

# Are You “Going Green” or Going In the Red?

*Presented By*

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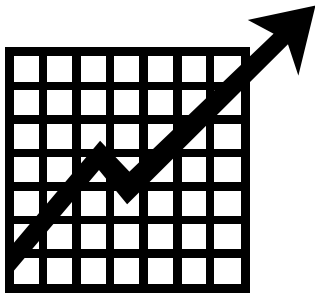
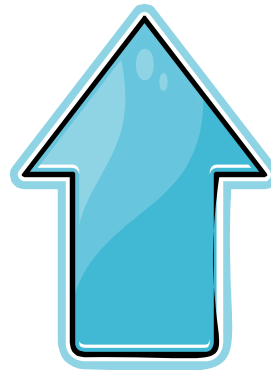
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**AOBA Alliance, Inc.**

**AOBA Utility Committee**

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**No Matter How You Show It,  
Energy Prices Are **UP** Sharply...**

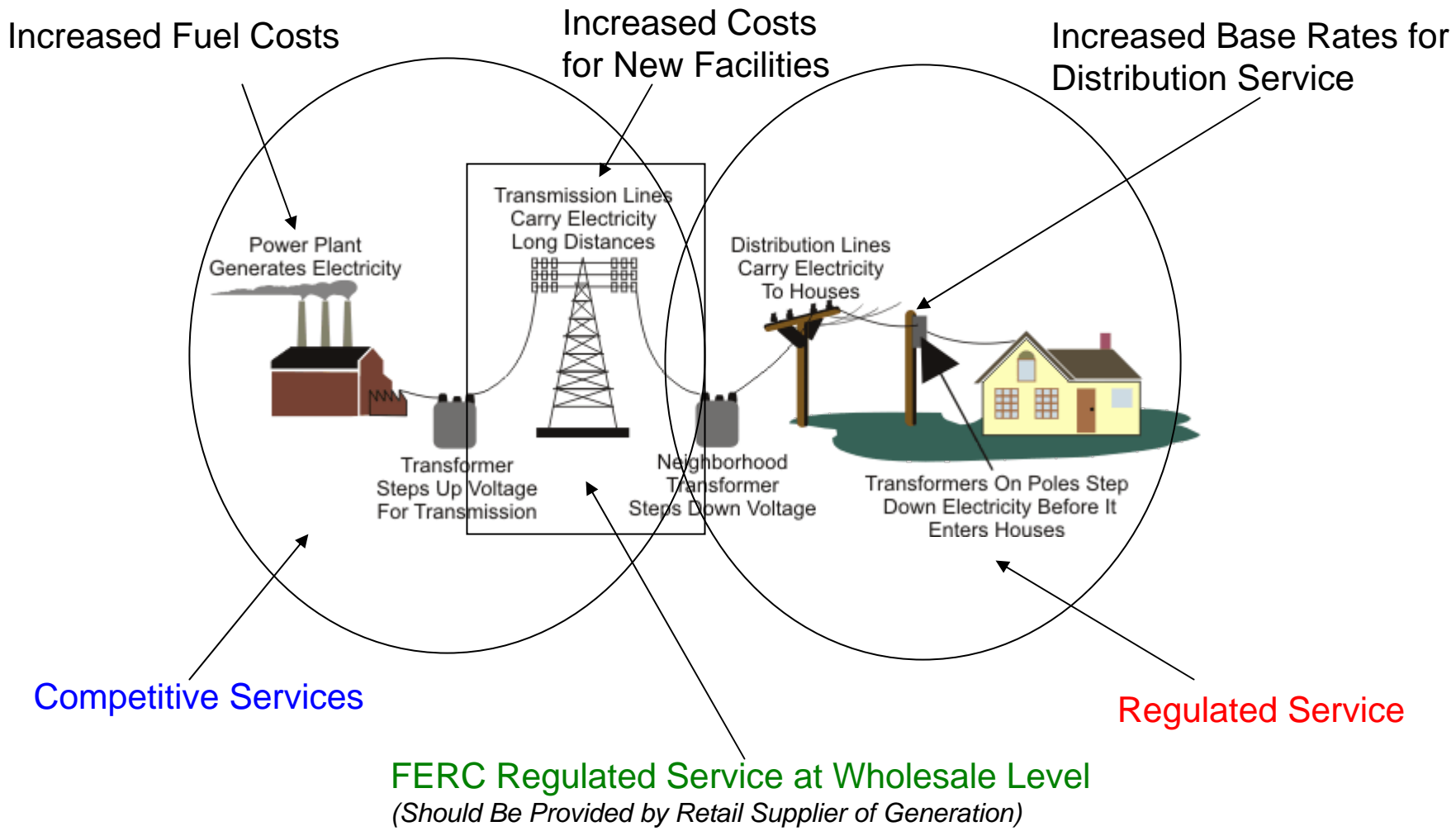


