
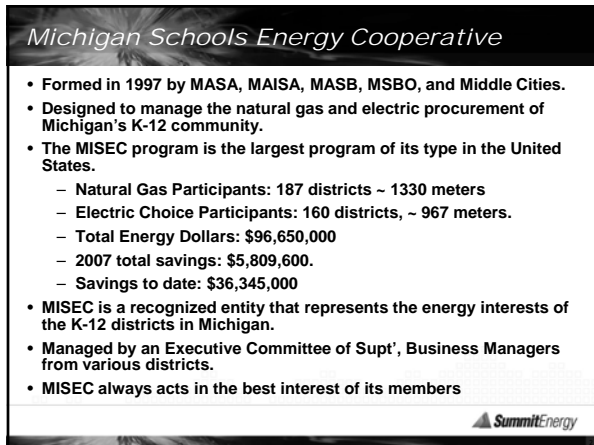


*1st Annual
Energy Solutions
Symposium*


Presented by: Jeffrey Clark
Michigan Schools Energy Cooperative

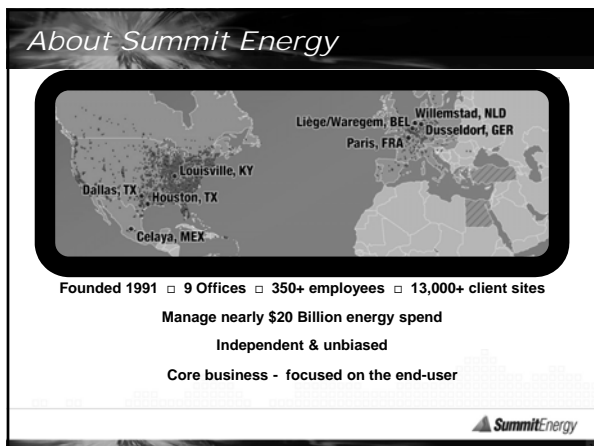





Michigan Schools Energy Cooperative

- Formed in 1997 by MASA, MAISA, MASB, MSBO, and Middle Cities.
- Designed to manage the natural gas and electric procurement of Michigan's K-12 community.
- The MISEC program is the largest program of its type in the United States.
 - Natural Gas Participants: 187 districts ~ 1330 meters
 - Electric Choice Participants: 160 districts, ~ 967 meters.
 - Total Energy Dollars: \$96,650,000
 - 2007 total savings: \$5,809,600.
 - Savings to date: \$36,345,000
- MISEC is a recognized entity that represents the energy interests of the K-12 districts in Michigan.
- Managed by an Executive Committee of Supt', Business Managers from various districts.
- MISEC always acts in the best interest of its members





About Summit Energy




Founded 1991 □ 9 Offices □ 350+ employees □ 13,000+ client sites

Manage nearly \$20 Billion energy spend

Independent & unbiased

Core business - focused on the end-user



What are your Natural Gas Options?

SummitEnergy

Tariff Rate

- Traditional way of purchasing.
- Typically higher priced.
- One price fits all.
- Prices regulated by the State
- Prices are adjusted quarterly based upon future market conditions.
- Budget Stability/Predictability difficult

SummitEnergy

Gas Customer Choice (GCC)

- **Available to all Utilities**
 - Customer decides the price & structure.
 - Provides price stability.
 - Transparent to user.
 - Compete with the utilities variable Gas Cost Recovery (GCR).
 - Many Suppliers, many offers...confusing
 - Pricing risk the responsibility of the customer.
 - Need to monitor your contract!!!!


SummitEnergy

Transportation


Available All Utilities

- Typically large districts participate
- Must have usage greater than ~15,000 Mcf (~\$100,000) at 1 location to qualify.
- Many supply and purchasing options available
- Distribution rate is discounted by the Utility.

MISEC can assist you in managing all of these programs.




What are your Electricity Options?



Tariff (Bundled)


- Traditional way of purchasing.
- Typically higher priced.
- One price fits all.
- Prices regulated by the State.
- New energy legislation allows utilities to file for increases annually and implement within 6 months.
- Many new tariff and surcharges being proposed.
- Review rates every year or if “significant” change has occurred at any building.




