

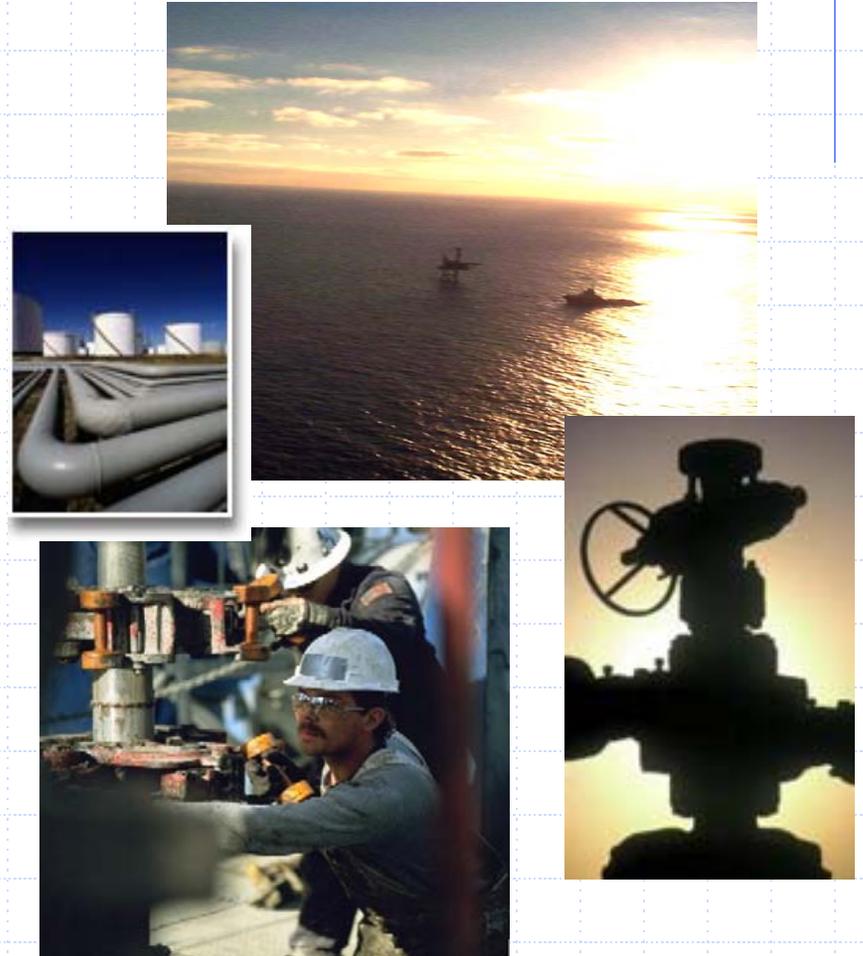
# Maine Public Utility Commission Customer Meetings

April, 2005

Presented by Jon Sorenson  
Competitive Energy Services, LLC  
Boxford, MA and Portland, ME

# Today's Energy Markets

- ◆ Today's energy markets have become extremely volatile:
  - Record prices of crude oil, \$ 55 - 60 + per bl
  - High natural gas prices despite fairly strong fundamentals (demand, production, and storage)
  - Record high coal prices
  - Electricity prices are following suit
- ◆ Is there a fundamental shift in the market?



# Today's Energy Markets

## ◆ What is causing this change?

- Demand
  - ◆ China, India, Brazil
- Supply
  - ◆ World Market
  - ◆ Uncertainty, Disruption, Terrorism
  - ◆ Northeast
- Ability to absorb prices

## ◆ What will bring prices down?

- Supply Improvements
- Prices can not be absorbed in marketplace
- Worldwide recession
- Stability – 10-15% Premium

