

# Powering Up for ComEd Market Changes

*Proprietary and Confidential*

**Energy. Experience. Expertise.**

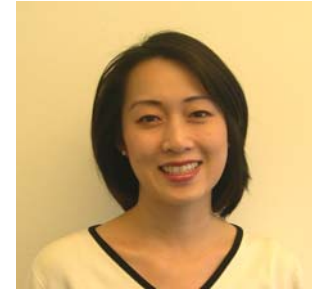
February 15, 2006

**Suez**  
Energy Resources NA

# Your Hosts

## Lily Le

- Manager, Marketing
- 7 years retail energy experience
- Marketing and product development



## Jim Nordloh

- Director of Sales, Midwest Region
- Over 8 years of energy experience



## Cullen Hay

- Manager, Supply
- 8 years of energy experience
- Structuring, pricing, and risk management for Northeast markets

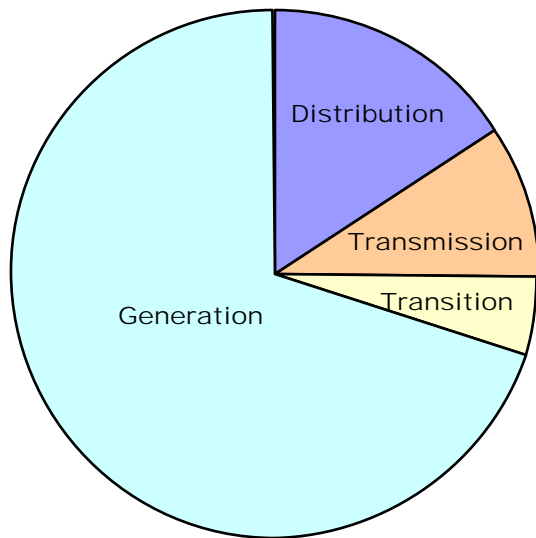


# Agenda

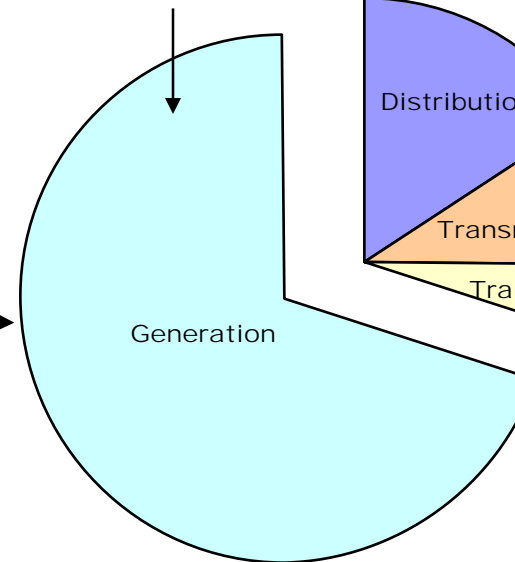
- ❖ About SUEZ Energy Resources NA
- ❖ History of Electric Deregulation in ComEd Territory
- ❖ Electric Deregulation in 2006 and Beyond
- ❖ How to be Proactive and Ready
- ❖ What Drives Your Energy Costs
- ❖ Q & A

# Competitive Markets

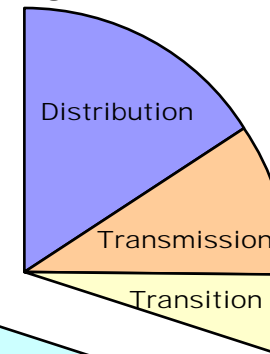
Choosing an energy provider affects the majority of your bill



Portion open to competition and savings



Utility charges



The majority of U.S. consumers have paid less for electricity since the onset of power system deregulation in 1997, achieving total savings of about \$34 billion compared with the costs if traditional regulation had continued, according to a new Cambridge Energy Research Associates (CERA), an IHS company, study titled *Beyond the Crossroads: The Future Direction of Power Industry Restructuring*.\*

Competitive energy quotes may include:

1. Energy
2. Ancillary Services
3. Losses
4. Capacity
5. ISO fees
6. Other retail charges

\* CERA press release, October 19, 2005, Washington D.C.

