



## ENERGY MARKET UPDATE – A REVERSAL OF FORTUNE RAISES NEW CHALLENGES

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**REGISTER NOW:**  
ENERGY EFFICIENCY SEMINAR  
Monday December 15, 2008  
9:00 - 11:00 AM

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This year will likely be remembered as a year of “extremes”. The first seven months saw a steady increase of all energy commodities to record setting levels. Specifically, crude oil peaked at \$147/barrel and July natural gas reached over \$14/MMBTU. From August forward the energy markets have crashed, dropping more than 60% in a few short months. Crude oil is now in the \$40/barrel range and natural gas is in the \$5.00/MMBTU range, even while we sit at the edge of the winter heating season. The price shift in energy commodities has been dramatic and now all large energy consumers are faced with a new paradigm in the markets. In this new market, key energy issues can best be summarized in the following questions:

#### KEY QUESTIONS FOR TODAY'S ENERGY MARKET

- 1) Where is the bottom of this market?
- 2) How should I adjust my forward energy buying strategy to reflect the market changes?
- 3) Do I need to reevaluate my energy suppliers, confirming their stability and ability to perform into the future?
- 4) How might the changes in our business be factored into the energy management plan?

All of these questions will require some internal and external discussions in order to prepare your company for the next few years. The forecasting of occupancy rates or productivity may serve as a good starting point for adjusting your future demand requirements. Review your supply agreements to assess how decreases in the energy demand (from reduced operations or tenancy etc) and potential supplier-based failures may be addressed within your supply agreements. Most agreements and suppliers request advanced notice of any decreases in energy demand. So sharing your expectations may reduce any potential problems. In regard to the viability of your supplier, you may want to monitor the news services and have direct discussions with your supplier in order to factor in their ability to serve you into the future.

In regard, to finding the bottom of this market, it is only safe to say that it appears that the US and global economies are still contracting. We have probably not hit the bottom, but we have seen a significant price drop that is worthy of an adjustment to most procurement strategies. Fixed price contracts have become very attractive and can guarantee a savings on a YOY basis. Remaining on an index may still yield lower prices, but are still susceptible to large single day 3% to 6% price swings. If the market remains soft, a “bottom” next year may well be below today’s costs. Balancing your internal risks and your need to perform to budget or to achieve the lowest market price will assist you in adjusting your procurement strategy to the current market. >

# ENERGY EFFICIENCY INVESTMENTS PAY FOR THEMSELVES EVEN FASTER WITH INCENTIVES

By David F. Bomke, Executive Director

Since 1996, Con Edison has collected hundreds of millions of dollars in Systems Benefits Charges from its customers to fund energy efficiency investments under the direction of the New York State Energy Research and Development Authority (NYSERDA). NYSERDA has returned much of these funds to Con Edison consumers through a broad range of programs. This summer, Con Edison and other utility companies were authorized to develop their own programs to fund energy efficiency investments, and additional funds were provided to support NYSERDA's development of additional programs. The Dormitory Authority of the State of New York (DASNY) has also started developing a program to allow municipalities, universities, schools, and hospitals to borrow money to invest in energy efficiency upgrades that would cover loan repayment costs out of the energy savings secured from such investments.

As these and other programs proliferate, many large consumers will find themselves facing a dizzying array of possibilities. The NYECC is committed to helping its members understand each of these program opportunities and navigate their way through the possible confusion to identify the solutions that best fit their individual circumstances. As a preliminary step in this ongoing process, the NYECC has scheduled a special seminar that will include not only presentations by NYSERDA, Con Edison, and DASNY on their current programs, but will also include a panel discussion that will explore ways in which consumers can (and cannot!) mix these programs together to maximize their benefits. >

**Please join us for this seminar on Monday, December 15, 2008:**

9:00 AM to 11:00 AM

NYECC Members Only Briefing at 11:00 AM

NYU Langone Medical Center – Smilow Research Center

540 First Avenue (near 30th Street)

New York City

(Present Photo ID at the Security Desk in the Skirball Building, 540 First Avenue)

**Register at:**

Register@NYECC.com

212.356.0030 (Phone)