**... And Whatever You Budgeted  
For Energy Costs This Year Is  
Probably **Not Enough.****

# Primary Drivers of Energy Cost Increases

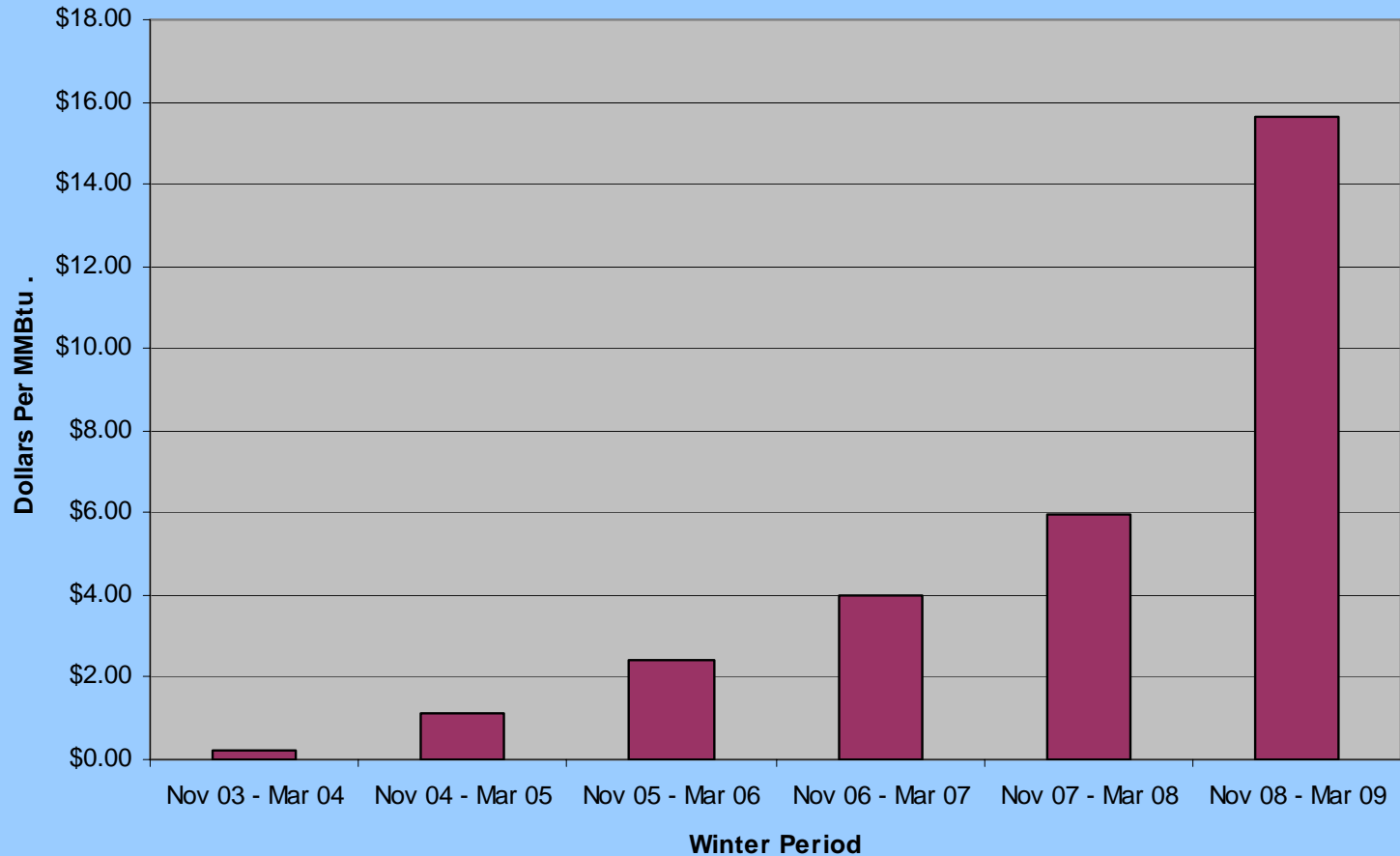
- ✧ Growing World Demand for Energy
- ✧ Declining Value of U.S. Dollar
- ✧ Growing Demand of Use of Natural Gas in Electricity Generators
- ✧ Marginal Pricing of Electricity in Wholesale Markets
- ✧ Perceived Needs for Expansion of Electric Generation and Transmission Facilities

