilot program last year for about 200 customers in the ComEd region in anticipation of the rollout in Illinois.

Before state deregulation consumers had no choice of supplier. That changed in 1999 for nonresidential customers. Today about 75 percent of the electric load for commercial and industrial customers is purchased through alternative suppliers, according to the Illinois Competitive Energy Association. And while the residential market was deregulated in May 2002, competition largely has been nonexistent.

"I don't want to say it's high time. But this is what people thought we were buying into back in 1997 (when deregulation laws were drafted)," said Karl McDermott, who served as an ICC commissioner from 1992 until 1998 and is now an Ameren Endowed Professor of Business and Government at the University of Illinois at Springfield.

McDermott said the residential sector is more difficult to break into because it is costlier to market to a broader audience of consumers who stand to save only a few dollars a month compared with the

thousands or millions of dollars a month a large company might save by switching to alternative suppliers. He said a number of companies are waiting to see how BlueStar does in the residential marketplace.

ICC spokeswoman Beth Bosch said Illinois recently passed a law that would allow third-party agents and consultants to attempt to aggregate residential customers into groups. The significance is that such groups might be able to negotiate rates much like larger companies do.

BlueStar decided to move ahead after conducting a pilot project that began a little more than a year ago. Rasty said the approximately 200 customers in the program were mostly friends and family and allowed the company to test and offer suggested tweaks for the Web site, billing and customer service segments of the business.

According to the ICC, 198 residential customers have switched from ComEd to alternative suppliers mostly as a result of the BlueStar pilot. ComEd serves 3.4 million residential customers.

"So far all the competitive activity has been on the nonresidential side," said Torsten Clausen, director of the Office of Retail Market Development for ICC.

Spokesmen for the alternative suppliers other than BlueStar said they were either not serving residential customers in the state or served only a handful of consumers who sought them out and were brought on by special request. Other companies said they hadn't yet managed to procure electricity at prices that would allow them to compete in the residential market.

"We're not able to really offer customers any type of significant savings from what they already have from their utility," said Diane Francis, spokeswoman for FirstEnergy. She said if conditions improved, FirstEnergy would consider entering the Illinois residential market.

Tim LoCascio, regulatory affairs manager for Liberty Power Corp., said the company's licensed entity in Illinois is waiting for several proposals to work their way through the ICC, including legislation mandating that ComEd create a plan on how it would handle billing for alternative suppliers. Liberty also is advocating for referral programs like one in New York that has utilities inform customers about their choices at the time they sign up for service as well as price comparison tools that consumers could access. In Texas, for example, a price-comparison Web site, powertochoose.org, allows customers to look up suppliers by ZIP code, check prices in an apples-to-apples comparison, choose suppliers by their renewable energy options and check for complaints against suppliers.

BlueStar officials said the company can procure electricity more cheaply because it buys at variable times. That contrasts with ComEd, which take bids at the same time every year through the Illinois Power Agency. Those costs are then blended with the costs of previously purchased power and passed on to consumers. William McNeil, vice president of energy acquisition for ComEd, said companies like BlueStar benefit from the fact that they are not beholden to contracts that were purchased when electricity prices were higher.

Kevin Wright, president of the Illinois Competitive Energy Association, said a 10-year freeze on residential rates that ended in 2007 made it difficult for alternative suppliers to compete because rates were below-market. He said ComEd's rates now are market-based.

"We're hoping in a year from now, we'll see vibrant — or at least a little more vibrant — competition," he said.

BlueStar has been hanging fliers at CTA stops, has planned appearances at more than 30 community events throughout the summer, and expects to conduct radio spots and TV ads in the area. It also will conduct word-of-mouth marketing and social media campaigns on Twitter and Facebook, Rasty said.

jwernau@tribune.com

What are the rates?

Commonwealth Edison (June-December 2010, for residential customers without electric heat):

- 7.954 cents per kilowatt-hour (summer)
- 7.767 cents per kilowatt-hour (non-summer)

BlueStar (12-month fixed rate):

- 6.96 cents per kilowatt-hour (nonrenewable energy)
- 7.43 cents per kilowatt-hour (renewable energy)

Who do I call if the lights go out?

ComEd is responsible for maintaining the infrastructure that supplies electricity to Illinois homes.

Even when customers choose to have their electricity supplied through another company, ComEd or the regular service provider continues to deliver the electricity.

Who sends me my bill?

It depends. BlueStar customers receive a single bill from BlueStar, and the alternative supplier essentially cuts a check to ComEd for the delivery portion of the bill.

Only the supply portion of the bill changes when a consumer chooses an alternative supplier.

What's the catch?

BlueStar requires that customers sign a 12-month contract, while ComEd customers have no contract. BlueStar charges an early contract termination fee. The fee is \$10 per month multiplied by the number of months left in the contract at the termination date. There are no startup fees.

Where can I go for more information?

The ICC has a Web site that explains the alternative supplier market, what to ask before signing up with an alternative supplier, and other frequently asked questions at pluginillinois.org.

Copyright © 2010, [Chicago Tribune](http://www.chicagotribune.com)