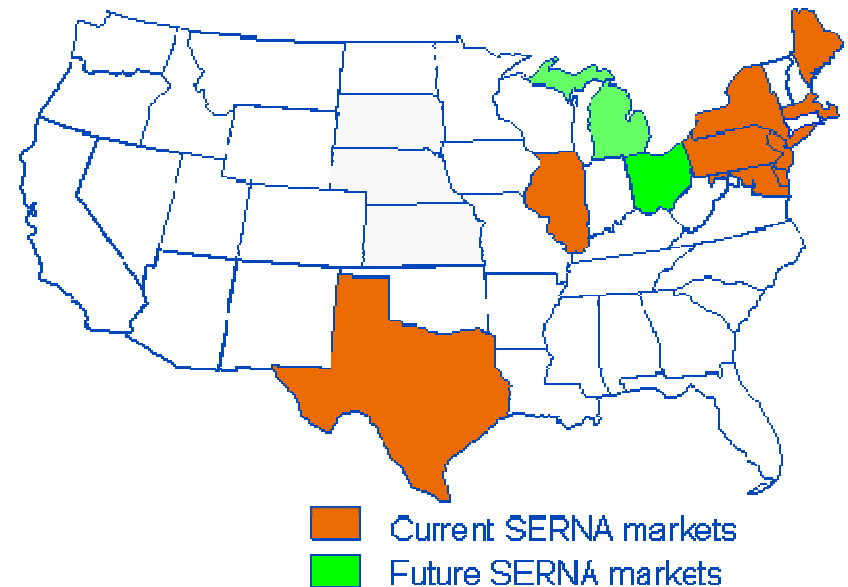
# About SUEZ Energy Resources NA

- **5th** largest Retail C&I energy provider\* in the United States
- Fast growing leading electricity provider → **34%** annual load **growth**\*
- Approximately **7,500** commercial, industrial, and institutional accounts
- 100% on-time enrollment guarantee
- A member of the **SUEZ** Group (NYSE:SZE)
  - World leader in energy, water, and waste management
  - Over \$50 billion in revenues and assets in excess of \$80 billion
  - Over 160,000 employees in 130 countries
  - **Highest credit rating** of leading energy providers in the US → A- rating by S&P



**Fortune Magazine**  
**2005 GLOBAL MOST ADMIRABLE ENERGY COMPANIES**

- 1 RWE
- 2 E. On
- 3 SUEZ**
- 4 Constellation Energy
- 5 American Electric Power



\* Reported by independent consulting firm Kema August 2005

# An Information Leader

*SUEZ is a go-to resource for timely and meaningful information for energy consumers*

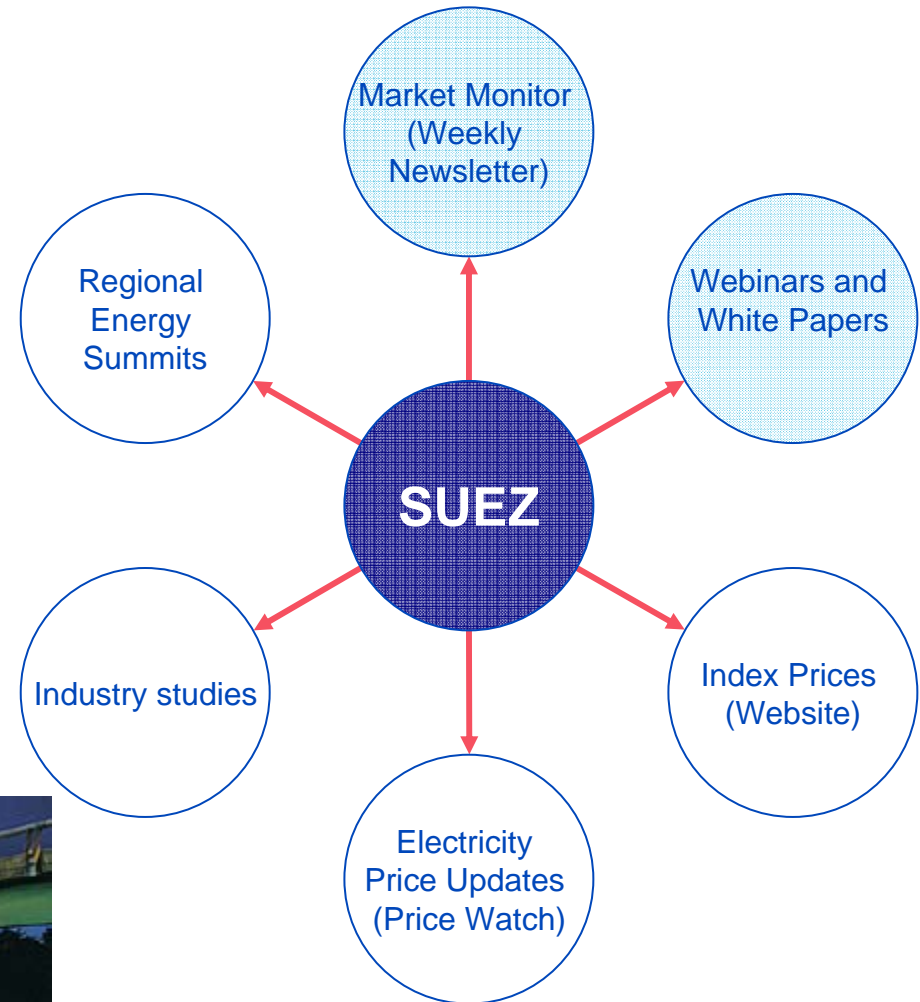
*“In the new energy market, information is the most important commodity...an end user’s first line of defense against the potential supply risks associated with energy.”*

*Purchasing Magazine, 1999*



# An Information Leader

*Market Intelligence*  
*Market Prices*  
*Industry Information*



# History of Electric Deregulation in ComEd

## Timeline

Traditionally, ComEd has provided both electricity **supply** services and electricity **delivery** services. This is called **"bundled service"**

