

# Managing Energy Price Volatility with Price Watch Service

*Proprietary and Confidential*

**Energy. Experience. Expertise.**

March 28, 2006

**Suez**  
Energy Resources NA

# Your Hosts

## Lily Le

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



## Vikram Kulkarni

- Manager, Supply
- 7 years of energy experience
- Structuring and pricing for all regions



## Greg Carlson

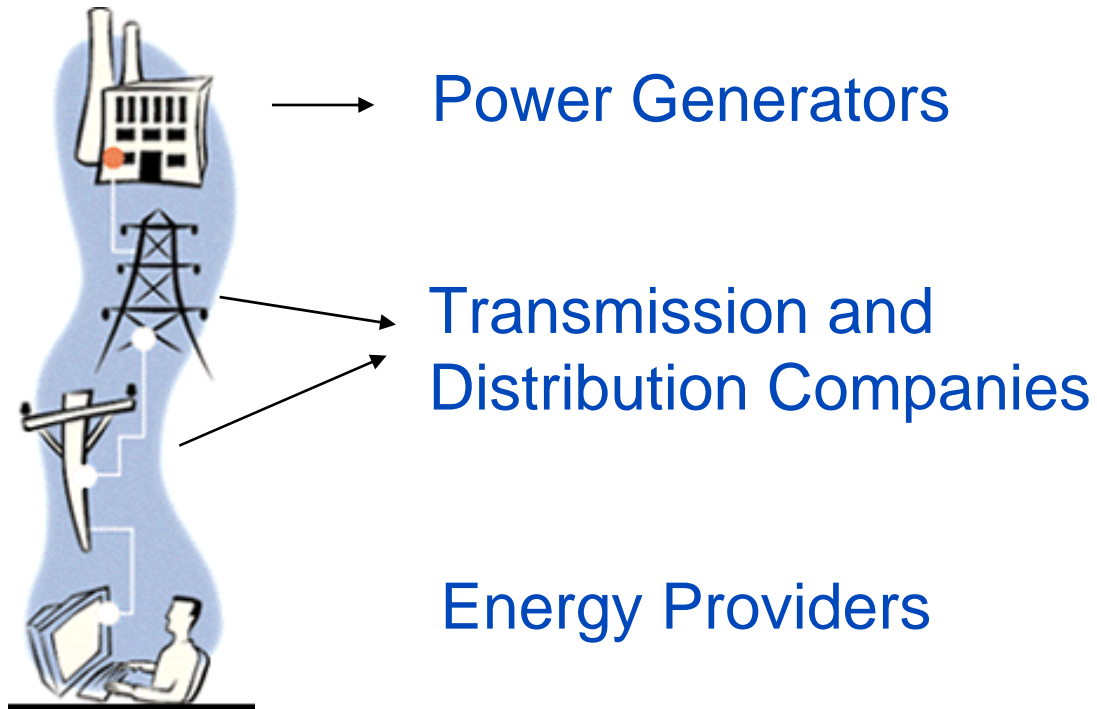
- Regional Sales Manager
- 4 years retail energy experience



# Agenda

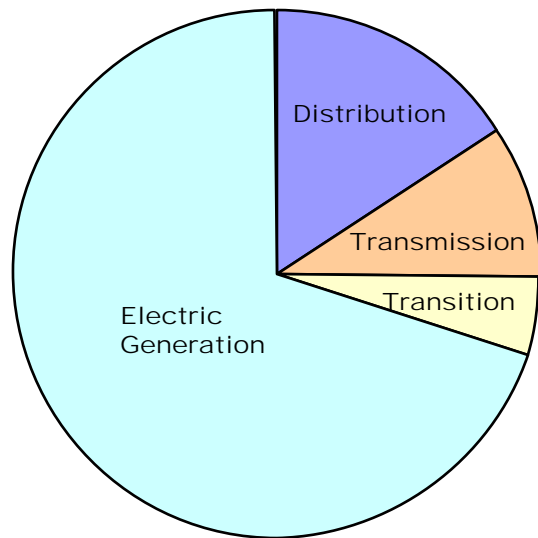
- ❖ About SUEZ Energy Resources NA
- ❖ What Drives Energy Costs?
- ❖ Managing Energy Prices with Price Watch
- ❖ Q & A

