

Energy Procurement



Since 2012, we have been pleased to work with McHale Energy on a diverse range of “Energy Intelligence” projects, and we recommend McHale Energy for energy procurement.



Revolution Energy Group is the parent company of
Independence LED Lighting
Charlie Szoradi: Chairman and CEO
610-551-5224
charlie@IndependenceLED.com



McHale Energy
Michael McHale
President
914-771-9846
michael@McHaleEnergy.com

Energy Procurement 101

Take a few minutes to learn...because you may be overpaying for each unit of electricity, natural gas, or heating oil.



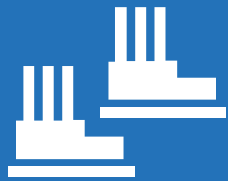
McHale Energy is an Energy Solutions Company with over two decades of experience servicing a wide variety of clients involved in virtually every sector of every type of industry. Knowledge is power and clients rely on McHale Energy for insight, solutions, and top-tier execution in energy markets that are experiencing unprecedented change. Energy consulting takes experience, and we bring in the expertise as necessary from our strategic partners. Think of McHale Energy as your outsource Chief Energy Officer, with a primary focus on performance.

Learn More: www.mchaleenergy.com/services

Electric Deregulation - 101

- An electric bill has various components that prior to deregulation were “bundled.”
- Under deregulation the charges are “unbundled”

- Generation Supplier**
 - Generation charges – Price based on a combination of forward markets and generation costs for electricity
 - Transmission charges – Tariff cost to move electricity from power plant to utilities, governed by Federal Energy Regulatory Commission (FERC)
- Local Utility**
 - Delivery charges – Tariff cost to deliver electricity, governed by state commission