1999

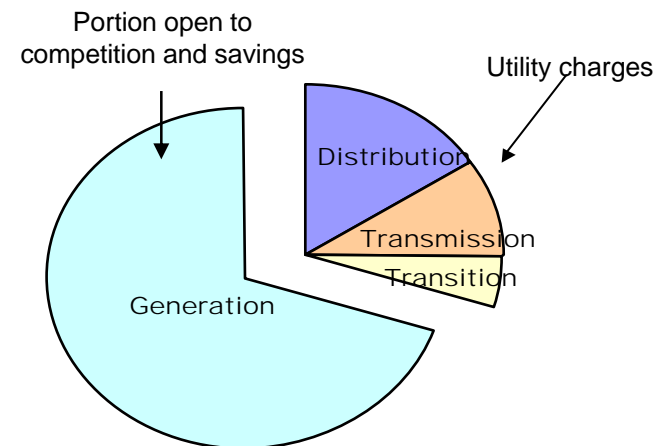
Choice of electric service suppliers is phased in for all non-residential customers

May 2004

ComEd territory became part of PJM



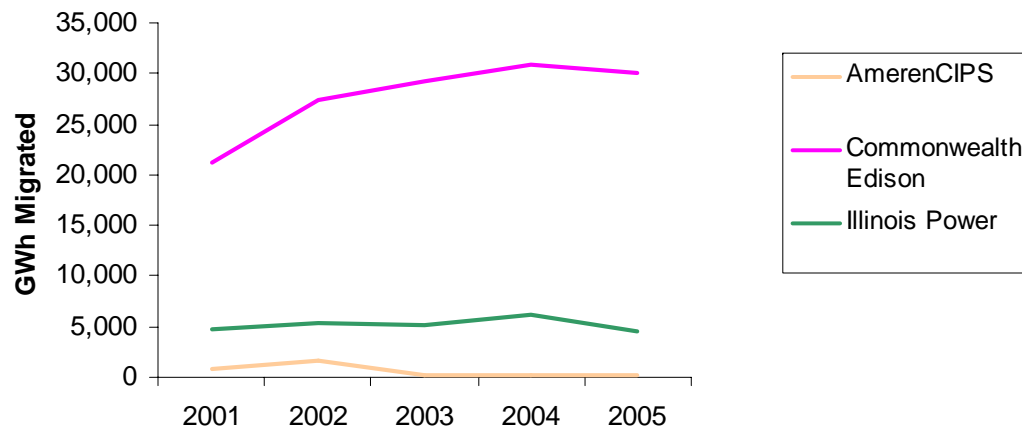
- ComEd customers have the ability to choose an electricity supplier. This is referred to as **"unbundled" service**.
- Two primary supply options:
  - (1) Choose a rate offered by a competitive supplier,
  - (2) Stay with the utility



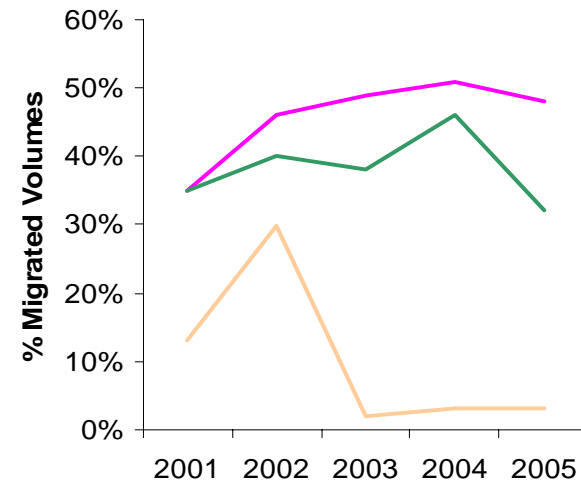
# Illinois Switching

***Companies ARE taking advantage of competition***

**Illinois Non-Res Migration**



**Illinois Non-Res Percentage Migration**



**Com Ed has highest amount of non-residential switching in IL**

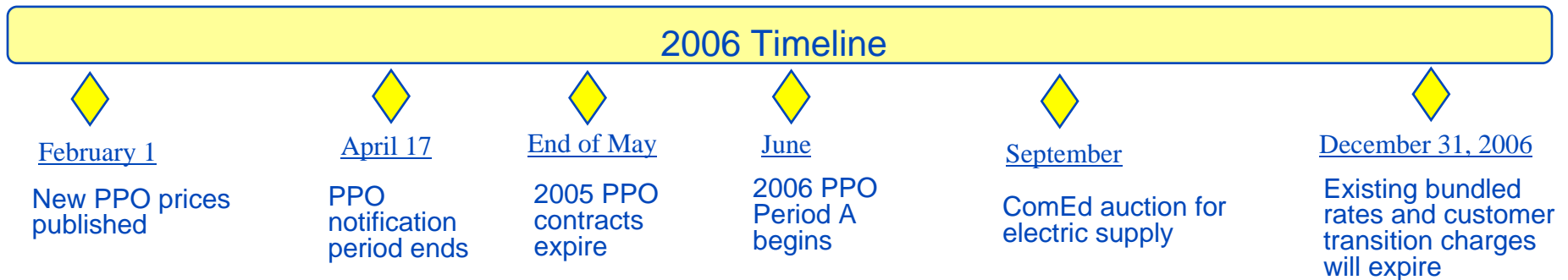
Note: Migrated load includes load served under Power Purchase Option (PPO), by Alternative Retail Electric Suppliers (ARES), and Interim Supply Service.