212.356.0063 (Fax)

**Fees:**

\$50 Non-Members

Free for NYECC Members

The New York State Energy Research and Development Authority (NYSERDA) has programs to help commercial, industrial and institutional customers make energy efficiency improvements for all electric customers and also Con Edison firm gas customers. NYSERDA can help customers lower their gas and electric bills by providing technical and financial assistance for energy studies and implementation of

energy efficiency upgrades. They also have an EnergySmart Loan fund that provides a reduced interest rate for financing equipment installations and energy retrofits. Please join us on Monday, December 15, 2008, 9:00 AM to 11:00 AM at NYU Langone Medical Center – Smilow Research Center to learn about the latest NYSERDA programs and how your company may benefit. >

# HOW HIGH IS HIGH? – CON EDISON ELECTRIC RATE CASE UPDATE

By David F. Bomke, Executive Director

The core business of the New York Energy Consumers Council, Inc. (NYECC) continues to be regulatory advocacy on behalf of our constituents – the large energy consumers in Con Edison's service territory. Since our first intervention efforts as the Owners' Committee on Electric Rates some 55 years ago, we have intervened before the Public Service Commission (PSC) dozens of times and saved our constituents hundreds of millions of dollars. Even as the deregulation of energy supply markets created consumer savings opportunities in the gas market in the 1980s and in the electric market in the 1990s, our ongoing engagement in the oversight of Con Edison's regulated business has grown increasingly important.

In May of 2007, for example, Con Edison filed an electric rate increase request that represented incremental ratepayer exposure of some \$4.7 billion during the three-year period that would have begun on April 1st of this year – no fooling! Intervention by the NYECC and other parties, including the Department of Public Service Staff, led to a PSC Order on March 25, 2008 that limited the increase to \$425 million for one year. Large energy consumers could have seen their annual bills increase by \$.47 per square foot, or some \$236,000 for a building of half a million square feet. Instead, the increase was closer to \$.10 per square foot, representing a savings of approximately \$.37 per square foot. Regrettably, that Order did not incorporate any agreement to a multi-year rate plan, and in May of 2008, Con Edison filed a new electric rate increase request that would represent about \$4.75 billion in total rate payer impact during the three-year period that will begin on April 6th next year.

Once again, the NYECC filed testimony objecting not only to the requested rate increase, but also advocating for several concessions that would benefit large energy consumers. Some of those concessions would greatly improve the quality, timeliness, and utility of the consumption and profile information that Con Edison would be required to provide to large consumers. To-date the official record of this proceeding encompasses thousands of pages of testimony, briefs, and replies to those briefs. The NYECC has agreed to participate in confidential negotiations that may not only

significantly reduce the impact of Con Edison's rate increase request, but may also lead to a multi-year settlement that would provide ratepayers with greater certainty about rate increases for the next 2-3 years. Although it is still too early to know if we can secure such an agreement, the NYECC remains committed to wresting the best possible terms for our members.

NYECC members should plan to attend the annual meeting in mid-January to get the latest updates on the rate case. All consumers should anticipate the PSC issuing an order in the rate case in March of 2009.

In addition, the generic Energy Efficiency Portfolio Standard proceeding that the PSC initiated in May of 2007 continues to progress and expand. In June of this year, the PSC issued an order authorizing utilities to increase their collection of Systems Benefits Charges from an annual rate of \$175 million to approximately \$340 million, and it appears quite likely that this surcharge might ultimately double yet again, potentially representing a ratepayer impact of nearly \$0.01 per kilowatt hour. The NYECC has participated actively in this proceeding since the outset, serving in various capacities in some half dozen working groups. Of more than 100 parties actively participating in this proceeding, almost all are focused on ways to increase the funds collected to stimulate energy efficiency investments. The NYECC has been advocating for minimizing financial exposure to consumers. We have argued that capital investments alone cannot secure the durable benefits of energy efficiency that derive from good management practices and energy awareness and commitment – as demonstrated by our constituents. NYECC members and prospective members should not be driven out of business by excessive utility surcharges that would fund capital improvements without assurances that new equipment will be used effectively for the long term. <