Generation
producing electricity
at power plants



Transmission
moving electricity over
long distances

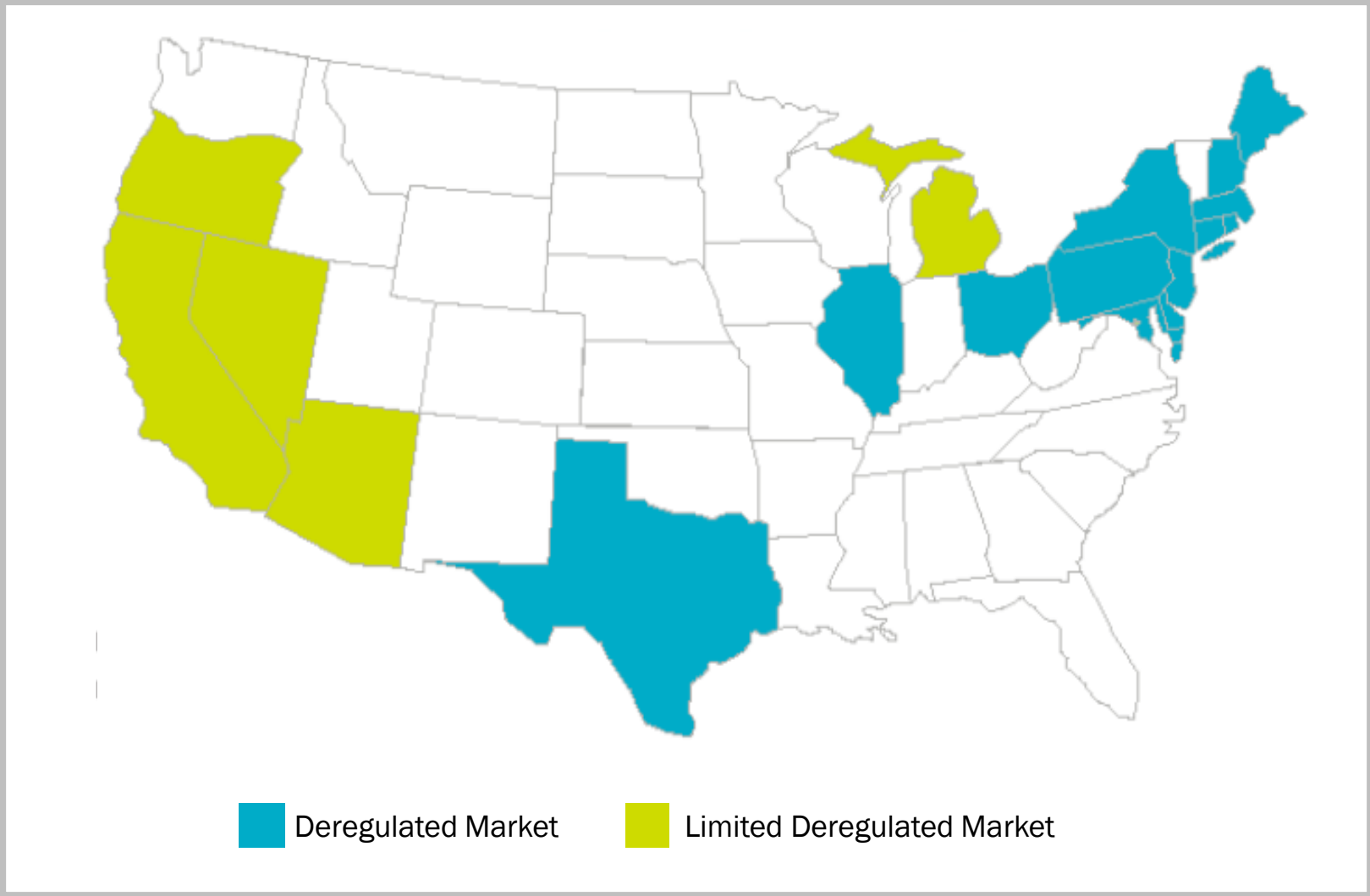


Distribution
delivering electricity over
to end users

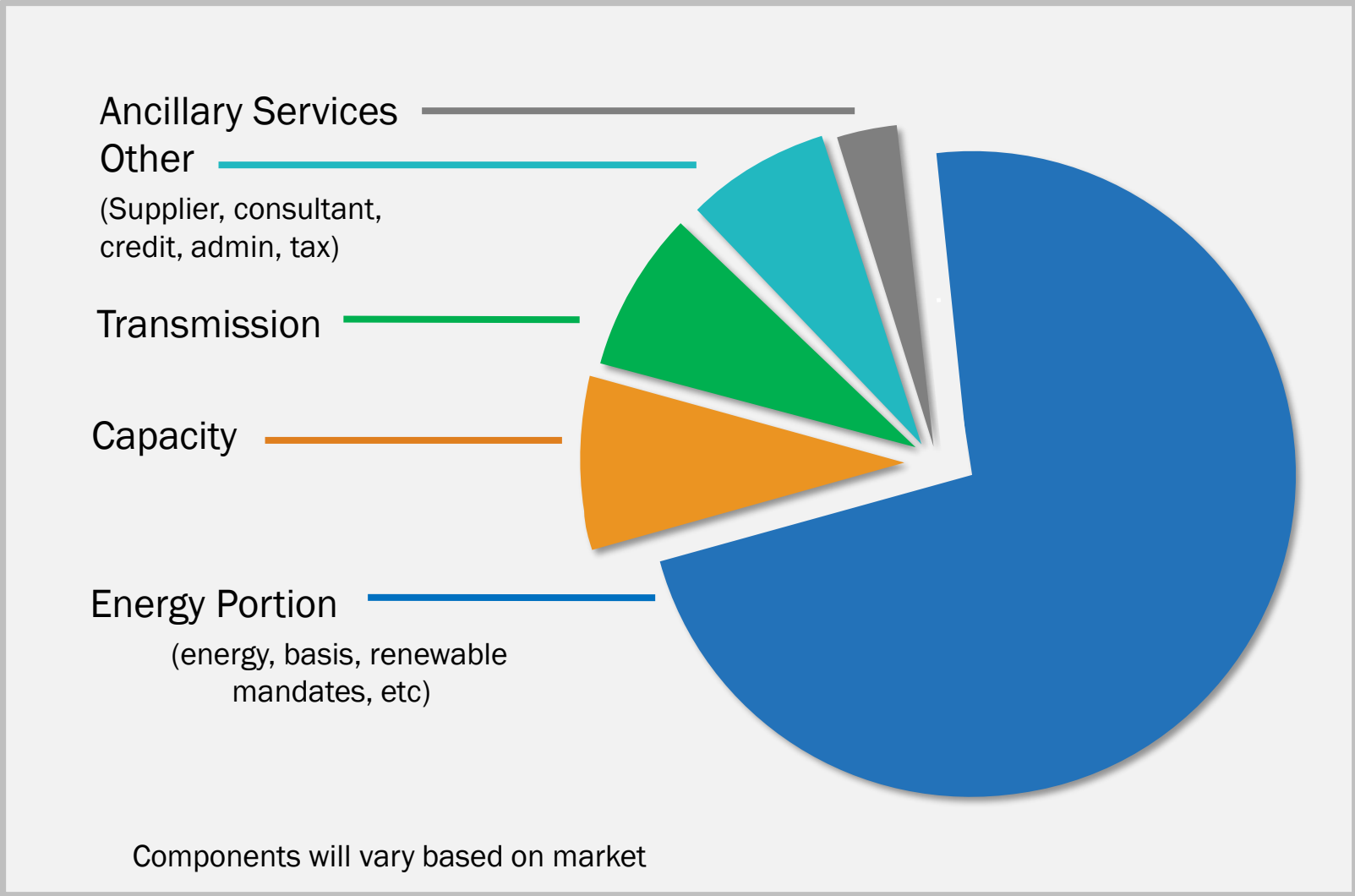


Customers
Strategically using
energy

Electric Deregulation by States



Components of a Generation Price



Components of Your Electric Generation Price

Market-based

- Energy, basis, losses and renewable requirements
- Capacity

Tariff-based

- Transmission
- Ancillary services

Administration

- Supplier & Consultant fee, state & local taxes, credit provisions and billing

Energy Procurement Process: Key Activities



Determine your organizational goals

Risk tolerance
Target price



Gather your information

(Account #s, invoices, etc)

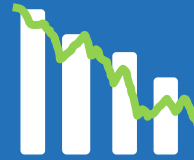


Sign Letter of Authorization

(To retrieve usage history)



Consultant evaluates products and suppliers
(Fixed, Index or Hybrid approach)