# History of Electric Deregulation in ComEd

## Timeline



# Electric Deregulation in ComEd 2006



- 2006 Period A PPO will last for seven months beginning in June 2006
  - Period A notification period from Feb 1<sup>st</sup> to April 17<sup>th</sup>
  - Customers with zero CTC will not be eligible for PPO
  - Customers who do not decide will be placed on ISS

## Customer Class CTC's for PPO Period A

Nonresidential Customer Class	
With Only Watt-hour Only	0.000
0 to 25 kW	0.000
Over 25 to 100 kW	0.000
Over 100 to 400 kW	0.000
Fixture-included Lighting	0.000
Street Lighting - Dusk to Dawn	0.000
Street Lighting - All Other	0.000

# Electric Deregulation in ComEd beyond 2006

## *What will change in 2007?*

- Transition Period ends
  - Current tariffs terminate
    - a. Rates 6, 6L, and HEP
  - Transmission & Distribution rate freeze expires
  - RCDS (Retail Customer Delivery service) is replaced by Rate RDS (Retail Delivery Service)
    - a. Rate RDS pending approval in Summer 2006
- New Basic Service tariffs become effective
- Utility Competitive Procurement Process (CPP) for energy changes from PPA to reverse auction

# Electric Deregulation in ComEd beyond 2006

- Proposed ComEd Bundled Basic Electric Service (BES) Rates for consumers not being served by an ARES
  - a. BES-NRB Basic Electric Service Non-residential (blended)**
    - This tariff is a 12 month term starting in January
    - Calculated using the blended 1 and 3 year CPP prices
    - Loads < 400 kW
  - b. BES-NRA Basic Electric Service Non-residential (annual)**
    - This tariff is a 12 month term starting in January
    - Calculated using 1 year CPP prices
    - Loads 400 kW to < 3000 kW
    - Auction in Sept 2006 to determine 2007 prices
  - c. BES Basic Electric Hourly Energy Price**
    - Prices calculated from PJM LMP for ComEd Zone
    - Only BES option for  $\geq 3000$  kW or  $\geq 100$  kW with on-site generation or anyone who didn't make a choice
    - 30 day enrollment window
    - Available to all non-residential loads
    - Default service

*Switching  
decision must  
be at least 7  
days before  
the effective  
meter read  
date*

# Competitive Procurement Process (CPP)

- **What is it?**
  - ComEd has sold all of its generation and is a wires only company
  - Competitive process for procuring energy replaces Power Purchase Agreements (PPA) between affiliates
  - Multiple round, (descending clock) reverse auctions have been proposed as mechanism to secure supply when rate caps expire
- **How will it work?**
  - Auction is scheduled in September 2006 for calendar year 2007 supply
  - Bid on 50 MW tranches by customer class
  - Power for 400 kW up to 3 MW customers be bought on one year contracts
  - 3 MW+ customers on hourly prices and are not impacted by the auction results
  - Smaller C&Is get 40 day enrollment window and one year fixed price unless they opt for hourly
  - Current shopping customers can opt in for fixed price service during the enrollment period
- **Who will oversee this process?**
  - Illinois Commerce Commission
  - Independent auction manager
- **Who is impacted?**
  - Customers who choose to stay on fixed price Basic Electric Service rates
  - Customers choosing to contract with an ARES or choosing the BES Hourly Energy Price are not affected by the auction results

# Summary

- Existing PPO contracts expire at the end of May 2006
- Customers no longer eligible for 2006 Period A PPO should be prepared to make a supply decision in the next few months
- Current T&D rates and bundled service rates expire at the end of 2006
- New bundled energy rates to be determined in September when reverse auction is executed