# Deregulated Markets

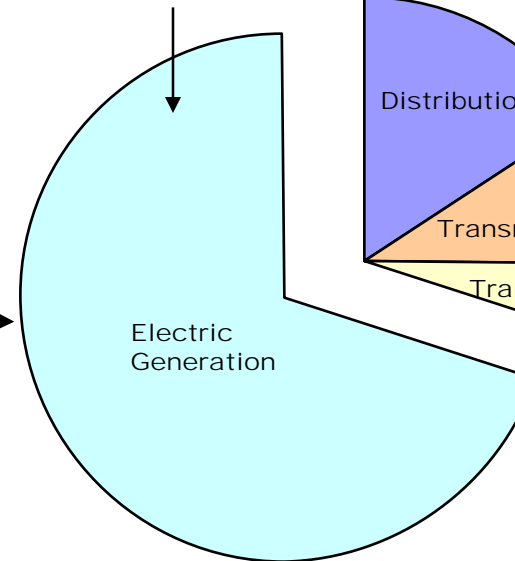


# Deregulated Markets

Choosing an energy provider affects the majority of your bill



Portion open to competition and savings



Utility charges

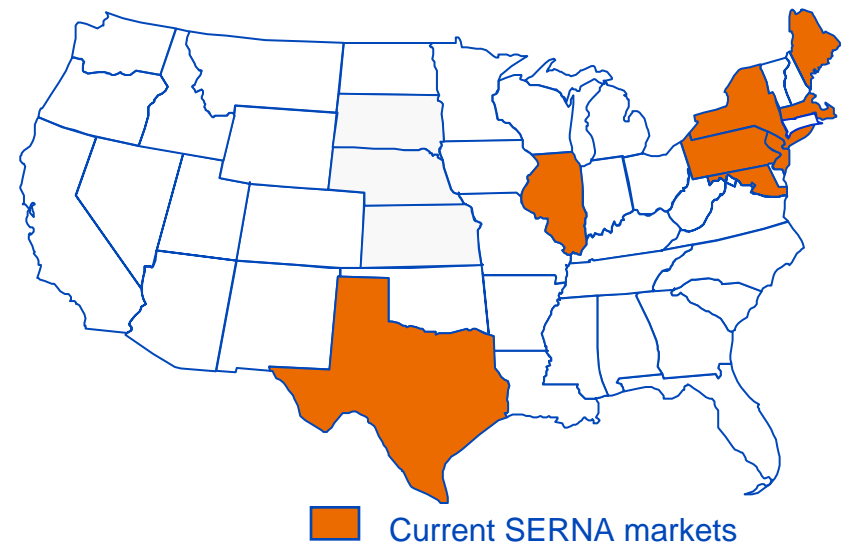
The majority of U.S. consumers have paid less for electricity since the onset of power system deregulation in 1997, achieving total savings of about \$34 billion compared with the costs if traditional regulation had continued, according to a new Cambridge Energy Research Associates (CERA), an IHS company,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

Note: transmission charges are often included in the regulated utility charges but in certain markets, transmission is included in the energy price.

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

# About SUEZ Energy Resources NA

- **4th** largest Retail C&I energy provider\* in the United States
- Serve over **10,000** 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



\* Reported by independent consulting firm Kema March 2006

# 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*

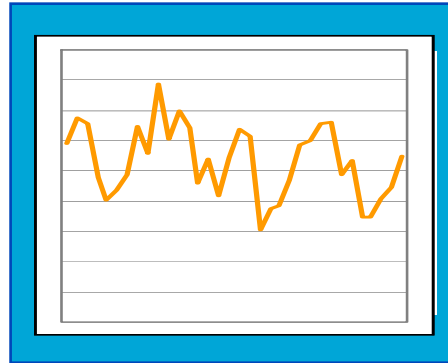


*Excerpt from SUEZ Weekly Retail Market Monitor*

# WHAT DRIVES YOUR ENERGY COSTS...

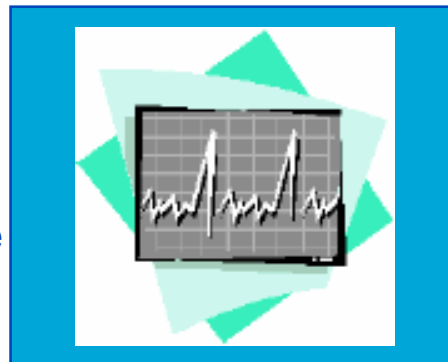
## Price of energy supply is volatile & unpredictable