# The Structure of the Electric Market



# Average Winter Heating Oil vs Natural Gas Price Differentials

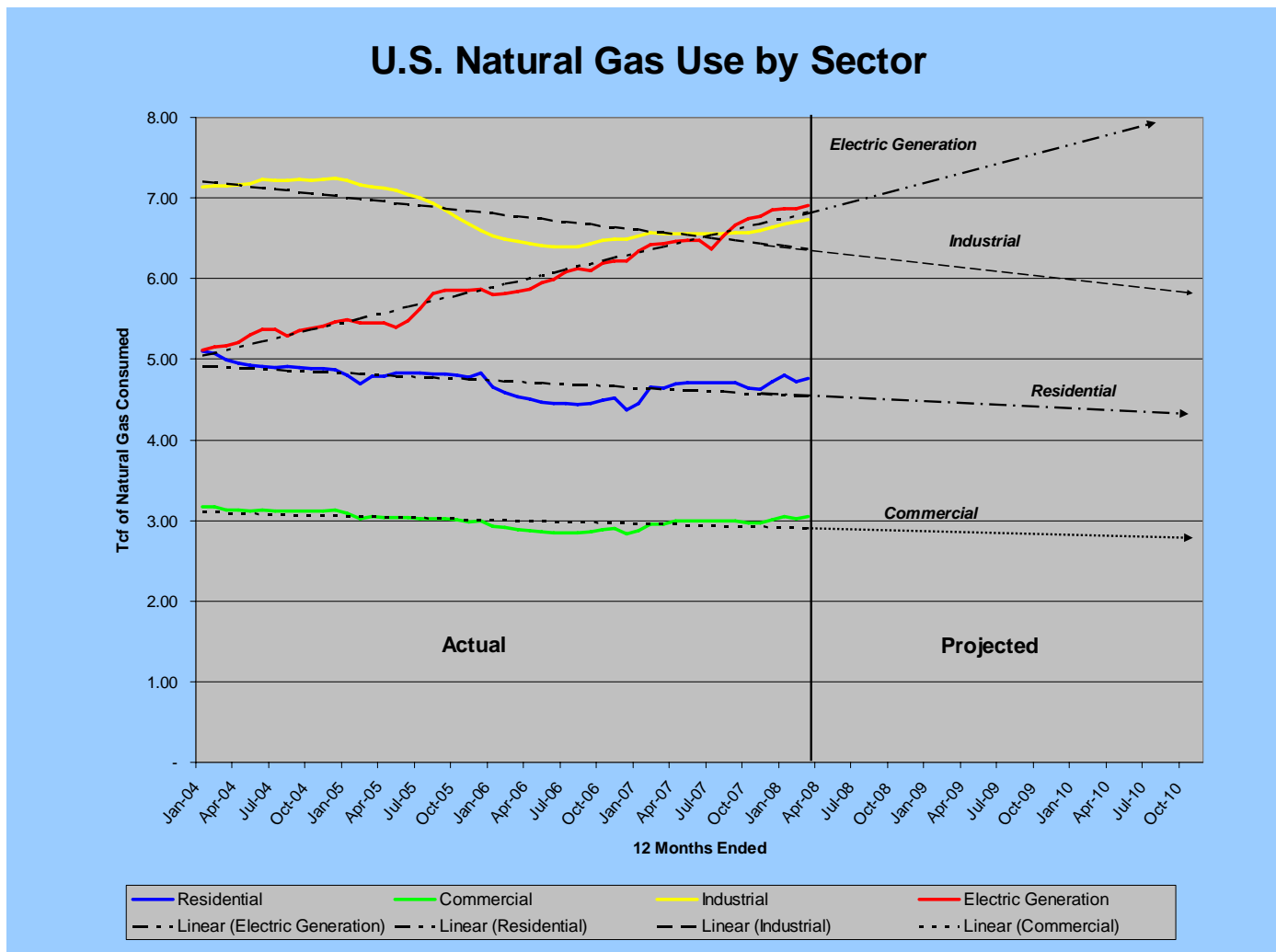
*(Heating Oil Price Minus Natural Gas Price)*



