

1. *Is it true that the cap on MCPE is being lifted? If so, can you provide more information on this topic?*

In August, the PUC approved a measure that will increase the cap on MCPE. The cap will be raised to \$1500 in March of next year. In March 2008, the cap goes up to \$2,250. Approximately 3 months after the nodal market implementation, the cap increases to \$3000.

The reason for the increase is to encourage new generation and to insure adequate reserve margins. We're unsure of the impact to customers except that it does allow for higher MCPE prices.

2. *When will the cooperatives open their areas for competitive service?*

We are not aware of any cooperatives (other than Nueces) that are planning to deregulate.

3. *My company has locations in the Woodlands and San Antonio. What is the status of deregulation in those regions?*

The city of San Antonio is currently regulated. We don't see any progress being made by co-ops and municipally owned utilities to open the retail market to competition with the exception of the Nueces pilot.

With respect to the Entergy service area in the Woodlands and the Golden Triangle, competition is on hold while they work with FERC to determine the appropriate Regional Transmission Organization (RTO) to control the transmission grids in the power pools where those utilities are located. The question being discussed is whether Entergy should join ERCOT or SPP. Entergy is expected to file a transition to competition plan in January 2007.

4. *Did I understand correctly that the Entergy area will open to dereg sometime in 2007?*

No. Entergy should be filing a plan discussing the transition to competition in January 2007.

5. *Why are some parts of Texas deregulated and others aren't?*

The state of Texas stretches over 4 different regional reliability councils. Only ERCOT is open to competition at this time. The utility service areas outside of the ERCOT region are still regulated. Within ERCOT, certain co-ops and municipally owned utilities have opted out of deregulation for the time being.

6. *Where is the Nueces region that you mentioned?*

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Nueces Electric Cooperative serves 8 counties in South Texas including: Nueces, Jim Wells, Kleberg, Kenedy, Duval, Live Oak, McMullen, and Brooks.

- 7. Does SUEZ see the nodal market as an opportunity to decrease customer's cost, while at the same time increasing change to be expected? What is SUEZ's position on nodal markets in ERCOT?**

Generally speaking, we support a nodal market because we believe it will create a more stable and efficient market over time. This change will result in more transparent pricing, increased reliability, and lower overall costs to consumers. Customers should expect new products when nodal is implemented. Additionally, it will provide the proper market signals to encourage building new generation in areas with the greatest congestion.

- 8. We recently heard from our consultant that the PUC approved a nodal surcharge for ERCOT. How does that impact me as a consumer? Should I expect to see this as a new line item on my bill?**

In August, the PUC approved the ERCOT Nodal Surcharge of \$0.0663/MWh to become effective on 10/1/06. The charge will be assessed to generators so end use customers should not see a line item on the invoice as a "utility" charge or as a charge imposed on your REP. The incremental cost to generators will ultimately be incorporated in the way generators price their power for sale to wholesale clients.

- 9. Are there any issues I should know about regarding signing a Letter of Authorization (LOA)?**

No. By signing the LOA, you are giving the supplier the right to gather your historical usage data. Using this data, we will be able to recommend to you products and services that best suit your load profile. We also use this information for pricing future contracts.

- 10. Do you think time-of-use rates will be available any time soon?**

Each Supplier has a variety of products available to customers. Time of use rates are currently being offered in the market. You should contact your sales manager for more information.

- 11. Please define in the PTB volume threshold, does the 1 MW apply to the customer, meter, facility, etc?**

The threshold applies to the ESI ID.

- 12. Do I have to sign any agreements in order to sign up for Price Watch? Is Price Watch available to companies that are under contract with another supplier?**

There is no Price Watch contract. Price Watch is a complimentary service for both SUEZ customers and prospective customers. So, as long as we have your load data, we can provide pricing updates based on your desired preferences.

13. What are most customers doing about power factor? Are they working to keep it above 95%?

Installation of capacitors is the corrective action to improve/fix power factor. Customers are evaluating the economics based on their own financial requirements to determine if they should fix power factor.