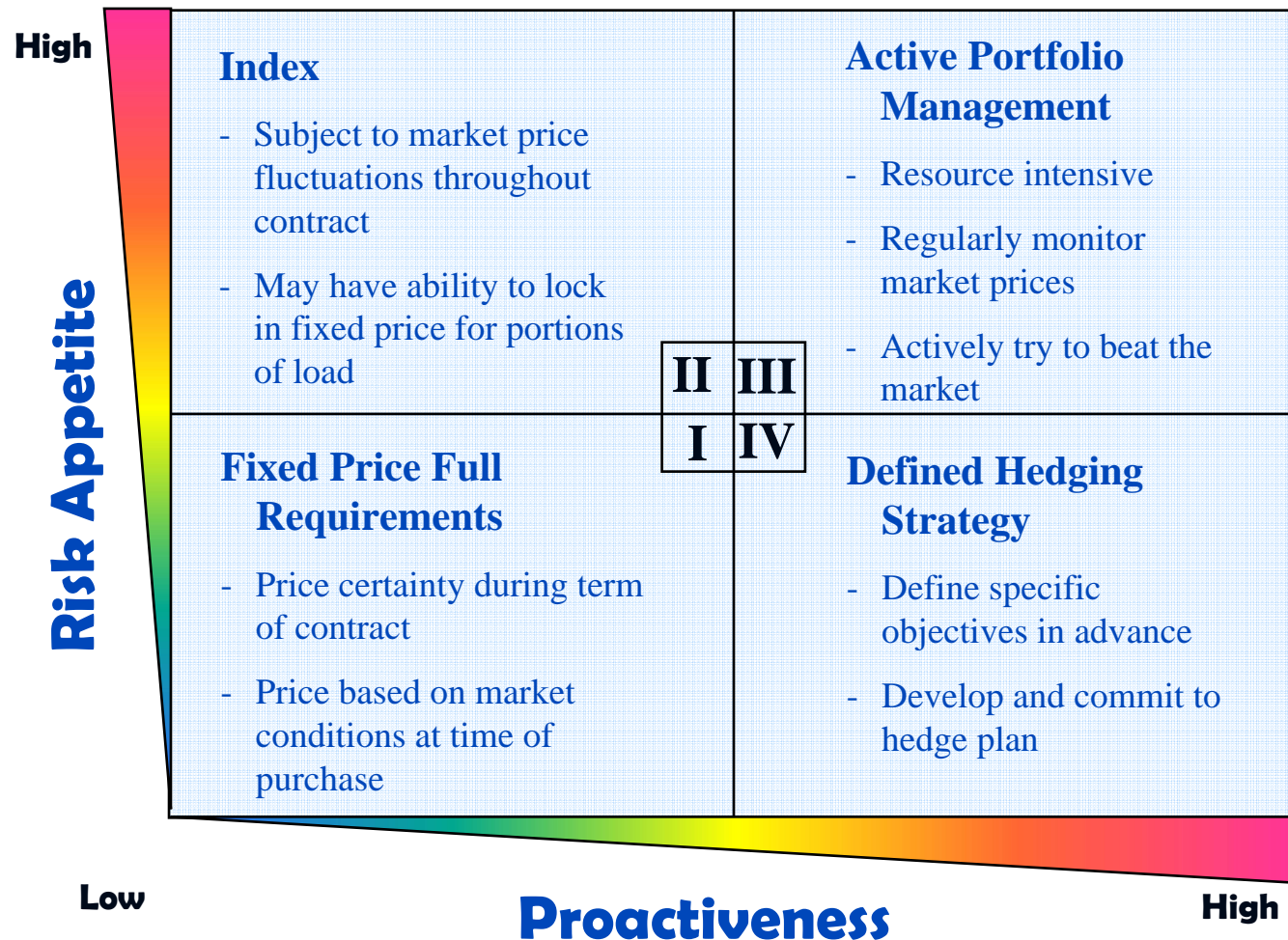
# Summary

	Utility as Supplier	Alternative Retail Supplier
PRODUCT	Limited product options	<ul style="list-style-type: none"> <li>• Dozens of product options</li> <li>• Can be tailored to meet your specific needs</li> </ul>
ENERGY SUPPLY	ComEd is Energy Supplier and Provider of Last Resort	Multiple energy suppliers to choose from
CONTRACT LENGTH	12 months for fixed price options	Customers can choose
PRICE	Fixed price is pre-determined by reverse auction results	Prices vary based on market price at time of contract execution

# How to be Proactive and Ready

- Know your load and service requirements
- Evaluate your risk tolerance
- Know your product options
- Know your vendors
- Set appropriate expectations

# Energy Procurement Strategies



# Product Options

## Risk Spectrum

**Low**

**High**

1

2

3

### Fixed Price

- Budgeting certainty

### Fixed and Index Combination

- Medium risk level
- Some budgeting certainty
- Ability to capture market price changes over time

### Index

- Budgeting uncertainty
- Market-based prices

# What's In The Price?

- Included
- Not included

Description	Competitor 1	Competitor 2
Energy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Capacity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Congestion	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Losses	optional	<input type="checkbox"/>
Transmission	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Scheduling fees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PJM charges/fees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ancillary Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Utility Charges	<input type="checkbox"/>	<input type="checkbox"/>

# Selecting a Supplier

Price shouldn't be the only decision factor!

## Additional factors to consider:

- Reputation
- Credit worthiness
- Experience in retail markets
- Service quality
- Value-added services

## SUEZ offers:

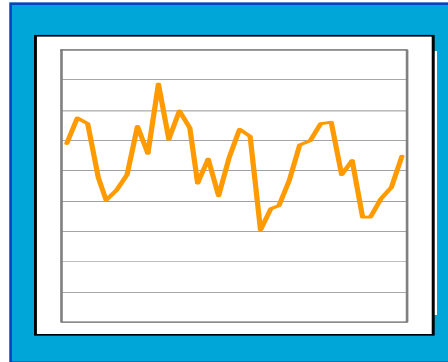
- Fortune's 3<sup>rd</sup> Most Admired Global Energy Company
- Strong credit rating (A-) by S&P
- Energy & Power Management survey cited SUEZ as leader in "past experience"\*
- 100% enrollment guarantee
- Free Market Monitor newsletter, webinars, Price Watch service

\* Energy & Power Management magazine surveyed energy consultants on ????

