



Connections

AUTUMN 2005 NEWSLETTER FOR EASTON UTILITIES CUSTOMERS

Important telephone numbers:

Main switchboard

(410) 822-6110
(Customer service)

Emergencies

(410) 822-6110
(24 hours a day,
7 days a week)

Easton Online

(410) 763-9400
(Customer service
and technical
support)

Easton Cable

AdNet
(410) 763-9495

Easton Utilities

201 N. Washington St.
P.O. Box 1189
Easton, MD 21601

www.eastonutilities.com

SPECIAL EDITION

Hurricanes, energy crisis projected to increase winter utility costs

Even before Hurricanes Katrina and Rita took aim at the southeast, energy analysts projected significant increases in utility costs for the coming winter. With the price of oil still hovering at or near all-time record highs, natural gas supply stretched thin after two cold winters, and a series of other factors in the mix, early price forecasts called for an increase of around 15% over the winter of 2004-05. Katrina, and Rita to a lesser extent, worsened conditions. In the storms' aftermath, revised forecasts suggested increases of as much as 45% for natural gas and, in some regions of the country, over 150% for electricity.

"It will take time for the analysts to come up with a clear picture, but the bottom line is that they will be much higher than last winter," said Hugh E. Grunden, President and CEO of Easton Utilities.

Already, the impacts of higher fuel costs are becoming apparent. Both gas and electricity futures are trading at much higher levels than last year. In Easton, the electric energy and fuel cost adjustment and purchased gas charge for August were approximately 30% higher than last August.

"Because consumers use less energy in the fall and spring than in the peak months, increases in the fuel and energy costs aren't as clearly evident in your utility bill," said Mr. Grunden. "As soon as the temperature drops and days get shorter, consumption will increase."

Easton Utilities buys electric energy on the wholesale market in long or short-term contracts or daily 'real time' market prices. When market prices are high, Easton Utilities generates and sells electricity into the power pool. Revenues from that sale are then shared with all customers. Easton Utilities also buys natural gas on the wholesale market. As a non-profit utility, Easton Utilities does not mark up the fuel or energy costs and passes them directly on to customers.

Utility customers pay charges in two key areas. First, the base rate charge covers the cost of building, operating and maintaining the system that delivers either gas or electric to a home or business. Second, the fuel charge covers the cost of the electricity or natural gas that a customer used for the month. The fuel charge is normally the largest component, accounting for 60 percent or more of the utility bill. Other, smaller charges include surcharges and taxes paid to the State of Maryland and a customer service charge to cover the cost of reading gas meters. Like all natural gas and electric utilities in the State of Maryland, Easton Utilities' rates are reviewed and authorized by the Maryland Public Service Commission.

Easton Utilities works to temper these increases through a variety of hedging strategies. The Gas Department buys as much as 80% of its base natural gas supply during the summer, when prices are traditionally at their lowest, to lock in more favorable rates. This year, the weighted average cost of that supply is \$8.90—about 15% *(continued)*

Tips for Energy Efficiency

The winter months are the peak utility season in this region of the country. The longer colder days mean more heating and lighting loads on your system. To keep costs under control, consider the following:

- * Keep outside heat pumps clear of debris and snow.
- * Clean or replace filters monthly.
- * Have your heating and cooling equipment serviced or checked at least once a year.
- * Insulate your home and caulk/weather-strip around doors and windows. These openings can consume up to 40 percent of your home's heating and cooling energy.
- * Seal leaks around wall outlets and switches.
- * Install door “shoes” or “sweeps” to stop air from sneaking in or out under outside doors.
- * Insulate your attic.
- * Make sure your wood burning fireplace damper is closed when not in use to prevent cooled or heated air from escaping up the chimney.
- * When buying new appliances, look at the yellow Energy Guide label and buy only energy-efficient appliances.
- * Invest in storm windows or use clear plastic window insulation to help stop cold air from leaking into your house in the winter.
- * Use electric space heaters sparingly – they are expensive to run.
- * Place nonflammable insulation or nonflammable pliable materials in gaps around pipes, ducts, fans or other items that enter the attic or basement from a conditioned space.
- * Reduce the water heater thermostat setting to 120°F and reduce use of heated water for clothes washing. (Caution – some dishwashers require 140°F water.)
- * Set your gas water heater temperature control to the pilot position when your home is vacant for two days or longer.

For more information, visit www.eastonutilities.com

higher than last year, but considerably lower than the current market prices. On peak demand days, the Gas Department injects propane into the town's natural gas stream to reduce demand from the pipeline without diminishing the quality of the gas that you use.

The Electric Department seeks favorable forward contracts for both the fuel we use to make electricity here and for the electricity that we purchase off the grid. The Electric Department installed two new electric generators with 9 MW of generating capacity. The additional generation allows Easton Utilities to sell more electricity into the grid when prices and demand are high.

Conservation will be crucial this winter. Easton Utilities recommends that customers have their heating systems serviced now to ensure peak efficiency this winter. Customers may want to consider Easton Utilities' Level Billing plan as a budgeting tool. Some customers may qualify for assistance from the State of Maryland. Visit the Customer Service Center (12 N. Washington Street) or www.eastonutilities.com for more information about conservation techniques.

Utility Service Protection Program (USPP)

Easton Utilities would like to remind all residential gas and electric customers who are eligible for energy assistance from the Maryland Energy Assistance Program (MEAP) that they can participate in the Universal Service Protection Program (USPP). Customers in the USPP enter into an equal monthly payment plan based on the estimated cost of average annual utility usage minus MEAP benefits. Customers who do not comply with the monthly payment plan will be given at least one warning notice for past-due payments. Non-payment of two consecutive bills renders the customer subject to removal from the USPP and may result in service termination. For more information, contact the Neighborhood Service Center, Inc., 126 Port Street, Easton, Maryland 21601. (410) 822-5015.

Smoke Testing to be conducted in October

In its ongoing effort to improve the efficiency of the wastewater system, Easton Utilities will conduct an extensive smoke testing program to look for leaks this fall. Smoke testing utilizes a harmless, non-toxic smoke that is pumped into wastewater pipes in a local neighborhood. If there are leaks in the system, the smoke seeps out.

“This is a standard and effective means for finding areas in the wastewater system where excess water gets in,” said Jerry Adams, manager of Easton Utilities Water and Wastewater Department. “But homeowners can find it a little unsettling if they don't know it's coming.”

Testing will begin on October 17 and last at least one month. A clearly labeled vehicle will be on the street when testing is conducted.

Water Main Flushing, Oct 15

Easton Utilities will conduct its semi-annual water main flushing beginning 9 p.m. Saturday, October 15 and will continue until all hydrants are flushed. Normal operations are anticipated before 6 a.m. on Monday, October 17. Twice a year, Easton Utilities flushes the water system to remove any impurities. During the flushing, customers may notice a brief reduction in water pressure and occasional periods of cloudy water or rust colored water. The water poses no health risk, but we recommend that you postpone washing clothes and minimize the use of hot water until after the testing has been completed.