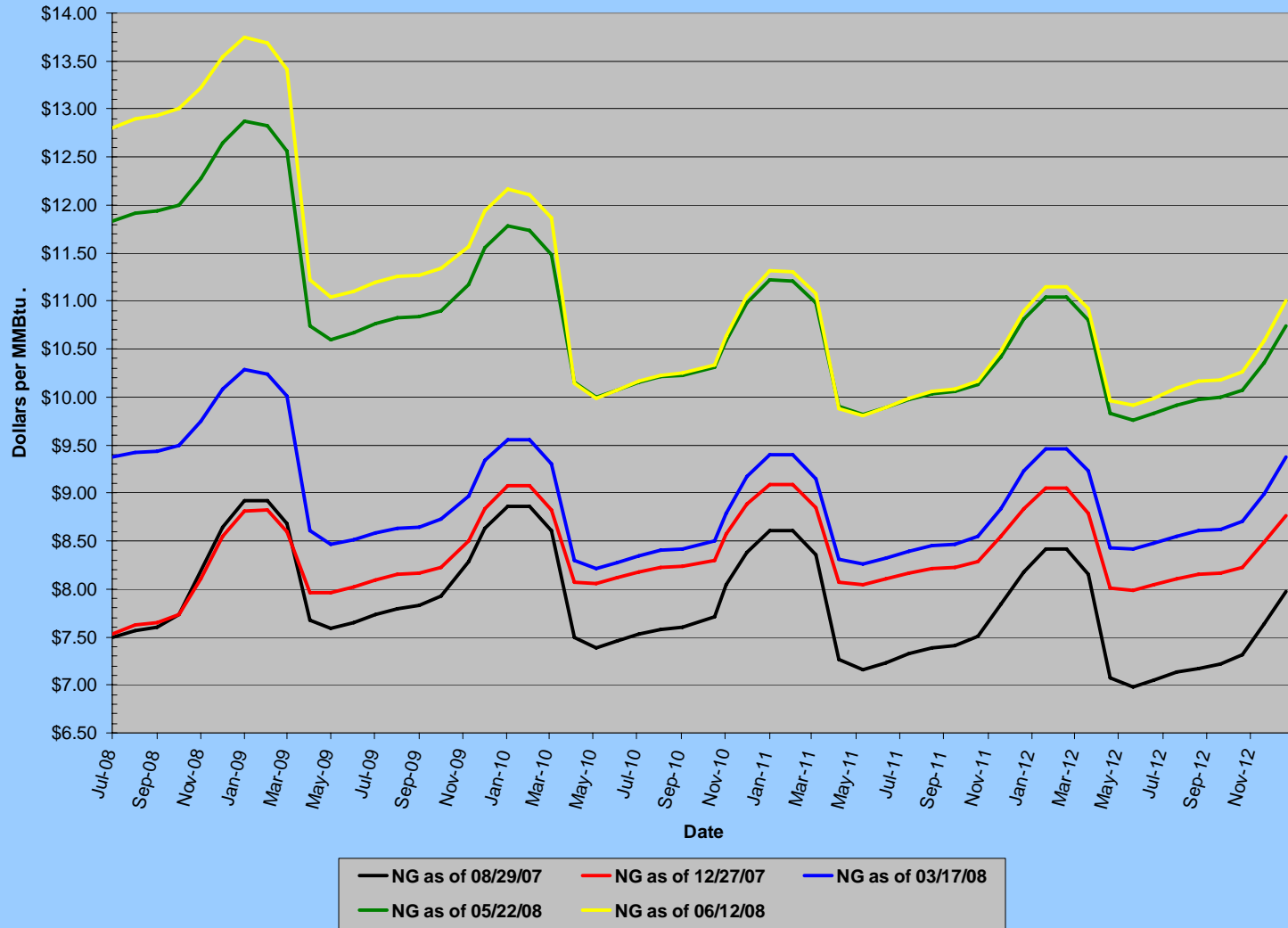
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# Despite higher prices, U.S. natural gas use turned upward in all sectors in the first four months of 2008



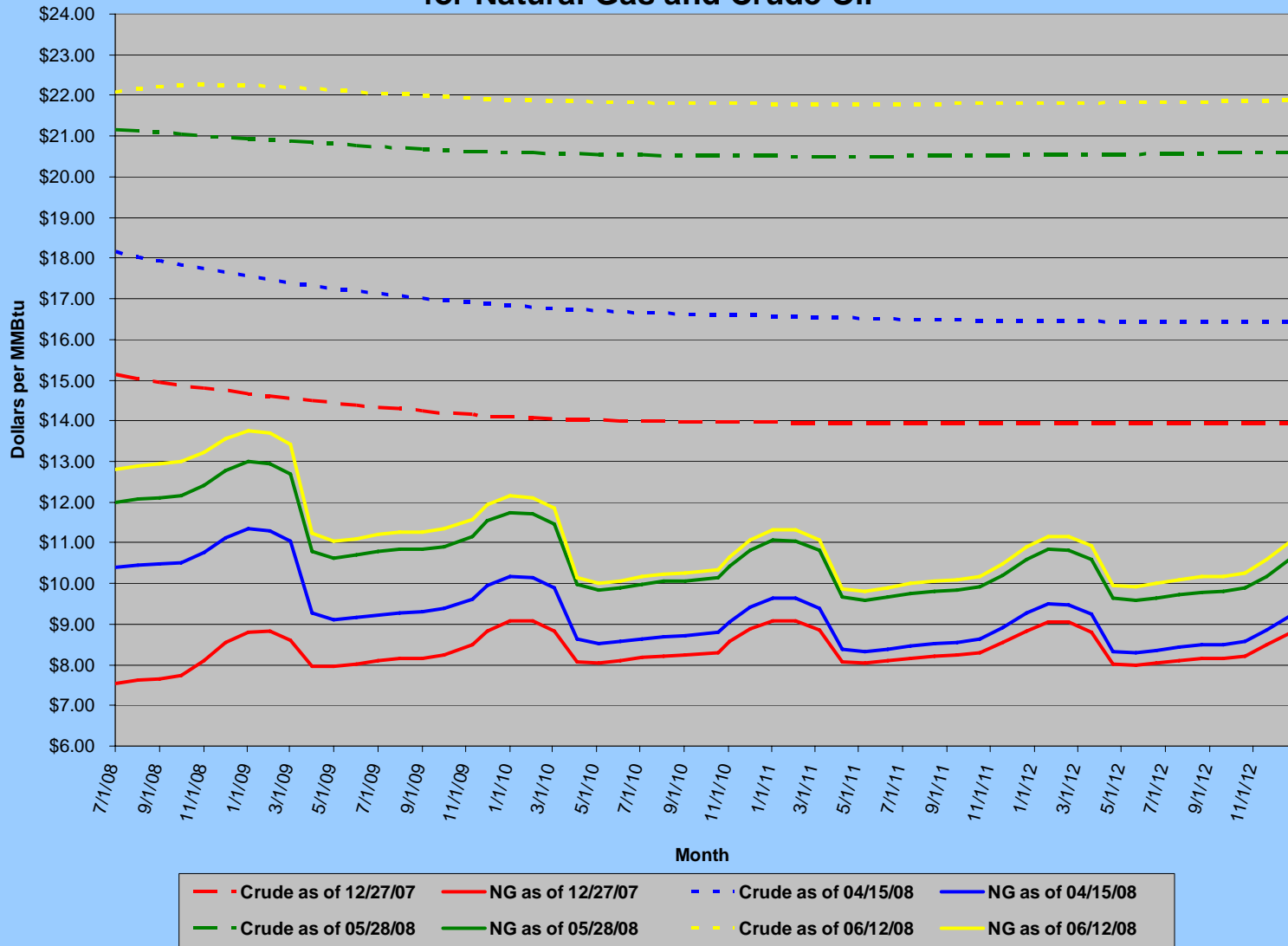
## Recent History of Natural Gas Commodity Prices for NYMEX Futures Contracts