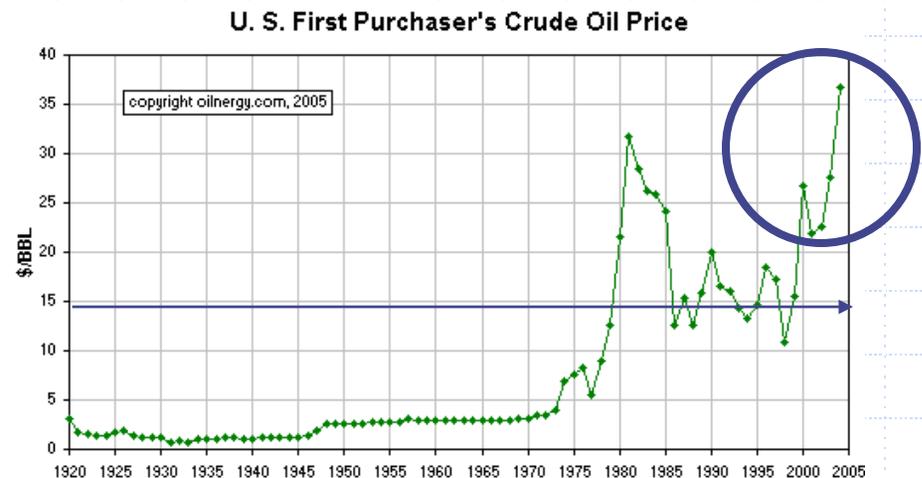
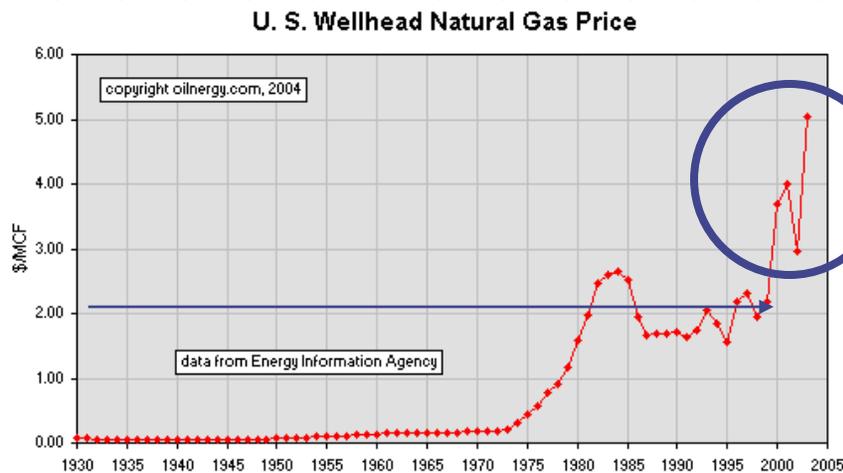
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# Today's Energy Markets

## ◆ The oil and natural gas markets

- ◆ 70 and 80 year history
- ◆ Nat Gas flat until 2000 in real dollar terms
- ◆ Oil volatility started in the 70's, recent turbulence since 2000



# Today's Energy Markets

- ◆ Natural Gas in Maine and New England
  - Up 35 percent over last year
  - Now tracks with crude oil
  - Financials, politics and emotion have strangled fundamentals
  - Only new generation that can be built
    - ◆ Emissions
    - ◆ Environmental struggles for wind, water, and nuclear - NIMBY

NYMEX Sweet Crude - Daily Price in 12 previous months



Price Ratio:  
NYMEX crude oil price vs. NYMEX natural gas price



Inconsistent trends – not tracking vs tracking

# Today's Energy Markets

## ◆ Electricity in New England

- Now a high percentage of the plants are natural gas fired
- Peaking plants utilize 90 percent natural gas for fuel

## ◆ As gas goes so does electricity prices

- In ME, Jan and Feb – standard offer service ranged between \$0.075 to \$0.085 per kWh, depending on customer size and correlating service territory

NYMEX Henry-Hub Natural Gas - 12 previous months



- **Standard Offer Electricity price, increased to \$0.07534 in January and \$0.07563 per kWh for MGS customers in BHE**
- **Large customers were over \$0.085 in Jan and Feb for on peak service in BHE**