Retail Open Access

- Customer decides the price.
- 24 month commitment
- Pricing risk the responsibility of the customer.
- Provides price stability.
- **Current Savings:**
 - Consumers Energy: 8-10%
 - Detroit Edison: 8-11%.

Let MISEC evaluate your building to see if an opportunity exists.





What are your Diesel Fuel Options?




Volatility in the Diesel Market

Historical NYMEX HO Prices




What Factors Influence Commodity Prices

<p>Fundamentals (supply & demand based)</p> <ul style="list-style-type: none"> • Weather • Pipeline Capacity • Storage • Production • World Events 	<p>Technical (speculation based)</p> <ul style="list-style-type: none"> • Charts & Graphs • Statistical Analysis • Speculators are indifferent as to the commodity
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Diesel Fuel Program

- The DFP is designed to allow Districts to continue with their current purchasing methods.
- The DFP will overlay onto your day-to-day diesel fuel purchasing program. Therefore this program is transparent to your supplier(s).
- The program will work like an insurance policy, the district is getting price certainty and budget compliance and the "market" absorbs the risks.

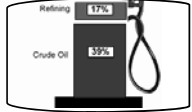


Diesel Fuel Hedging Program


- The DFP will manage the commodity portion only of your diesel fuel. The distribution component will be managed by your existing purchasing procedures.

What We Pay For In A Gallon Of Diesel
(December 2008)
Retail Price: \$2.45/gallon

Taxes	19%
Distribution & Marketing	25%
Refining	37%
Crude Oil	35%



Utilizing the MISEC DFP, you will have control of ~ 75% of your diesel fuel cost. Your existing purchasing procedures will allow you to manage the other 25%.




Diesel Fuel Hedging Program

- A correlation exists between various industry pricing points and the local "rack" price. Therefore the **relative** change in any given month is constant, hence it can be "hedged/managed".

	No. 2 NYMEX 1st Month Close (c/Gal)	ULSD NYH Barges Platt's Mid (c/Gal)	ULSD USG Pipeline Platt's Mid (c/Gal)	ULSD Group 3 FOB Pipeline Platt's Mid (c/Gal)	Ultra-Low Diesel State Average MI Gross OPIS Average(c/gal)
2006 - 2008 YTD (Lagged 1 day)					
Ultra-Low Diesel State Average MI Gross OPIS Average(c/gal)	87.44%	87.88%	82.65%	90.28%	100.00%
2008 YTD (Lagged 1 day)					
Ultra-Low Diesel State Average MI Gross OPIS Average(c/gal)	94.54%	94.98%	94.55%	96.78%	100.00%


Due to the relatively small usage of individual districts, this product is not readily offered (typically 42,000g/m, minimum)



How it works???


The best way to describe the fuels hedging program is through a simple hypothetical example.
 A District enters into a fuels hedging program with MISEC as follows:
 Contract Term: 6 months
 Fuel Hedge Price: \$3.00/gallon
 Contracted Volume: Variable

Month	Monthly Volumes (gallons)	Contract Price (\$/gallon)	Index Price (Mon. Ave)	Amount to be Settled	
				Pd to District	Pd to MISEC
1	10000	\$3.00	\$3.10	\$1,000.00	
2	12000	\$3.00	\$2.90		\$1,200.00
3	11000	\$3.00	\$3.50	\$5,500.00	
4	10000	\$3.00	\$2.75		\$2,500.00
5	6000	\$3.00	\$3.25	\$1,500.00	
6	7500	\$3.00	\$2.85		\$1,125.00
Net payment to District				\$8,000.00	\$4,825.00
Net Cost to District					
			Actual Cost	\$172,675	
			Less MISEC Payment	\$3,175	
			Total Cost	\$169,500	
			Actual Unit Cost	\$3.00	



Actions/Opportunities

- MISEC is currently designing an aggregated purchasing program that will allow school districts within the State of Michigan to better manage and purchase their diesel fuel needs.
- MISEC will pool the participating district's energy needs and determine and implement the best purchasing strategies to achieve budget certainty for your school year.
- Stay tuned for further announcements.





MISEC is YOUR Organization
MISEC is not a supplier or vendor.
It is a co-operative governed by schools.
Providing competitive pricing.
Feel free to contact us if you need assistance.

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