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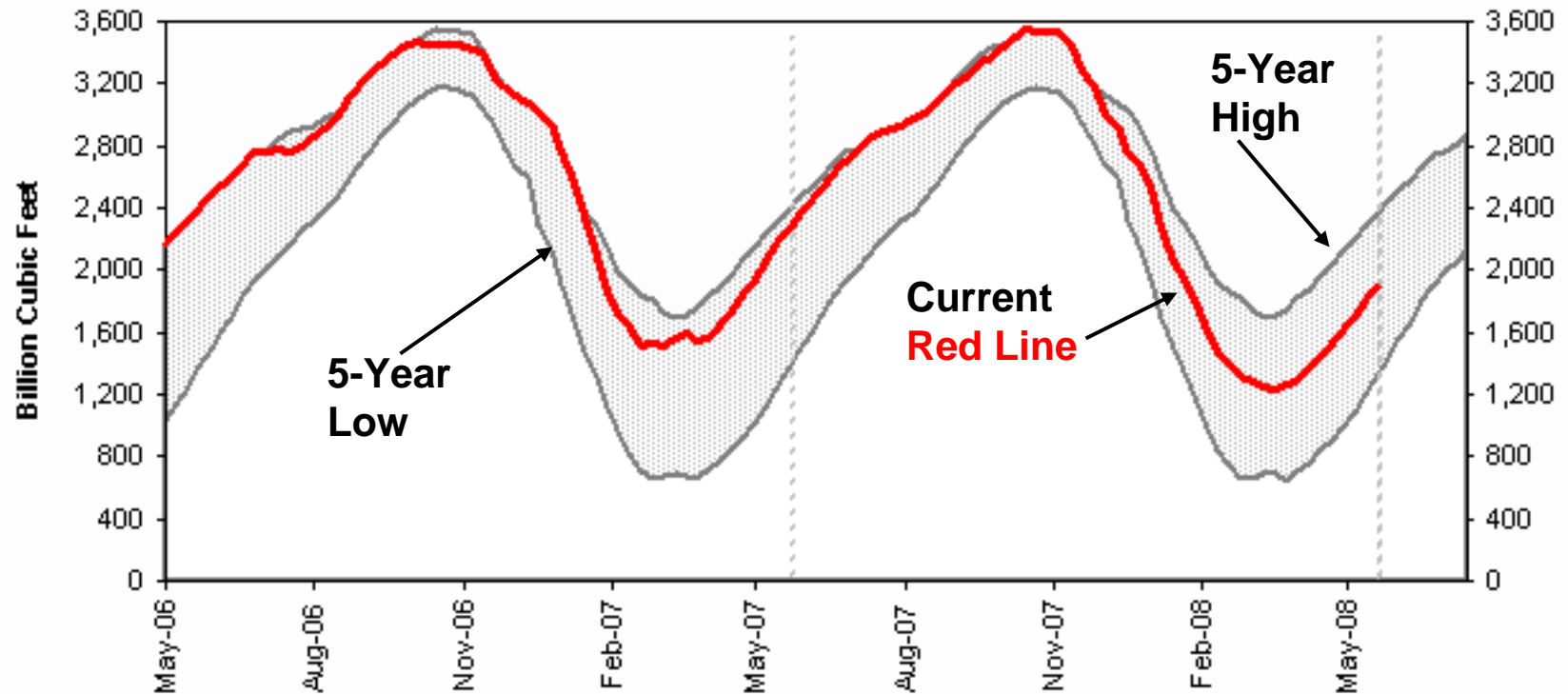
## Comparison of NYMEX Futures Prices for Natural Gas and Crude Oil



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# U.S. Natural Gas Storage Inventories Track Five-Year Average



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# Storage Injection Requirements