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

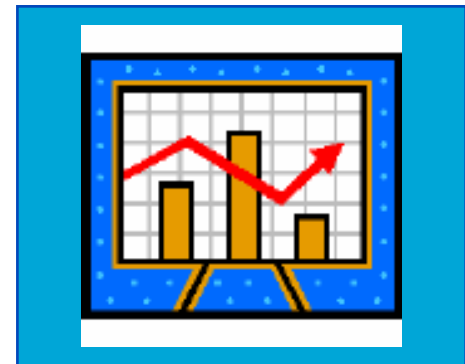


## Demand is unpredictable & unresponsive

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



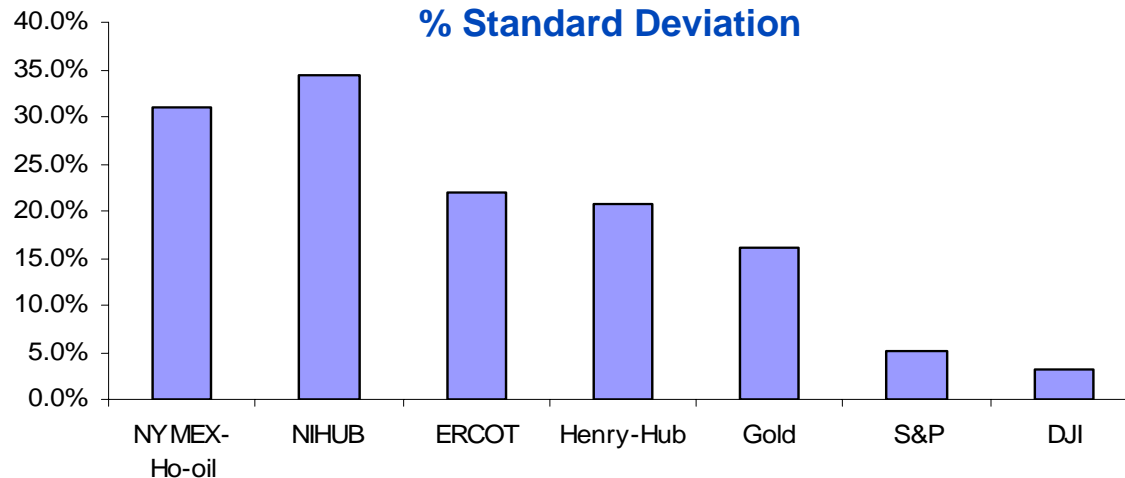
## Uncertain energy costs



- The end-user is exposed to cost uncertainties

# Market Volatility

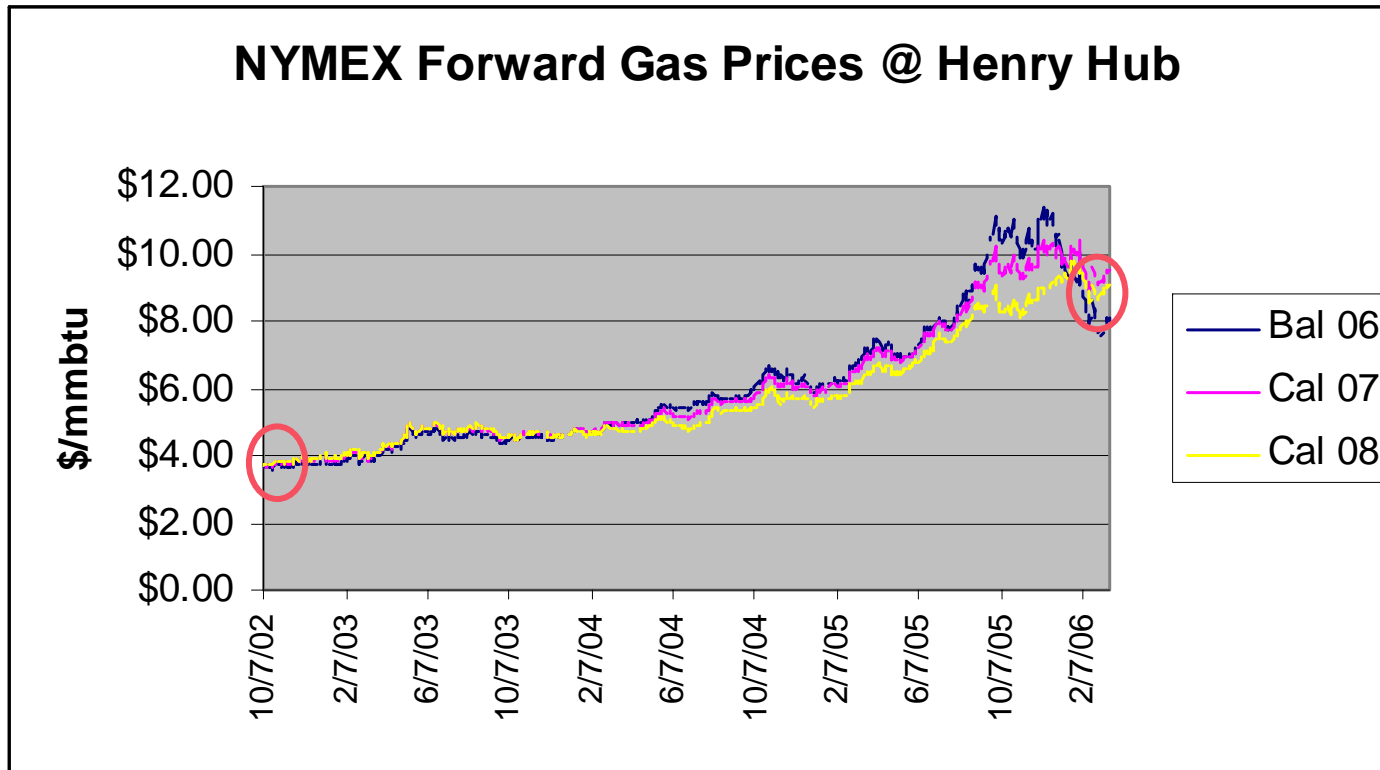
Commodity/Index Volatility:  
% Standard Deviation