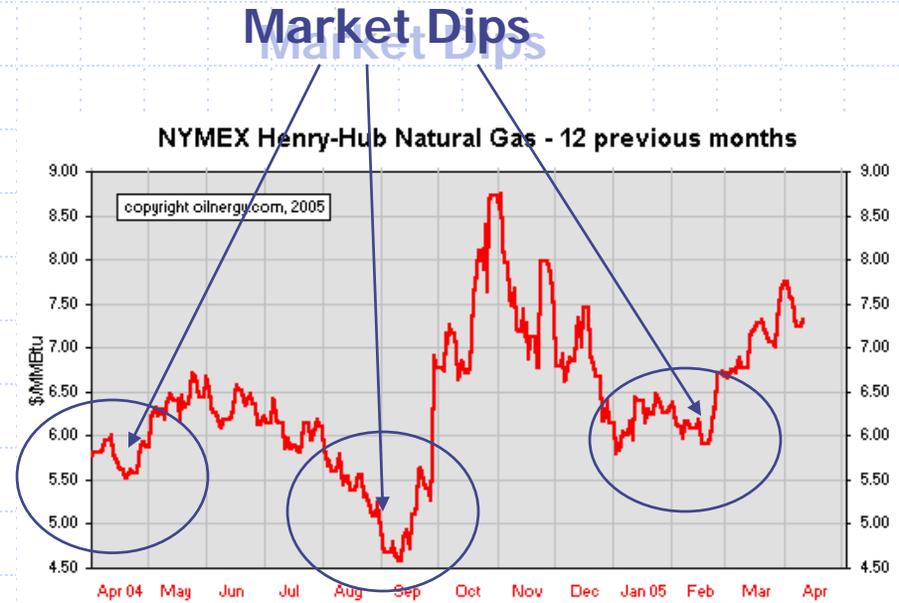
## ME Electricity - Standard Offer

- ◆ Both CMP and BHE standard offer prices will be reduced from their January/February highs
- ◆ Prices are \$0.067854 in CMP in March, to \$0.065514 in June, for medium size customers
- ◆ Prices increase to over \$0.07294+ in July and August in CMP medium size customers, to over \$0.07565 per kWh of usage in the larger class in BHE
- ◆ Competitive prices remain much higher than standard offer service
  - Competitive Supplier concerns are when was the power hedged for Standard offer service?



# Today's Energy Markets

- ◆ Electricity in ME
  - Issue – when do you act?
  - When does the market dip?
  - Will the overall market retreat?
  - Will the market continue to increase?
  - Will we see 5 or 6 cent per kWh electricity again?
- ◆ CES is here to assist and guide our clients through these volatile times



• Prices of electricity tracked natural gas – both in competitive supply and a lagging standard offer service

## ME Natural Gas Issues

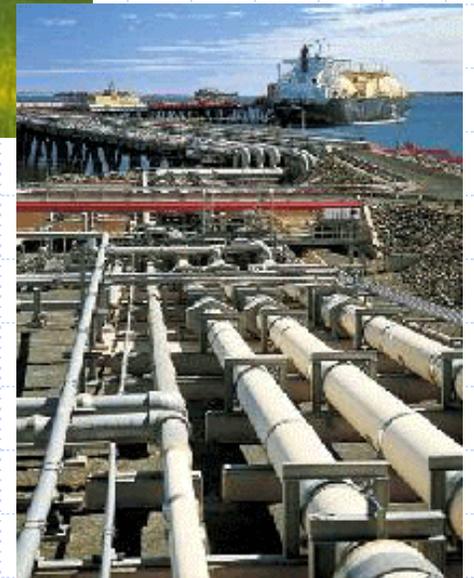
- ◆ Natural Gas is available in the prominent service territories
  - Northern Utilities (Portland, Lewiston/Auburn), Maine Gas (Brunswick area), and Bangor Gas (Bangor, Orono, Old Town)
- ◆ Including LDC charges, natural gas compares favorably compared against light fuel oil and propane
  - Nat Gas is \$0.30 to \$0.40 per gallon LESS compared to heating oil
- ◆ Prevailing issues
  - Having competitive supply opportunities outside of Northern Utilities
  - Proposed Tariff increase by Northern as it relates to capacity charges



# CES Overview

## ◆ CES is an Energy Services Company

- Our expertise is on energy management and procurement
- We represent you the customer
- We assist you in this volatile energy market, bringing focus and value to you, our customer's energy needs
- End result yields – cost containment, potential savings, and most importantly peace of mind



## Competitive Energy Services

◆ Licensed Agent, Aggregator/Customer Representative, Broker:

- ME, MA, NH, CT, NY, TX, NB, NS

◆ Retail Electric Provider:

- ME, Green Power
  - ◆ Residential
  - ◆ Small Commercial



Maine  
Renewable  
Energy

New Brunswick  
CANADA

## Competitive Energy Services

### ◆ Experienced Management:

- 100 years of experience – generation, origination, supply management, marketing, sales, consulting, legal representation, purchasing, public policy