✧ Current Storage Inventory Level	1,886 Bcf
✧ 2007-08 Inventory at Start of Winter Season	3,350 Bcf
✧ Storage Injection Target for Full Inventory	1,464 Bcf
✧ Weeks Left in Storage Injection Season	21
✧ Required Average Net Injections Per Week	69.7 Bcf
✧ Five-year Average Net Injections Per Week	66.0 Bcf

# Electric Rate Increases

# Electric Rate Increases

## \* Pepco DC

- Base Rates 12.5% Average Increase *Effective February 20, 2008*
- SOS Charges Down slightly for GT-LV customers;  
Up noticeably for Residential and Small Commercial
- Surcharges Proposal to Increase RETF

## \* Pepco MD

- Base Rates 0.5% - 2.5% Commercial Incrs. *Effective August 16, 2007*
- SOS Charges Up Sharply for All Classes (**2 - 3 cents per kWh**)
- Surcharges Bill Stabilization Adjustment

## \* Dominion Virginia Power

- Base Rates Capped Until 12/31/08
- Fuel Rate **\$0.02013 per kWh increase** for All customers
- Surcharges Coal Power Plant Surcharge

# Reliability Pricing Model (RPM)

## *Locational Generation Capacity Costs*

### *For Pepco & BGE Service Territories*

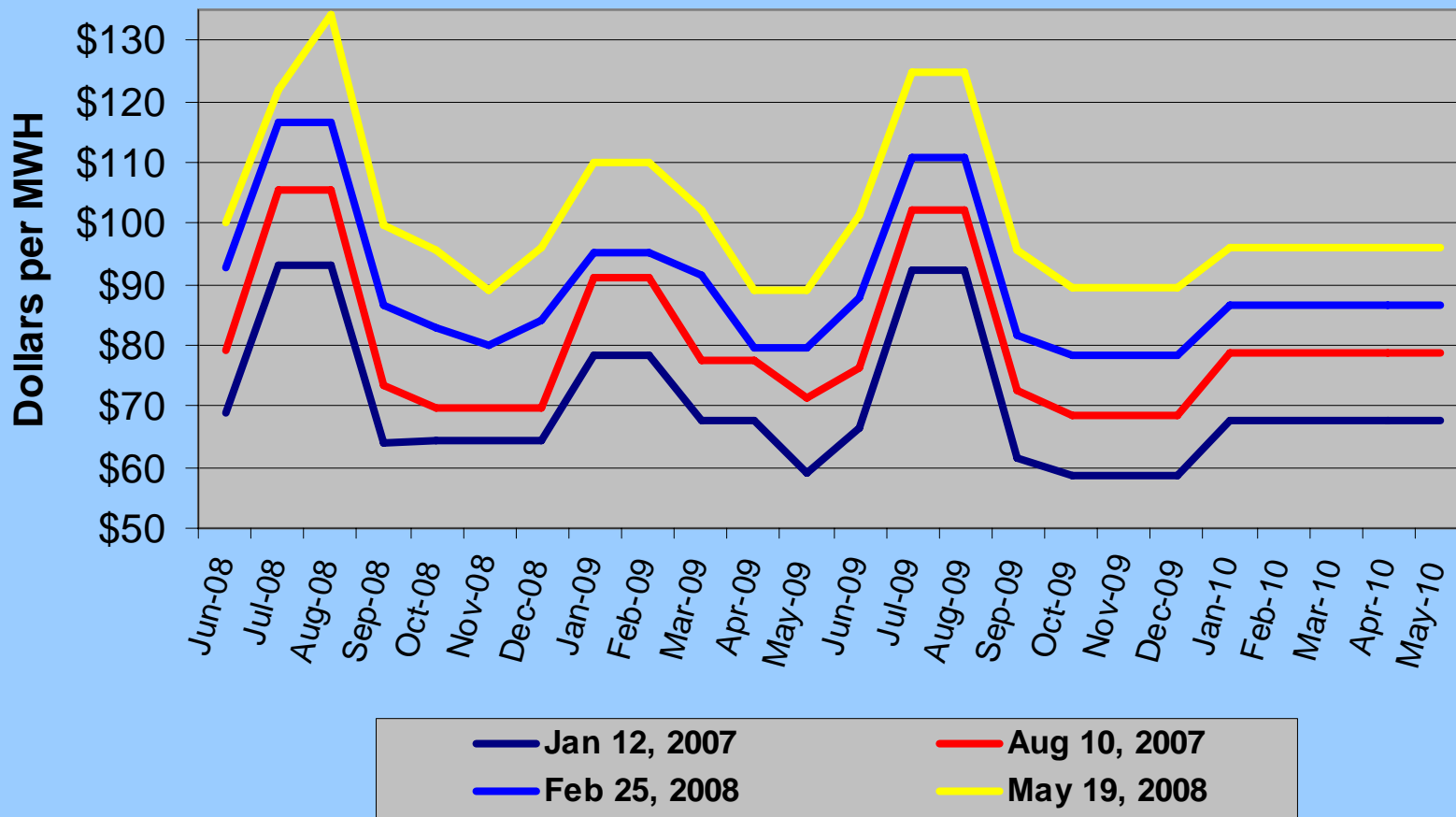
	2007-08	2008-09	2009-10	2010-11	2011-12
	(Dollars per Megawatt Day)				
* Clearing Price	\$188.54	\$210.11	\$237.33	\$174.29	\$110.00
* Capacity Transfer Credit	\$ 48.38	\$ 29.53	\$ 19.21	\$ 0.00*	\$ 0.00*
* Net Load Price	\$140.16	\$180.58	\$218.12	\$174.29	\$174.29
	(Cents per Kilowatt-Hour)				
* Clearing Price	1.571	1.751	1.978	1.453	0.917
* Capacity Transfer Credit	0.403	0.246	0.160	0.000*	0.000*
* Net Load Price	1.168	1.505	1.818	1.453	0.917