- 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: 3/20/2004 – 3/21/2006 historical prices

# Gas Price Drivers

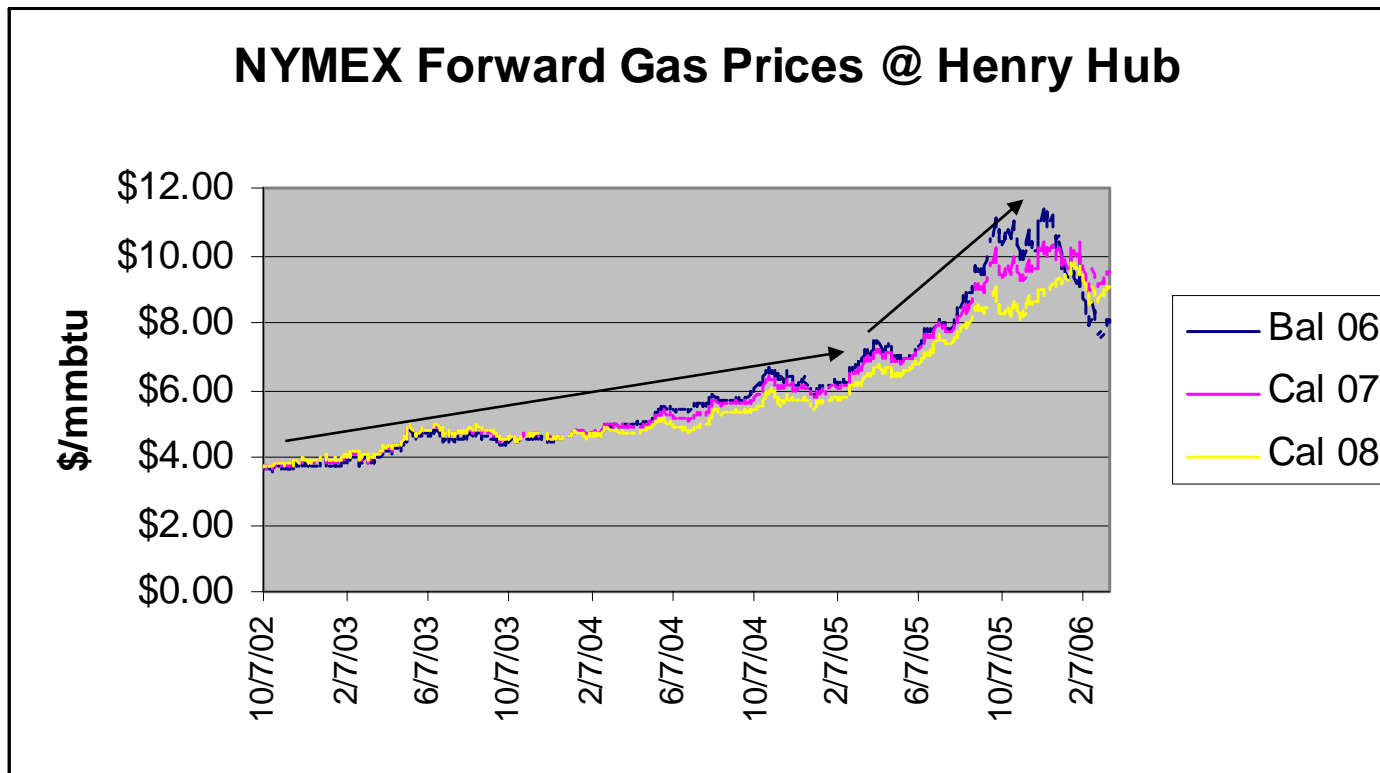


“Bal 06” refers to gas deliveries for April 2006 – December 2006.

“Cal” refers to a calendar year (i.e., January – December)

# Gas Price Drivers

What's the reason for gas price increases?