# WHAT DRIVES YOUR ENERGY COSTS...

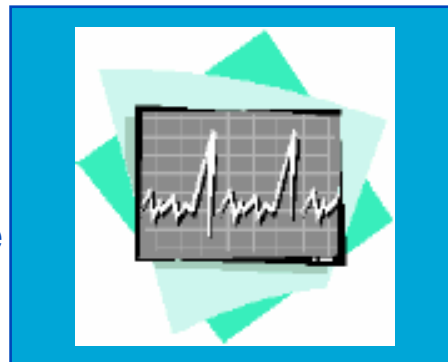
## Price of energy supply is volatile & unpredictable

- Typical buyers see swings in the price of power
- Wholesale power markets are extremely volatile

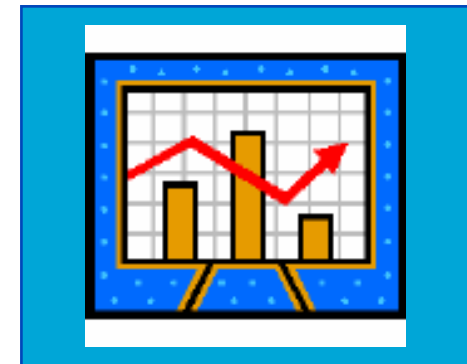


## Demand is unpredictable & unresponsive

- Weather variance
- Load is usually not responsive to (real-time) price
- Economic uncertainty



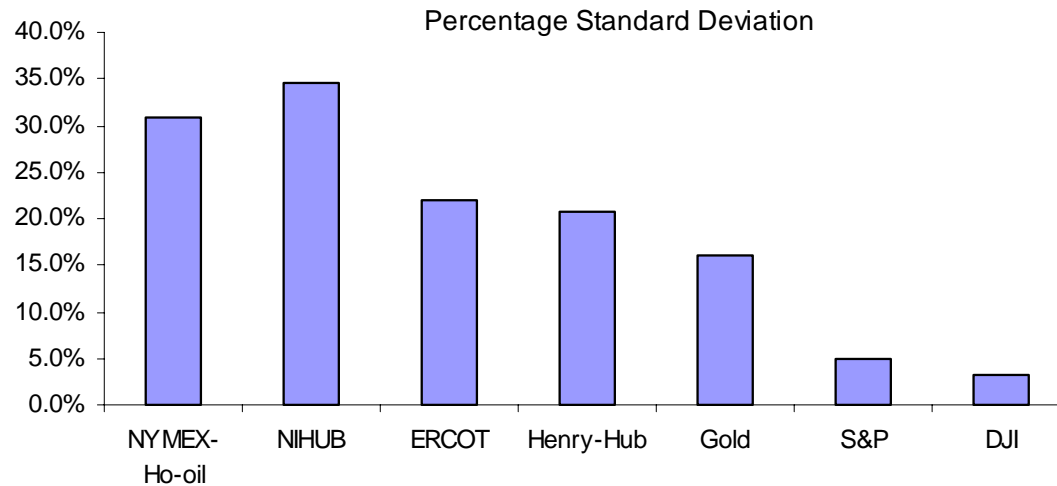
## Uncertain energy costs



- The end-user is exposed to cost uncertainties

# Market Volatility

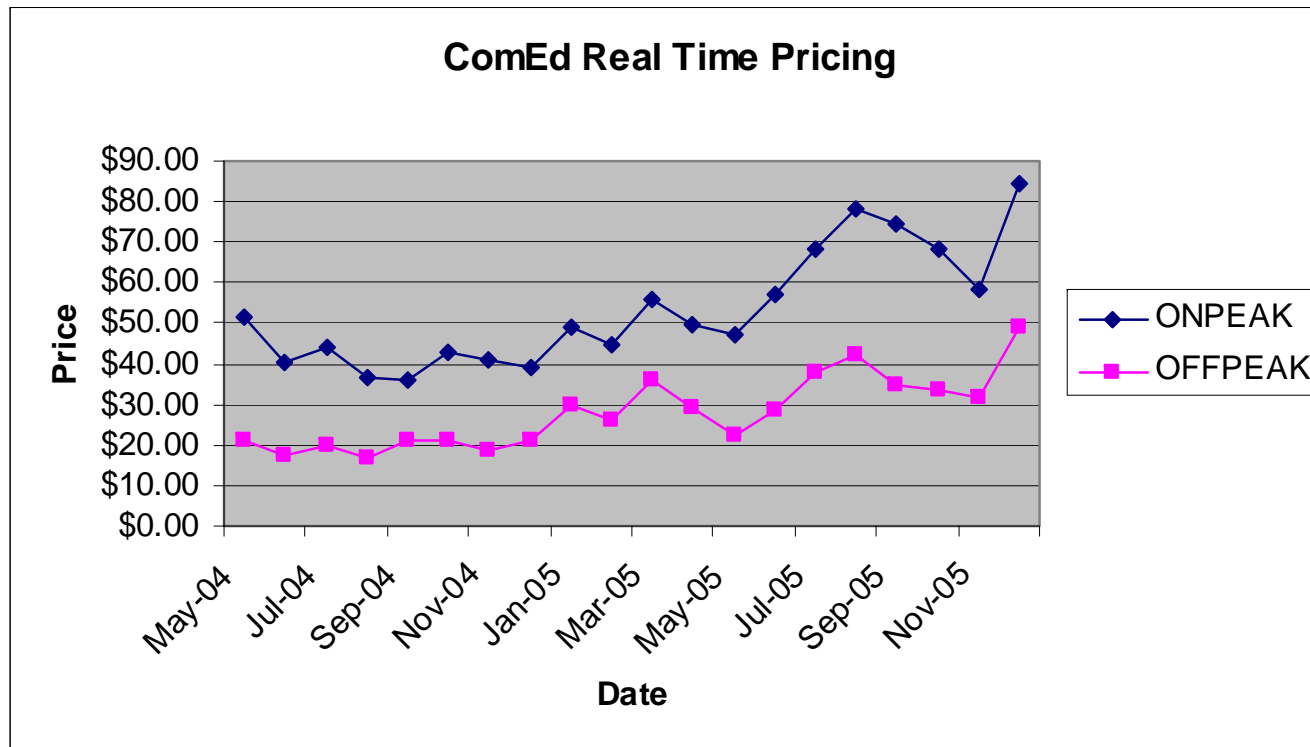
## Commodity/Index Volatility: % Standard Deviation



