

ACCT ENERGY SAVINGS PILOT PROJECT

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Achieving Energy Savings

*I see that I appear to be the only one at this meeting.
Well, that's a real energy saver right there.

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Executive Summary

Challenges

- Rate Shock – Higher and Volatile Energy Costs
- Environmental Issues – Greenhouse Gases
- Renewable Sources of Energy
- Conservation

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Executive Summary

Strategy

- Reduce and Levelize Energy Costs
- Review Procurement Process
- Take Advantage of Deregulation
- Engage in Demand-Side Management
- Hedging
- Energy Savings Contracts
- Environmental Stewardship

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Volatility

Power Fluctuation

Price volatility in the energy trading markets is making them more attractive—and more risky—to Wall Street firms and hedge funds. Nymex-traded futures prices in three markets.

Electricity
\$120 per megawatt

Natural gas
\$36 per million BTUs

Crude oil
\$80 per barrel

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An Example of Volatility

NCI Natural Gas Market Fundamental Analysis

August 2007

MONTHLY CONTRACT PRICE

DAILY GAS PRICE

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Price Forecasting

| NCI PRICE PREVIEW | |
|----------------------|--------------------------------|
| Source | 2007 Price Forecast (\$/MMBtu) |
| EIA Henry Hub | \$7.91 |
| Stephen Smith Energy | \$7.80 |
| EEA | \$7.50 |
| Raymond James | \$7.08 |
| Lehman Brothers | \$6.75 |
| NCI | \$7.85 |

SOURCE: NCI Survey/NCI

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Restructuring Status of Electric Markets

BLUE: Restructured

GREEN: Possible Restructuring

WHITE: Not Restructured

YELLOW: Restructuring Suspended

ORANGE: Restructuring Delayed

RED: Restructuring Repealed



Source: Department of Energy
April 24, 2006

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Natural Gas is Deregulated in Most States



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Assessment of Risk

- Understanding the Energy Industries
 - Regulation and Utility Tariffs
 - Deregulation and Energy Marketmakers
 - Terms: *Force Majeure*, Consequential Damages and "Blend and Extend" Portfolio Approach
- Alternatives to Buying from a Utility
 - Marketmakers/Expertise and Financial Strength
 - POLR
- Price: Fixed, Market Index
- Nature of Service: Firm/Interruptible, Peak/Off Peak
- Hedges: Financial and Physical
 - Call Puts, Caps, Collars, Swaps, Weather Derivatives or Insurance
- Portfolio Approach
- Demand Side Management
- Energy Savings Contracts

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The Metropolitan Corporate Counsel

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How To Reduce Your Company's Electric Bill By Contract

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While the electric utility industry has been a hot topic for many years, the industry is now undergoing a dramatic transformation. The deregulation of the electric utility industry has led to a new era of competition and innovation. This article discusses the various options available to companies looking to reduce their electric bills. It covers the benefits of long-term contracts, the importance of understanding the market, and the role of energy service companies (ESCOs) in helping companies optimize their energy usage. The article also provides a checklist of key factors to consider when evaluating different contract options.

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Environmental Stewardship

- Green Power/Renewable Energy
 - Wind, Solar, Biomass and Water
 - Reduction of Greenhouse Gases (GHG)
 - Renewable Energy Credits (REC)
- Renewable Portfolio Standards (RPS)

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Renewable Portfolio Standards in US



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Case Study

- A client with multiple locations had an annual energy spend (electric and gas) of \$30 million and was faced with a 40% price increase when price caps came off.
 - Reviewed usage data for client's locations, utility tariffs, status of regulatory environment.
 - In short term, recommended a competitive procurement from licensed energy marketers in two states. Achieved a cost savings of \$4 million/year.
 - Currently engaged in setting up a longer-term energy strategy that includes financial hedging program to stabilize costs, a series of procurements and demand-side management.

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Conclusion

- Energy Consumers Can Minimize Risk of Market Forces in both Deregulated and Regulated Markets
- Monitor Energy Issues on a Continuing Basis

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