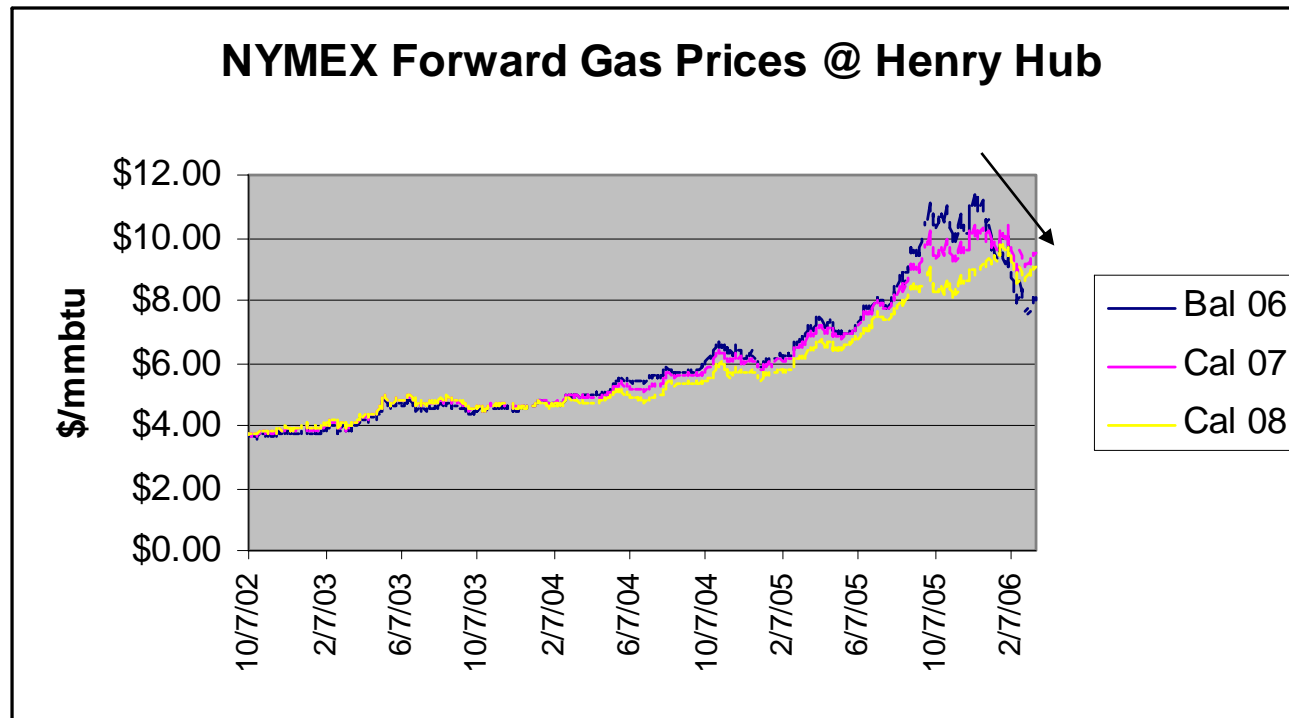


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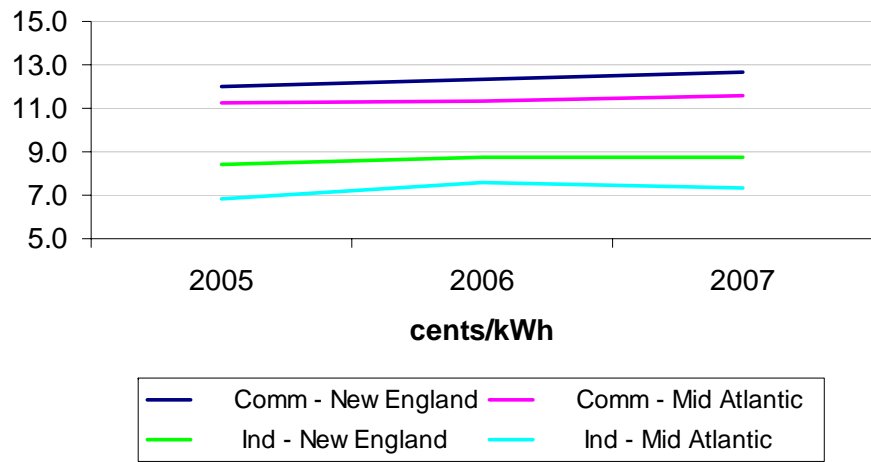
# Gas Price Drivers

What's the reason for recent gas price decline?



# EIA Commodity Price Forecast

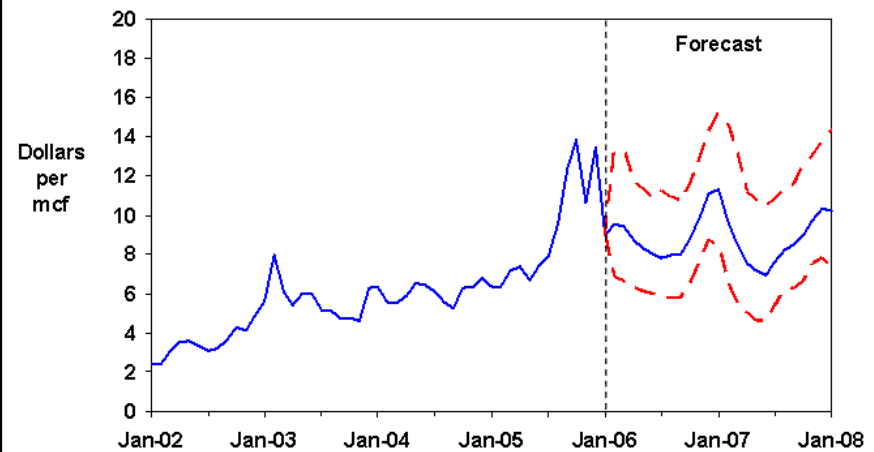
**EIA Short Term Forecast  
US Regional Electricity Prices**