*Note: each annual pricing period runs from June 1 through May 31*

# Electricity Commodity Prices

## PJM Monthly LMP Futures - Peak

*For June 2008 Through May 2010*



# Illustrative Comparison of Retail Electricity Supply Prices by Cost Component

	07/08 – 06/10 As of Feb 2008	07/08 – 06/10 As of Jun 2008
	Cents per kWh	
* Estimated Electric Energy Cost	<b>8.05</b>	<b>9.85</b>
* Firm Capacity Costs		
➤ Installed Capacity	0.00	0.00
➤ Locational Capacity	<u>1.50</u>	<u>1.66</u>
➤ Total Generation Capacity Costs	1.50	1.66
* Congestion Charges	0.88	0.88
* Transmission Costs	0.30	0.30
* Ancillaries	0.17	0.17
* Marketer Costs <sup>1</sup>	<u>0.65</u>	<u>0.65</u>
* <b>Estimated Total Retail Supply Cost</b>	<b>11.55</b>	<b>13.51</b>

1 Includes provisions for administrative, marketing, and billing costs as marketer risk and profit.

# Standard Offer Electric Rates

**Projected SOS Rates**  
**for Large Commercial Customers**  
**in the District of Columbia**  
**Starting June 1, 2008**

- ✧ For the period from June 1, 2007 - May 31, 2008 the current average annual SOS rate for Large Commercial customers in D.C. is approximately **12.345 cents per kWh.**
- ✧ For the 12-Month period Starting **June 1, 2008**, the average annual rate for Large Commercial customers based on current market conditions is about **12.1 cents per kWh.**

# Maryland Commercial SOS Rates

- ✧ For **Type III** customers (i.e., commercial customers with demands in excess of 600 kW), there are **no fixed SOS Rates** and no “price to compare.” Type III customers’ only utility service alternative is Hourly Priced Service (“HPS”).
  
- ✧ For **Type II** Commercial customers, SOS rates are set quarterly
  - New rates are announced approximately 60 days in advance of when they become effective.
  - SOS rates for the months of Jun – Sep 2008 average more than **15 cents per kWh.**
  - SOS rates for September - November 2008 have been determined, but not yet announced to the public. Preliminary indications suggest that those rates will be \*\*\*.
  
- ✧ For **Type I** Commercial customers, SOS rates for the entire June 1, 2008 through May 31, 2009 period have been established.
  - The SOS rates for Pepco Type I Commercial customers for Summer months of 2008 (i.e., Jun – Sep) will average over 13 cents per kWh.
  - For the Winter months (i.e., Oct 2007 through May 2009) SOS rates will average over 12.5 cents per kWh

# Gas Rate Increases

# Gas Rate Increases

## ✧ Washington Gas – DC

- Base Rates 1.1% Overall Base Rate Increase  
*Effective December 31, 2007*
- Purchased Gas Charge Varies Monthly *(Up 28% since Jan 08)*
- Surcharges Proposal to Increase NGTF

## ✧ Washington Gas – MD

- Base Rates 0% Increase for most C&I & GMA Customers  
*Effective November 27, 2007*
- Purchased Gas Charge Varies Monthly *(Up 28% since Jan 08)*
- Surcharges Hexane Cost Recovery Through Balancing Charges