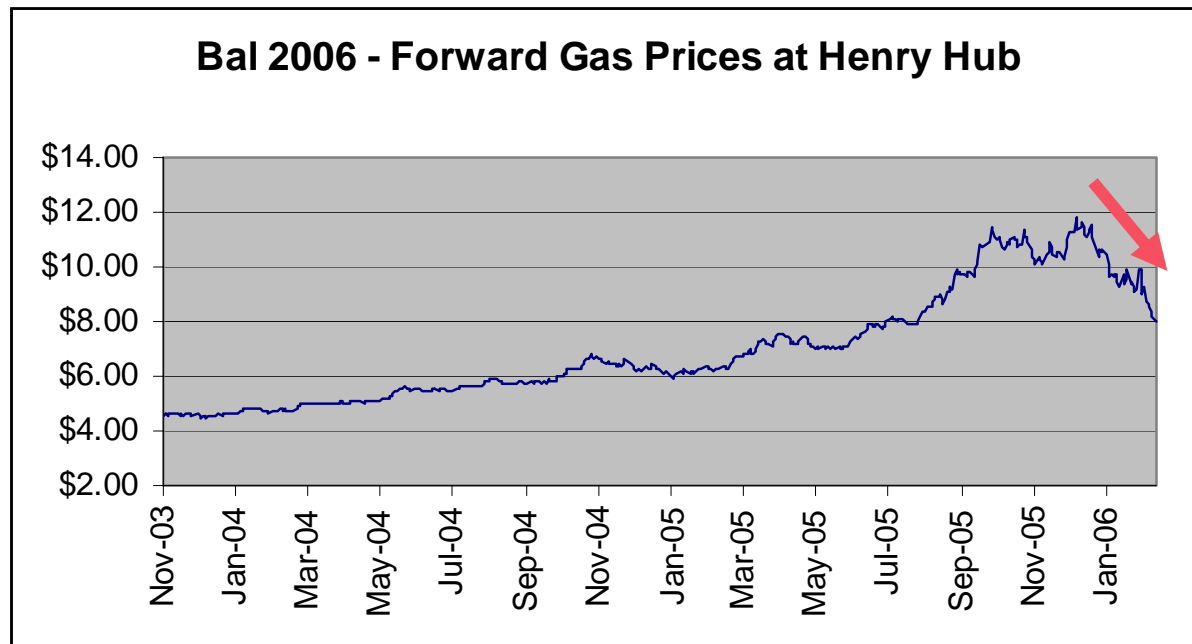
- The oil, power and gas markets are some of the **most volatile** commodity markets
- With all of the new gas fired power generation, **power and gas** have become highly correlated in most markets
- Two of the most popular stock indexes (S&P and DJI) are not nearly as volatile as the power market indexes