Electricity prices in Mid-Atlantic and New England regions for C&I customers forecasted to increase into 2007

Natural gas prices forecasted to remain high

**Figure 3. Natural Gas Henry Hub Spot Prices  
(Base Case and 95% Confidence Interval\*)**



\*The confidence intervals show +/- 2 standard errors based on the properties of the model.

Source: Energy Information Administration, Short Term Energy Outlook – Feb 2006

# 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
- 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 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**

# Scenario 1: Price Monitor

## Energy Best Practice #1

Never too early to monitor prices for the next contracting period

## Energy buyer wants to receive regular price updates

### Good Buy Electronics

#### SITUATION

Current electricity contract expires in Dec 2006

Good Buy wants weekly price quotes for a subsequent contract beginning in Jan 2007

#### SOLUTION

SUEZ enrolls Good Buy in Price Watch monitoring service and provides the customer with weekly pricing updates

#### Customer may specify:

- Frequency of price updates
- Preferred contract lengths to monitor

# Customer Pricing Summary

## *Good Buy Electronics*

### Price Watch - Customer Pricing Summary



Pricing Date: 3/15/2006  
Sales Rep: Your Sales Rep

Customer Name	Start Date	End Date	Term	Current Price
Good Buy Electronics	1/1/07	12/31/07	12	\$79.79
Good Buy Electronics	1/1/07	12/31/08	24	\$76.00
Good Buy Electronics	1/1/07	12/31/09	36	\$74.89

# Scenario 2: Price Trend

## Energy Best Practice #2

Keep management informed of market movements

**Energy buyer wants to prepare the company's management for a significant increase in electricity prices**

## Home Repo

### SITUATION

Home Repo signed a long term fixed price contract in 2005. The current contract price of \$65/MWh expires in Dec 2006. Typical renewal process would begin three months before contract expiration.

Energy prices for 2007 are currently 25% higher

Home Repo's energy manager wants to keep the management team informed about the power price movements since the original contract was signed

### SOLUTION

SUEZ Sales Rep enrolls Home Repo in Price Watch monitoring service and provides the customer with monthly pricing updates

Customer may specify:

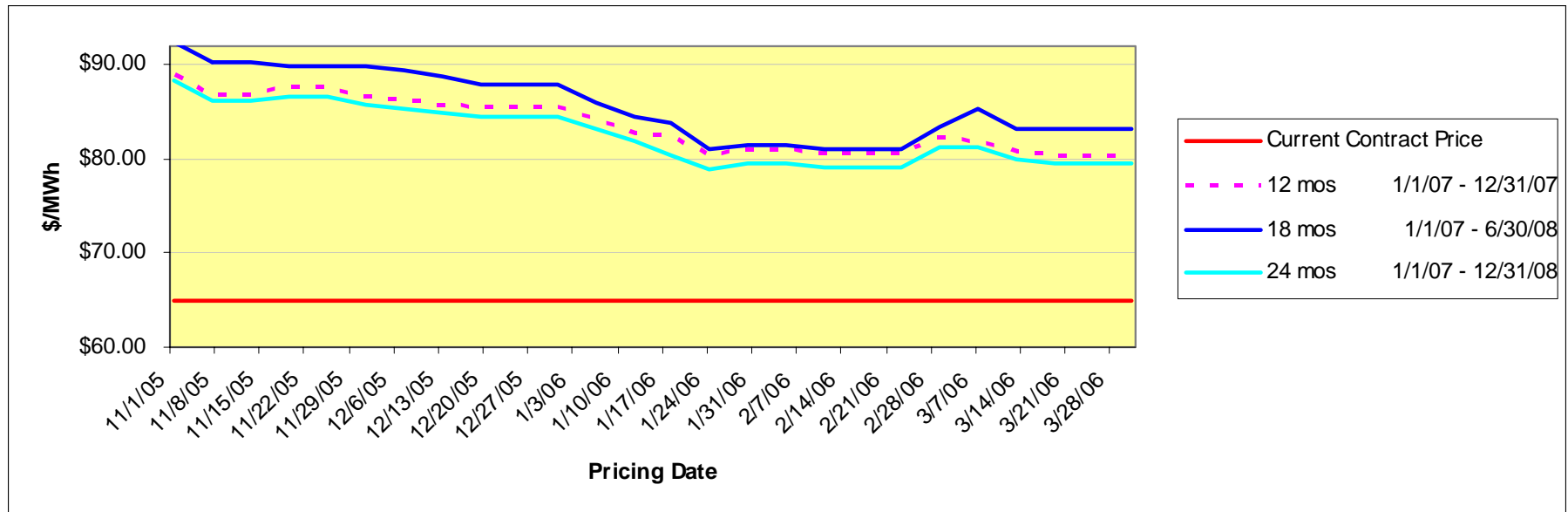
- Frequency of price updates
- Preferred contract lengths