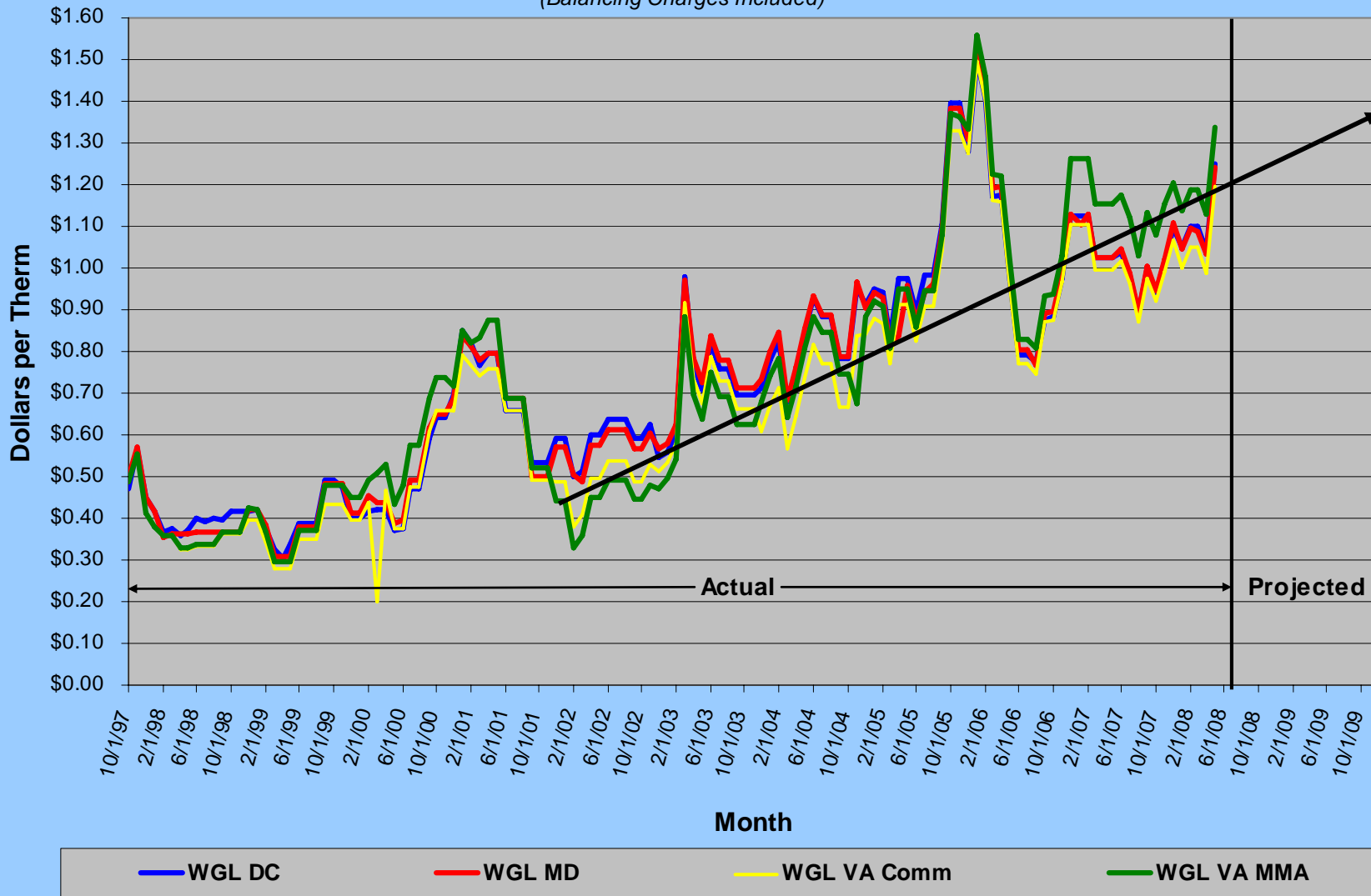
## ✧ Washington Gas – VA

- Base Rates C&I and GMAs 0.5% - 0.6% Increase  
Interruptibles 1.6% Increase  
*Effective October 1, 2007*
- Purchased Gas Charge Varies Monthly *(Up 26% - 30% since Jan 08)*
- Surcharges WNA, PBR, Hexane Cost Recovery

# Washington Gas Light Company

## History of Purchased Gas Charges by Jurisdiction

(Balancing Charges Included)



# Current Natural Gas Costs (\$/Dth)

For Next Three Calendar Years

As of June 12, 2008

	100% LF Use	Typical Commercial Heating Customer
<b>Jul 2008 - Jun 2009</b>		
12-Month Average NYMEX NG Price	\$ 12.72	\$ 13.62
12-Month Average Basis Cost (Transco Zone 6)	\$ 2.45	\$ 3.09
12-Month Average NYMEX + Basis	\$ 15.17	\$ 16.71
<b>Jul 2009 - Jun 2010</b>		
12-Month Average NYMEX NG Price	\$ 11.24	\$ 12.03
12-Month Average Basis Cost (Transco Zone 6)	\$ 2.02	\$ 2.53
12-Month Average NYMEX + Basis	\$ 13.26	\$ 14.56
<b>Jul 2010 - Jun 2011</b>		
12-Month Average NYMEX NG Price	\$ 10.50	\$ 11.23
12-Month Average Basis Cost (Transco Zone 6)	\$ 1.88	\$ 2.34
12-Month Average NYMEX + Basis	\$ 12.38	\$ 13.57

**PLUS: Supplier Charges, Storage, Balancing & Losses**

# Your **Best** Source of Energy Cost Control Is Within Your **Own Facilities**

- ✦ **Going Green** is no longer an option; it is a necessity
- ✦ Higher costs for all types of energy warrant reconsideration of the cost-effectiveness of Energy Efficiency/Conservation alternatives
- ✦ When evaluating Energy Efficiency Options, base savings estimates on **projected** future energy prices, not past actual experience
- ✦ Plan now to *minimize use of fuel oil* in the coming winter