- **On the ground** for establishment and initiation of deregulated markets

ME MA NY NH

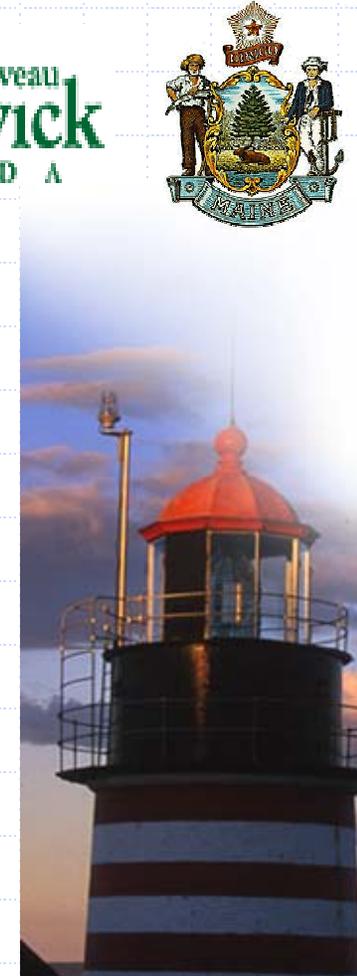
PA TX NJ New Brunswick

Nova Scotia

- Purchasing electricity and natural gas, development of distributed generation/cogeneration, negotiation of Delivery Service rates and providing expert testimony on a wide range of regulatory issues

## Competitive Energy Services

- ◆ 20,000 Business, Commercial and Industrial customers in Maine, Massachusetts, Texas and New Brunswick, Canada
- ◆ Translates to 1,500 MW of electricity under management, 250,000 barrels of oil, and over 3+ million dth of natural gas
- ◆ \$200,000,000 in commodity value for our customer base



# Competitive Energy Services

- ◆ Customers include Eastern Maine Medical Center, Georgia Pacific, Hannaford Brothers, **Province of NB**, City of Saint John, **State of Maine**, LL Bean, International Paper, Pratt & Whitney plus thousands of small businesses



Public Power Pool



Association  
POWER



Tan/Brown



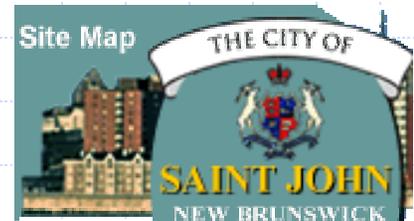
**Pratt & Whitney**  
A United Technologies Company

- ◆ **Savings – Customers have realized millions of dollars in savings in their energy purchases**



# Competitive Energy Services

- ◆ Natural Gas customers include:
  - Province of NB
  - LL Bean
  - Hannaford Brothers (Shop N Save)
  - School Systems and Hospitals in Maine and Canada
  - LaFarge Canada
  - Chipreit Hotels
  - Canadian Aquatic Center
  - Eastern Maine Medical Center
  - Heritage Gas



## Relationships w/ Suppliers

- ◆ Agreements with over 25 Competitive Suppliers
- ◆ New England - all are Investment Grade
  - Select Energy
  - Tractabel
  - TransCanada
  - WPS Energy Services
  - Dominion
  - Constellation New Energy
- ◆ Process flow is detailed, communicative, very efficient
- ◆ CES fees are uniform across all Suppliers
- ◆ Savings flow back to customers – direct to bottom line
- ◆ Continuous feedback to Suppliers
  - Improves market liquidity and transparency
  - Suppliers have an incentive to bid on every deal



## Customer Acquisition

- ◆ No “sales force” for large customers in the traditional sense
- ◆ Large customers (G3) come by referral
- ◆ Door-to-door for small (G1, G2) commercial accounts
- ◆ CES representation has grown from 8 accounts in 1999 to over 20,000 today

# Customer Representation

- ◆ Secure Competitive Supply
  - Package data as required by Suppliers
  - Obtain bids from market
  - Analyze bids
  - Negotiate terms and conditions
- ◆ Continuing Customer Service
  - Information source
  - Collective representation
  - Tracking and renewals

# Customer Support

- ◆ CES verifies billing at customer option
- ◆ Customer calls CES anytime with questions
- ◆ CES tracks contract term and notifies Customer pending renewal
- ◆ CES market review begins at 6 months prior to contract expiration - longer at customer request
- ◆ Collective representation if things go "sour"
- ◆ Point of Contact with both the utility and supplier on behalf of its customers

