Overview of Presentation

- Birdsall Services Group and Premier Energy Group
- NJ’s Deregulated Energy Market
- Natural Gas and Electric Systems Overview
- Current Market Conditions and Opportunities
- What Can We Expect Going Forward
- Factors to Consider
- Procurement Process
- PJM Demand Response Program
BSG is a recognized leader in engineering and consulting with offices strategically located in NJ & NY

BSG has provided energy procurement services to a number of clients since 2001 including Monmouth County, Ocean County, and Union County, as well as the NJ Sustainable Energy Joint Meeting, which currently consists of 113 government entities

BSG & Premier Energy Group have been strategic partners since 2003

Our services include:
- Energy & Sustainability
- Environmental & Geotechnical
- Structural
- Mechanical, Electrical, & Plumbing
- Regulatory Compliance – JCAHO
- Site Development
- Traffic
- Waste Management
- Water Resources
PEG is an energy consulting and brokering company with an office located in Middlesex, NJ

PEG was formed in January 2002

Primary focus in northeast and mid-atlantic regions

70+ years of industry experience

Currently providing energy procurement consulting service to multiple healthcare entities throughout NJ including Solaris, St. Joseph’s Health System, and Trinitas
NJ Deregulation Overview

Electric Discount and Energy Competition Act of 1999 changed the 90-year monopoly structure of the electric and gas utility industries in NJ

- Deregulated the generation portion of the electric bill and the commodity (NYMEX) portion of the natural gas bill
- Initial requirement was that all customers received minimum 5% electric bill reduction (shopping credit) that remained in place until 8/1/03 when full deregulation began
- BPU initiated BGS auction on February 5, 2003 for FP and CIEP customer rate classes for period 8/1/03 through 5/31/04
- Retail margin adder (.005 per kWh) began 8/1/03 and forced larger CIEP customers to seek third party supply of electric
- In 1998 electric rates averaged $0.10 per kWh while natural gas rates averaged $3.70 per Dth
NJ BPU Fixed Price Auction

PSEG Fixed BGS Price
Average of layered auction prices ($/kwh)

Notes:
1. Auction prices include energy, capacity, transmission and ancillary services but do not include sales tax and delivery charges.
2. For billing purposes PSE&G itemizes the capacity and transmission components of pricing.
3. Fixed BGS auction prices apply to rate LPLS customers with a capacity peak load share less than 1,000 kw and all rate GLP customers.
Natural Gas Pricing

Natural Gas - NYMEX 12 month strip (2000 - present)

- Oil at $140 per barrel
- Hurricanes Rita and Katrina
Components of Service

Wellhead (Gulf) → Interstate Pipeline → Local Distribution (LDC) → Plant
3 Main Components
- Commodity (i.e. NYMEX)
- Interstate transportation
- Distribution

Deregulated Structure
- Commodity and interstate transportation made competitive
- Distribution system still regulated by public utility commission
Electric System

Generation        Transmission       Distribution            Customer
Electric System

- **3 main components**
  - Generation
  - Transmission
  - Distribution

- **Deregulated structure**
  - Generation/transmission made competitive
    - Similar to commodity and interstate transportation on gas side
  - Distribution system still regulated by public utility commission
Current Market Conditions

- Energy prices have dropped significantly over the past 18 months
  - Led by “Perfect Storm” of market conditions
    - Drop in demand (recession)
    - High storage levels
    - Lack of severe weather

- 12 Month strip price for natural gas currently at approx. $5.01/dth
  - Hit an all time high of approx. $13.33/dth in July 2008

- Energy prices continue to be highly volatile
Natural Gas
(Working Gas In Storage)

Source: Energy Information Administration, Office of Oil and Gas, Form EIA-912

Source: Energy Information Association
<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
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</thead>
<tbody>
<tr>
<td>Withdrawal</td>
<td>111 bcf</td>
</tr>
<tr>
<td>Total (for week ending 3/5/10)</td>
<td>1,626 bcf</td>
</tr>
<tr>
<td>Total (last year)</td>
<td>1,697 bcf</td>
</tr>
<tr>
<td>5 Year Average</td>
<td>1,607 bcf</td>
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Types of Natural Gas Supply Contracts

- **Fixed Price**
  - Fixed price to city gate includes commodity, interstate transportation, sales tax

- **Index Based Price (NYMEX + Fixed Adder)**
  - Fixed price for interstate transportation
  - What happens to the commodity (NYMEX)?
    - Trigger at later date
    - Layered approach
    - Default to monthly NYMEX settle
Types of Electric Supply Contracts

- Fixed Price per kWh
- Index Pricing
  - Guaranteed discount
  - Hourly market price + fixed adder
- Block & Index
  - Financial block with index product
Energy Procurement Opportunities

- **Natural Gas**
  - Prices are low!!!
  - Many customers are locking in multi-year contracts now to taking advantage of this buying opportunity.