# Price Trend Report

## Home Repo

Price Trend Report makes it easy to see:

- Estimated future contract price compared to current contract
- Price trends over time



# Scenario 3: Multi-Regional Price Management

Energy Best Practice #3

Stay informed

**National energy buyer needs to keep informed of current prices across multiple regions**

## Merrill Finch

### SITUATION

Merrill Finch has locations in New York, Texas, Maryland, and Pennsylvania

Needs a simple way to stay informed of energy price movements in all markets

Electricity contracts in each region have differing expiration dates

### SOLUTION

SUEZ Sales Rep enrolls all of Merrill Finch's stores in Price Watch and provides a single report to the customer with pricing info for each region

Customer may specify:

- Service points to be grouped together for pricing
  - Flow start date for each group of meters
  - Preferred contract length

# Customer Pricing Summary

## Merrill Finch

### Price Watch - Customer Pricing Summary



Pricing Date: 3/1/2006  
 Sales Rep: Greg Carlson

Five  
different  
price  
clusters

Customer Name	Start Date	End Date	Term	Current Price
Merrill Finch - NY (NYSEG)	1/1/07	12/31/07	12	\$120.22
Merrill Finch - NY (RGE)	1/1/07	6/30/07	6	\$118.40
Merrill Finch - TX	4/1/06	12/31/06	9	\$77.80
Merrill Finch - MD	6/1/06	5/31/07	12	\$92.71
Merrill Finch - PA	4/1/06	3/31/08	24	\$86.10

↑  
Start dates vary  
by region

↑  
Contract terms  
may vary

# Scenario 4: Price Notification

## Energy Best Practice #4

Clearly define goals

Energy buyer wants to be notified when market prices reach a pre-specified target

### Seattle's Second Best Coffee

#### SITUATION

Seattle's Second Best Coffee is on default service and pays index price for electricity

Price quotes for 2006 have been highly volatile and in the \$78-\$95/MWh

Buyer wants to be notified if and when prices reach \$80/MWh or less

#### SOLUTION

SUEZ Sales Rep enrolls Seattle's Second Best Coffee in Price Watch notification service and provides the customer pricing updates only when market prices reach the price threshold

Customer may specify:

- Desired contract price (a.k.a. Trigger Price or Threshold Price)
  - Trigger price can be modified at any time

# Scenario 5: Optimal Pricing

## Energy Best Practice #5

Consider a variety of contract terms

### Energy buyer is unsure of the optimal pricing term

#### Pizza House

##### SITUATION

Pizza House has typically signed 12 month contracts and typically requests 12 and 24 month price quotes

The company is unsure of whether or not 12 and 24 month terms are the only ones it should consider and would like more assistance in finding a “sweet spot”

##### SOLUTION

SUEZ enrolls Pizza House in Price Watch monitoring service and provides the customer pricing updates for a variety of terms (1 to 60 month quotes). With this information in hand, Pizza House can evaluate which term makes the most sense for their business.

Customer may specify:

- Frequency of price updates
- Limits on terms to be priced

# Customer Pricing Summary

## *Pizza House*

Prices  
provided for a  
variety of  
terms

Start Date	End Date	Term	Price
1/1/06	1/31/06	1	\$139.99
1/1/06	2/28/06	2	\$139.29
1/1/06	3/31/06	3	\$138.79
1/1/06	4/30/06	4	\$137.94
1/1/06	5/31/06	5	\$136.94
1/1/06	6/30/06	6	\$131.87
1/1/06	7/31/06	7	\$129.99
1/1/06	8/31/06	8	\$128.90
1/1/06	9/30/06	9	\$125.93
1/1/06	10/31/06	10	\$124.09
1/1/06	11/30/06	11	\$122.59
1/1/06	12/31/06	12	\$121.21
1/1/06	1/31/07	13	\$122.82
1/1/06	2/28/07	14	\$124.05
1/1/06	3/31/07	15	\$123.41
1/1/06	4/30/07	16	\$121.93
1/1/06	5/31/07	17	\$120.09
1/1/06	6/30/07	18	\$118.56
1/1/06	7/31/07	19	\$117.73
1/1/06	8/31/07	20	\$117.06
1/1/06	9/30/07	21	\$115.70
1/1/06	10/31/07	22	\$114.64
1/1/06	11/30/07	23	\$113.67
1/1/06	12/31/07	24	\$112.71
1/1/06	1/31/08	25	\$113.33
1/1/06	2/29/08	26	\$113.87
1/1/06	3/31/08	27	\$113.50
1/1/06	4/30/08	28	\$112.72
1/1/06	5/31/08	29	\$111.71
1/1/06	6/30/08	30	\$110.83