**New Web based technology will be available this summer  
Includes Customer Usage Information  
Market Information  
Analysis**

# Energy Efficiency

- ◆ Maine Renewable Energy Efficiency Program (MRE), coordinated by CES
  - Efficiency savings in a swap for green power with the State of Maine
  - Renovations at DOT, Court Houses, Hospital, Correctional facilities – focus is on lighting to date, however not limited in this scope
- ◆ Redundant Systems, back-up, alternative energy
  - CES is active on two (2) cogeneration projects in Bangor, ME – the University of Maine and Eastern Maine Medical Center
  - CES performed an initial study on a steam turbine fired by natural gas or distillate oil for Moosehead Breweries in Saint John, NB
  - CES is active in retrofit management, back-up systems, alternative energy solutions, and energy efficiency management

# CES and New Brunswick

## ◆ Natural Gas Procurement and Management

- Assisted in the conversion of buildings from oil to natural gas
- 25 buildings now burning natural gas, largest facility yet to convert
- \$110,000 of savings over the previous year contracts for gas and oil
- **Equates to over 15 percent savings!**
- Manage issues such as billing, boiler efficiency, LDC relations, on behalf of the Province
- Goal is to convert all buildings over the next two years
- 2004 focus was cost containment, secured pricing that was twenty (20) percent higher than 2003, however much lower than the market increases

## The State of Maine

- ◆ 1,000 accounts statewide
  - State Buildings
  - Leased Office Space
  - Seasonal Accounts
  - Central Admin / Agency Control
- ◆ Usage – 67,000 MWh a year
  - TOU Accounts - 35,000 MWh
  - Medium Accounts – 24,000 MWh
  - Small Accounts – 8,000 MWh
- ◆ Annual Expenditures - \$14.6 million



## The State of Maine

- ◆ Governor announces commitment to reduce State energy costs by \$1 million in biennium budget
- ◆ Appointment of new position – Director of Energy Security and Independence – Beth Nagusky
- ◆ CES tracking market energy for 200,000 MWh of expiring contracts including 20,000 MWh of State contracts



## CES and State of Maine

- ◆ CES performed calculations based on indicative pricing in the market to assess situation of State
- ◆ Estimated savings were in the \$1 million range
- ◆ CES approached Governor's Office with evaluation – suggested State be in a position to act if market dips to lock in savings commitment of Governor



# State of Maine - Results

## SUMMARY COST COMPARISON

	Last Biennium		Current Biennium		Comparison	
	Costs - 7/2001 - 6/2003 Total	Cost/kWh	Costs - 7/2003 - 6/2005 Total	Cost/kWh	Savings	Pct
<b>CMP Accounts</b>						
Delivery	\$4,906,677	\$0.04780	\$4,480,911	\$0.04099	\$425,766	8.7%
Energy	\$6,171,827	\$0.06012	\$5,344,020	\$0.05206	\$827,807	13.4%
<b>CMP Subtotal</b>	<b>\$11,078,504</b>	<b>\$0.10792</b>	<b>\$9,824,931</b>	<b>\$0.08988</b>	<b>\$1,253,573</b>	<b>11.3%</b>
<b>BHE Accounts</b>						
Delivery	\$1,829,076	\$0.05986	\$1,787,847	\$0.05851	\$41,229	2.3%
Energy	\$1,675,826	\$0.05485	\$1,532,933	\$0.05017	\$142,893	8.5%
<b>BHE Subtotal</b>	<b>\$3,504,902</b>	<b>\$0.11471</b>	<b>\$3,320,781</b>	<b>\$0.10868</b>	<b>\$184,121</b>	<b>5.3%</b>
<b>Statewide Totals</b>	<b>\$14,583,406</b>	<b>\$0.10948</b>	<b>\$13,145,712</b>	<b>\$0.09399</b>	<b>\$1,437,694</b>	<b>9.9%</b>

## CES Summary

- ◆ 20,000 + customers, putting the customer first and foremost
- ◆ Manage electricity, natural gas and other commodities for its customers in most deregulated energy markets
- ◆ Overall savings in the millions
- ◆ Point of contact with suppliers, utilities, and government of behalf of its customers
- ◆ Vast experience in supply management, operating system upgrades and conversion; billing and process management; deregulation and correlating regulatory issues