14. How can we determine which node our facility is located within?

Current expectation of the change from zonal to nodal is 2009. The exact number of nodes has not been established yet.

15. How much are prices expected to change in Texas in 2007 as compared to 2006?

Although ERCOT has seen a pricing drop in recent days, there are many unpredictable market factors affecting pricing. It is important for companies to have clearly defined goals and risk tolerances that will help when deciding when and how to execute electricity contracts.

16. When/why is aggregation a good/bad idea? Why should a school district join "Energy for Schools"?

Buying electricity is different than buying other items. Buying in bulk is not necessarily a better approach. It depends on the specific circumstances.

For a single entity with multiple sites, aggregating your Texas load is a very common practice and the standard in this marketplace. If you are looking to join a group of multiple separate entities, then the path is not as simple. In this case, you should consider a few questions:

- Can you get a better price on my own? Typically, very large aggregations may receive preferential pricing (e.g., a 2 MW peak load versus a 200 MW peak load).
- Does your company have the expertise "in-house" to effectively manage the electricity procurement process?
- Will your facilities be priced differently from the other companies in the aggregation group?
- How efficiently does your company utilize electricity compared to others that you want to aggregate with? (since this determines whether or not you may be subsidizing the rate for the group)
- At the point of contract execution, who is making the final decision?

17. You mentioned the enrollment guarantee, if I am not enrolled on-time, what is my compensation? When will I be enrolled?

The on-time enrollment guarantee will ensure that you pay the contract price for the term you signed. If an enrollment is delayed, SUEZ will pay the difference between what you paid and the contract price with SUEZ.

18. As the summer ends should we expect heat rates to drop? Do you expect heat rates to rise over the next several years?

These are good questions and we wish we knew the answers. The forward market heat rates will be driven by several factors; capacity reserve margin, new generation and their fuel type/source, load growth and to some degree the price of fuel inputs.

19. Where can customers find market information on heat rates? Is it readily available?

Platt's Energy Trader provides some indications on heat rates based on their survey, but it is spotty and terms are inconsistent. The best way to get a quote is to contact Suez and other suppliers for a quote.

20. Have you seen the gas market today and why is it so low?

Yes, we have seen the market. The EIA Gas storage report showed a larger than expected storage injection which is driving the gas market down.

21. Do you believe the expiration of the PTB will affect the MCPE price?

We do not believe there will be a visible or noticeable impact on MCPE prices due to the expiration of PTB.

22. Is storage driving the lower prices and where are we on storage?

The larger than expected build today and our current level of storage, 3.08 Tcf (12% higher than 5 year average), are putting downward pressure on the gas market.

23. Is there a particular day the NYMEX settles on?

Yes, The NYMEX gas contract expires 3 business days prior to the beginning of the delivery month.

24. How does load factor affect pricing?

The higher the load factor, typically the lower the energy cost. The on-peak periods (Hour ending 7 – hour ending 22) are the most expensive. A facility that operates 24 hours a day at a level usage will have a lower energy cost versus a facility that operates

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primarily during typical business hours. Contrastingly, a facility that operates mainly at night or on weekends will typically have the lowest energy cost.

25. Is there any cap on market prices during times of scarcity today? Will there be such a cap in the nodal market?

Yes, the current price cap is \$1000. Three months after the implementation of the nodal market the market price cap will be \$3000.

26. How long will it be before the new find in the Gulf of Mexico affects prices?

There may be a psychological/technical downward impact in the near term, but fundamentally, the effects probably will not be seen for 2 – 3 years because actual production will not come on line for several years.

27. Is there a source to access regarding where ancillary services are being traded at?

The bilateral market is fairly illiquid and is not transparent; hence, publications typically do not post such trades. However, the market clearing prices for Ancillary Services can be viewed on ERCOT website - <http://www.ercot.com/mktinfo/prices/index.html>.