- **Electric**
  - Most customers in N.J. can now save money on their fixed price (FP) accounts
    - Do not know how long this opportunity will last
Two (2) types of pricing structures depending on rate schedule/load

- **Hourly Energy Price:** Customers with a peak load share \( \geq 1,000\text{ kW} \) or customers served at primary voltage or higher
  
  - Utility price = market price + $0.005/kWh

- **Fixed Price:** Customers served at a secondary voltage with a peak load share <1,000kW
  
  - Utility price = 3 year average of auction prices (if peak load share is \( \geq 750\text{ kW} \) then retail adder of $0.005/kWh applies)
Fixed Price BGS (Basic Generation Service) Customers

- Have a fixed default rate that is layered in by utility auction using a three year rolling average
  - Auction held every February
  - Rate change takes effect every June

- Ability to buy from 3rd party suppliers since 2003 but economics did not make sense until about a year ago
  - Reason: We are in a rising market and the utility default price was purchased over a 3-year period.
# BGS Fixed Prices - 2010 NJ Electric Auction

Public Service Electric & Gas Co (PSE&G)

<table>
<thead>
<tr>
<th>Date Range</th>
<th>First 1/3 of price</th>
<th>Second 1/3 of price</th>
<th>Third 1/3 of price</th>
<th>Avg. Price ($/kwh)</th>
<th>% Change from Prev. Year</th>
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</thead>
<tbody>
<tr>
<td>Aug03 - May04</td>
<td>$0.05386</td>
<td>$0.05386</td>
<td>$0.05479</td>
<td>$0.05417</td>
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<td>Jun04 - May05</td>
<td>$0.05560</td>
<td>$0.05479</td>
<td>$0.05515</td>
<td>$0.05518</td>
<td>1.86%</td>
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<td>Jun05 - May06</td>
<td>$0.05479</td>
<td>$0.05515</td>
<td>$0.06541</td>
<td>$0.05845</td>
<td>5.93%</td>
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<tr>
<td>Jun06 - May07</td>
<td>$0.05515</td>
<td>$0.06541</td>
<td>$0.10251</td>
<td>$0.07436</td>
<td>27.21%</td>
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<tr>
<td>Jun07 - May08</td>
<td>$0.06541</td>
<td>$0.10251</td>
<td>$0.09888</td>
<td>$0.08893</td>
<td>19.60%</td>
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<tr>
<td>Jun08 - May09</td>
<td>$0.10251</td>
<td>$0.09888</td>
<td>$0.11150</td>
<td>$0.10430</td>
<td>17.28%</td>
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<tr>
<td>Jun09 - May10</td>
<td>$0.09888</td>
<td>$0.11150</td>
<td>$0.10372</td>
<td>$0.10470</td>
<td>0.39%</td>
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<tr>
<td>Jun10 - May11</td>
<td>$0.11150</td>
<td>$0.10372</td>
<td>$0.09577</td>
<td>$0.10366</td>
<td>-0.99%</td>
</tr>
<tr>
<td>Jun11 - May12</td>
<td>$0.10372</td>
<td>$0.09577</td>
<td>T.B.D. - Feb11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jun12 - May13</td>
<td>$0.09577</td>
<td>T.B.D. - Feb11</td>
<td>T.B.D. - Feb12</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: BGS prices shown above do not include NJ Sales and Use Tax and utility delivery charges.
What Can We Expect Going Forward?

- Volatility will prevail
- Short term drivers
  - Weather
  - Storage withdrawals/injections
  - Economic recovery
  - Value of the dollar
  - Oil prices
- Could be seeing the low point in the market
Factors to Consider

- Corporate Risk Philosophy
- Term of Contract
- Pricing Structure
- Consumption Risk
- Supplier Considerations
  - Financial strength
  - Past experience
  - Commitment to market
- Billing
- Contract Terms and Conditions
- Current Market Conditions
Procurement Process

- Analyze historical data and develop usage profile
- Establish procurement strategy
- Implement request for proposal (RFP) process
- Review and negotiate supply agreement
- Act as liaison with utility and supplier
- Provide periodic updates on current agreement
- Monitor energy markets and help identify future purchasing opportunities

This is a dynamic, ongoing, interactive process between the parties that continues after an agreement is reached with a TPS
PJM Demand Response Program

- Provides incentives for customers who can reduce usage/demand

- Potential strategies
  - Energy management systems
  - Lighting control systems
  - Cogeneration units
  - Back-up generation
  - Other load shedding resources

- Capacity program starts June 1
  - Need to enroll by mid-February
Why Partner with BSG & Premier?

- We have a team of professionals with extensive knowledge and experience in the energy industry. We also provide:
  - Energy Efficiency Audits
  - Renewable Energy Engineering & Consulting (Solar PV, CHP, Geothermal)
  - GHG Evaluation & Planning
  - Commissioning & Retro-commissioning
  - LEED-HC Consulting
  - Demand Response

- We have worked together to successfully procure energy for numerous clients:
  - Atlantic Health System
  - Meridian Health System
  - Passaic Valley Sewerage Commission
  - New Jersey Institute of Technology (NJIT)
  - Fairleigh Dickenson University
  - Saint Peter’s University (DR)
  - 25 Housing Authorities
  - 8 Community Colleges
Why Partner with BSG & Premier?

- We have a strong understanding of the energy markets
  - Knowledge of LDC/EDC tariffs, rates and procedures
  - Knowledge of strengths and weaknesses of various electricity and natural gas suppliers

- We have third party supplier experience

- Current PJM, NJBPU, NJEDA, NJDEP, and Utility Programs (i.e. PSE&G Carbon Abatement – Hospital Auditing and Upgrades Program) knowledge and experience

- Experienced provider of engineering and consulting services to the healthcare industry
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