# Scenario 6: Converting from Index Price to a Fixed Price

## Energy Best Practice #6

Lock in fixed prices when market is favorable

**Energy buyer on index contract considers converting to a fixed price contract**

### Bullseye Stores

#### **SITUATION**

Bullseye Stores previously signed an Index Price contract when fixed price offers were high

Contract expires at the end of the year

Customer will consider converting to a fixed price if market prices come down

#### **SOLUTION**

SUEZ provides Bullseye Stores with periodic pricing updates showing the fixed price that can be locked in for the remaining contract term


Customer may specify:

- Frequency of price updates

# Customer Pricing Summary

## Bullseye Stores

Price Watch - Customer Pricing Summary



Pricing Date: 3/1/2006  
Sales Rep: Greg Carlson

Customer Name	Pricing Type	Start Date	End Date	Term	Current Price	Price Trigger	Price Difference
Bullseye Stores - TX	RT Index to Fixed	9/1/2006	6/30/2007	10	\$77.79	\$79.00	\$1.21
Bullseye Stores - TX	RT Index to Fixed	9/1/2006	7/31/2007	11	\$77.80	\$79.00	\$1.20
Bullseye Stores - TX	RT Index to Fixed	9/1/2006	8/31/2007	12	\$77.84	\$79.00	\$1.16
Bullseye Stores - NJ	DA Index to Fixed	6/1/2006	12/31/2006	4	\$102.10	\$110.00	\$7.90
Bullseye Stores - NJ	DA Index to Fixed	6/1/2006	1/31/2007	5	\$102.16	\$110.00	\$7.84
Bullseye Stores - NJ	DA Index to Fixed	6/1/2006	2/28/2007	6	\$102.40	\$110.00	\$7.60
Bullseye Stores - NJ	DA Index to Fixed	6/1/2006	3/31/2007	7	\$103.11	\$110.00	\$6.89
Bullseye Stores - NJ	DA Index to Fixed	6/1/2006	4/30/2007	8	\$103.40	\$110.00	\$6.60
Bullseye Stores - NJ	DA Index to Fixed	6/1/2006	5/31/2007	9	\$103.99	\$110.00	\$6.01
Bullseye Stores - NJ	Fixed Price	6/1/2007	5/31/2008	12	\$98.60	\$100.00	\$1.40
Bullseye Stores - NJ	Fixed Price	6/17/2007	5/31/2009	24	\$97.50	\$100.00	\$2.50

Convert Index to Fixed for existing SUEZ contract

Quotes for next contract period

# Summary

## Energy Best Practice #1

Never too early to monitor prices for the next contracting period

## Energy Best Practice #2

Keep management informed of market movements

## Energy Best Practice #3

Stay informed

## Energy Best Practice #4

Clearly define goals

## Energy Best Practice #5

Consider a variety of contract terms

## Energy Best Practice #6

Lock in fixed prices when market is favorable

# How Do I Get Started?

## Existing SUEZ Business Partners

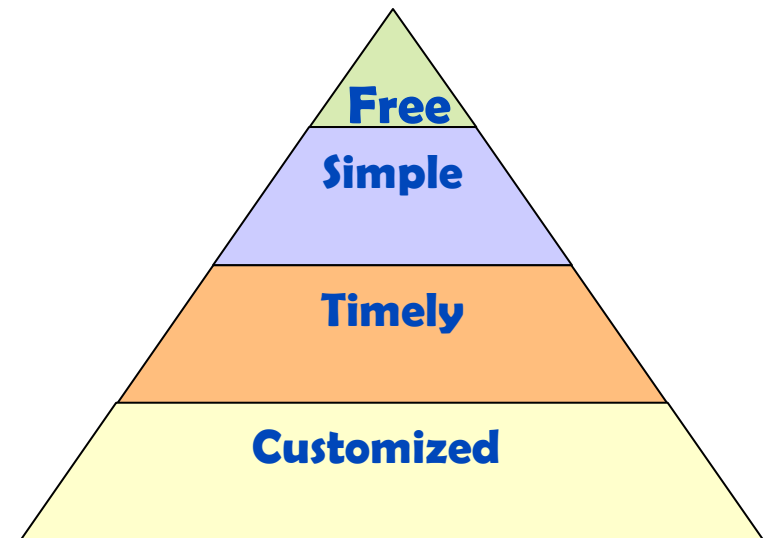
Contact your sales representative and ask for Price Watch

## Prospective SUEZ Business Partners

Contact Lily Le

(713) 636-1288 Office

Lily.Le@SUEZenergyna.com



Act Now. Stay Informed.

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