Timeframe: 9/8/2003 – 9/6/2005 historical prices

# Market Pricing- Power



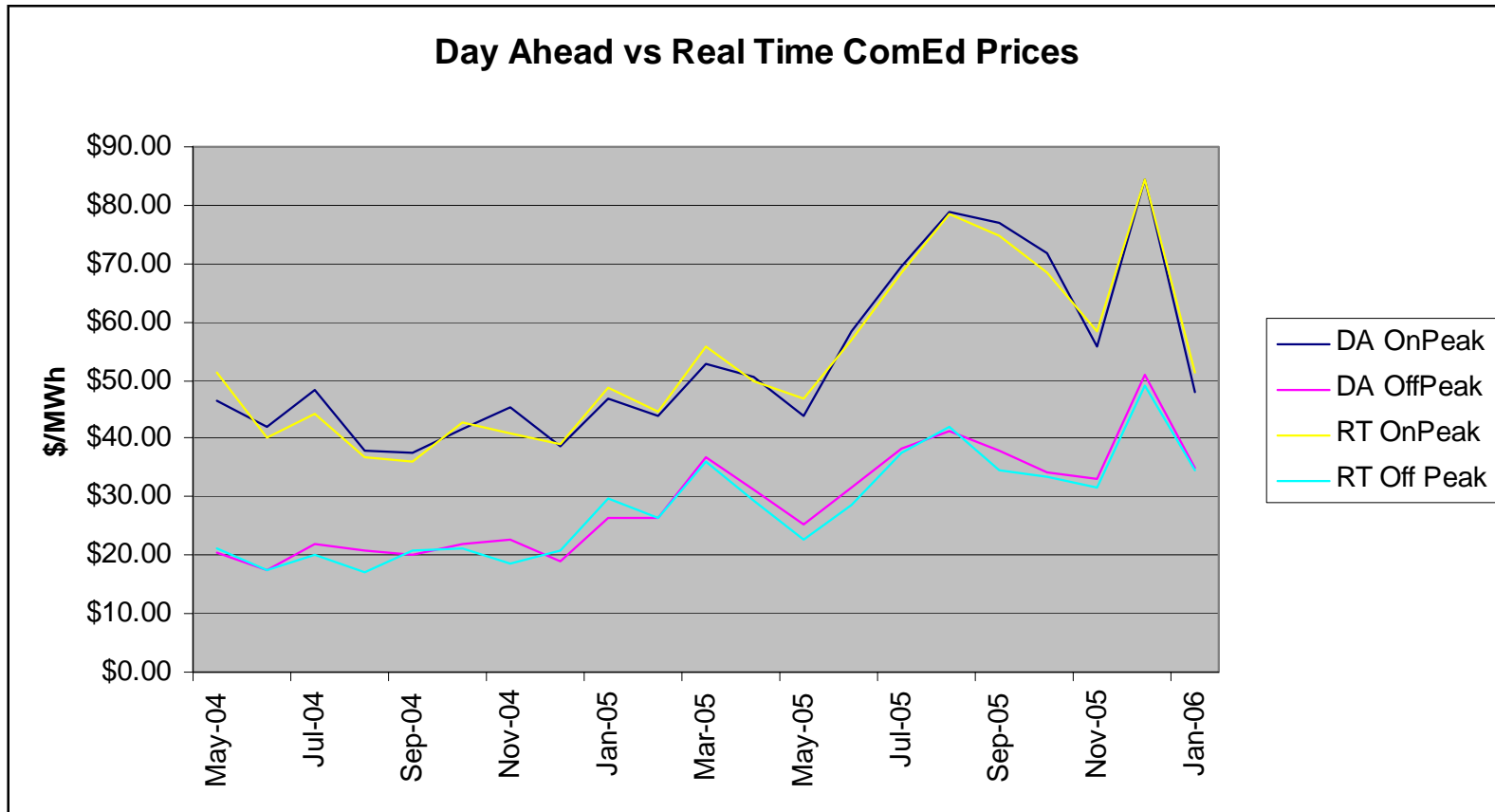
# Market Pricing – Natural Gas



## Why have prices been decreasing recently?

- Recent high prices has caused some demand destruction
- Mild Winter so far has allowed gas storage levels to remain above 5 year avg(2.64 TCF currently)
- Oil and Gas production back on line post devastating hurricanes

# Real Time vs Day Ahead Pricing ComEd



# Wholesale Market Outlook

## Bullish

- **Cold Remaining Winter** could rapidly consume the gas inventory surplus
- Nervousness in energy markets about overall **supply-demand** balance, ie. next storm season, terrorism
- Reserve margins tightening in most electric markets
- Underlying growth in both cooling and heating demand for natural gas combined with weather oscillations may outstrip inventory and production capacity's ability to cope => price level required for adequate demand destruction?

## Bearish

- Elevated price levels may be having some impact on demand
- **Supply response** to high prices – increased production and imports
- Belief that generation market is recovering may result in renewed investment in electric supply

**Bottom Line:** Higher energy prices are certainly possible given current uncertainties but they should not increase unbounded – have seen a post summer seasonal decline but hints of a normal winter may well cause a dip in gas prices – creating an opportunity for long term purchasing

# A New Solution for an Old Problem...

## PROBLEM

Volatile market prices

No time to monitor price movement

Not sure what contract term to choose

Requires heavy investment of your time  
and attention



**FRUSTRATION**

## SOLUTION

Tell SUEZ what price you want to pay

SUEZ will monitor prices for you

SUEZ will notify you when prices meet your  
threshold for a variety of terms

Let SUEZ do the work for you



**SATISFACTION**

# SUEZ Price Watch Service

## Who?

Price Watch Service is ideal for business:

- Want to stay informed of about market movements in one or more regions
- On default tariff, looking to contract when market prices are better
- Unsure of how long to contract and interested in finding a “sweet spot”
- Want to contract as soon as market prices reach a desired level

## What?

Price Watch Set-up:

- SUEZ prices your load in search of the ideal price and term for the you
- Customer communicates needs and requirements to a SUEZ sales manager
  - How often? What locations? Which terms? What price target?

## When?

Price Watch Notification:

- SUEZ will contact you as soon as market prices reach customer’s pre-specified trigger price or based on your desired frequency

## How Much?

**We can enroll you for free**

# How do I get started?

To obtain a competitive supply quote:

1. Contact your SUEZ account rep or call 866-999-8374
2. Talk to SUEZ about your needs, preferences, and questions
3. Provide a list of account numbers and meter numbers
4. Once historical data has been received from the utility, a customized quote will be provided to you

[www.SaveWithSUEZ.com](http://www.SaveWithSUEZ.com)

Act Now. Stay Informed.