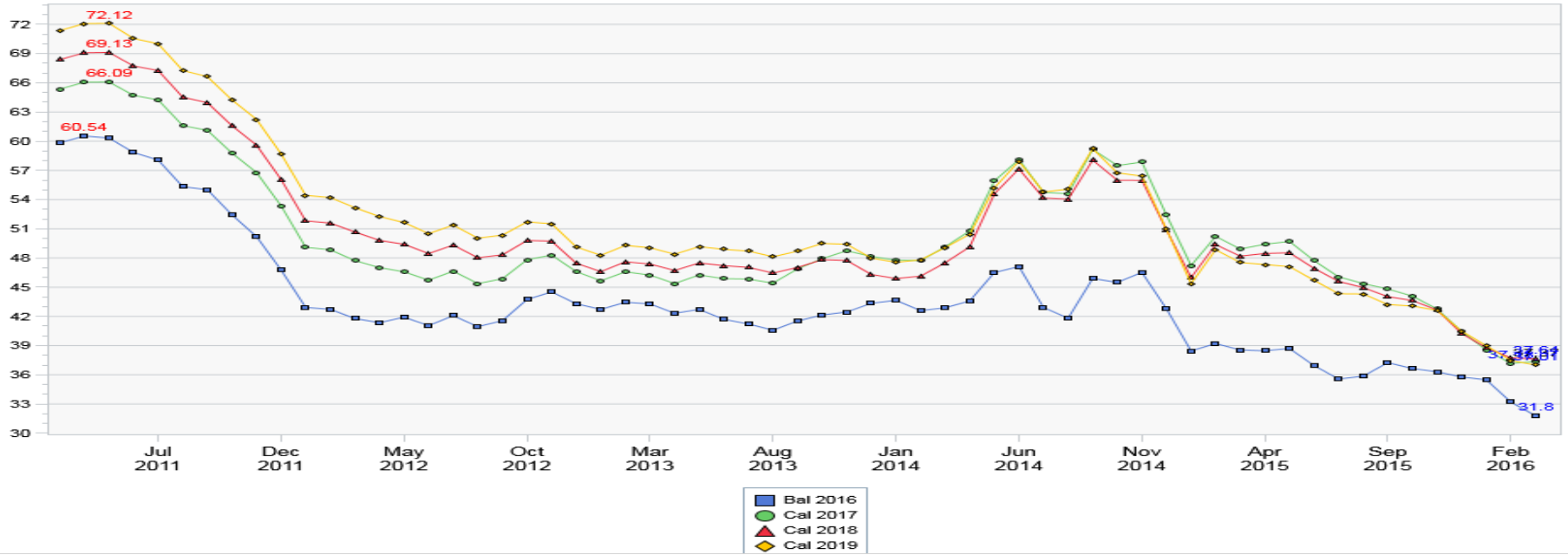
Watch the market & Contract for supply



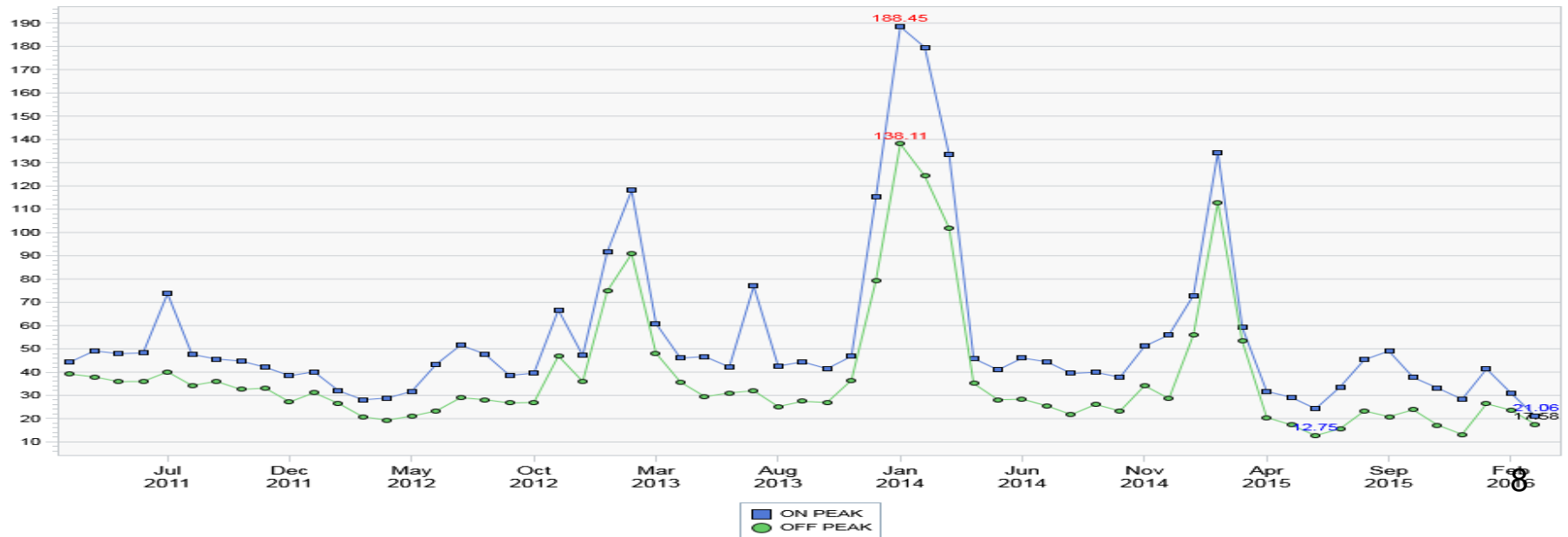
Subscribe to energy newsletters

Energy Market Volatility

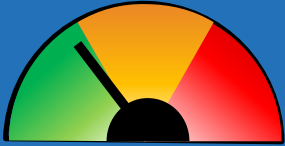
New England Forward Pricing (5 Year History)



New England Hourly Pricing



Fixed Price, Full Requirements

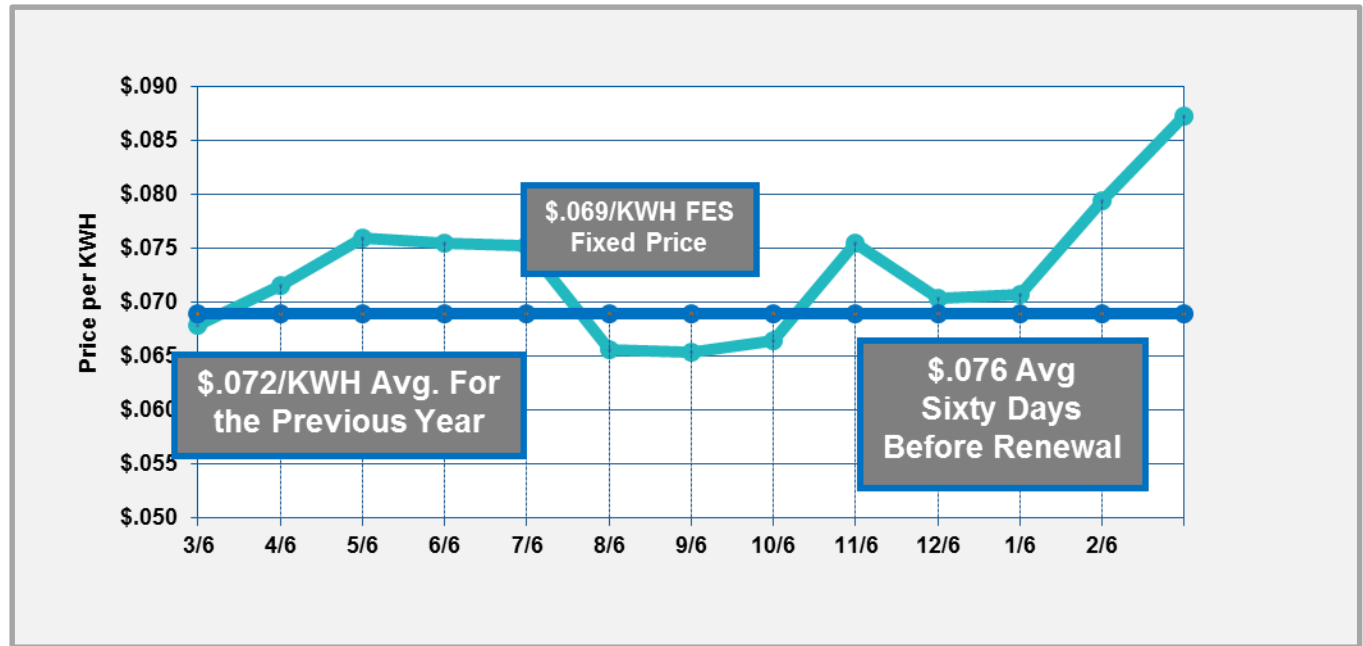


Volatility



Risk

- Price remains fixed for all energy consumed
- Minor price variances are possible due to regulatory change
- All fixed prices are not created equal
- Review contract language for pass-through components
- Know your plan for efficiency and upgrades
- Avoid last minute renewal, monitor market year round



Index: Hourly Price

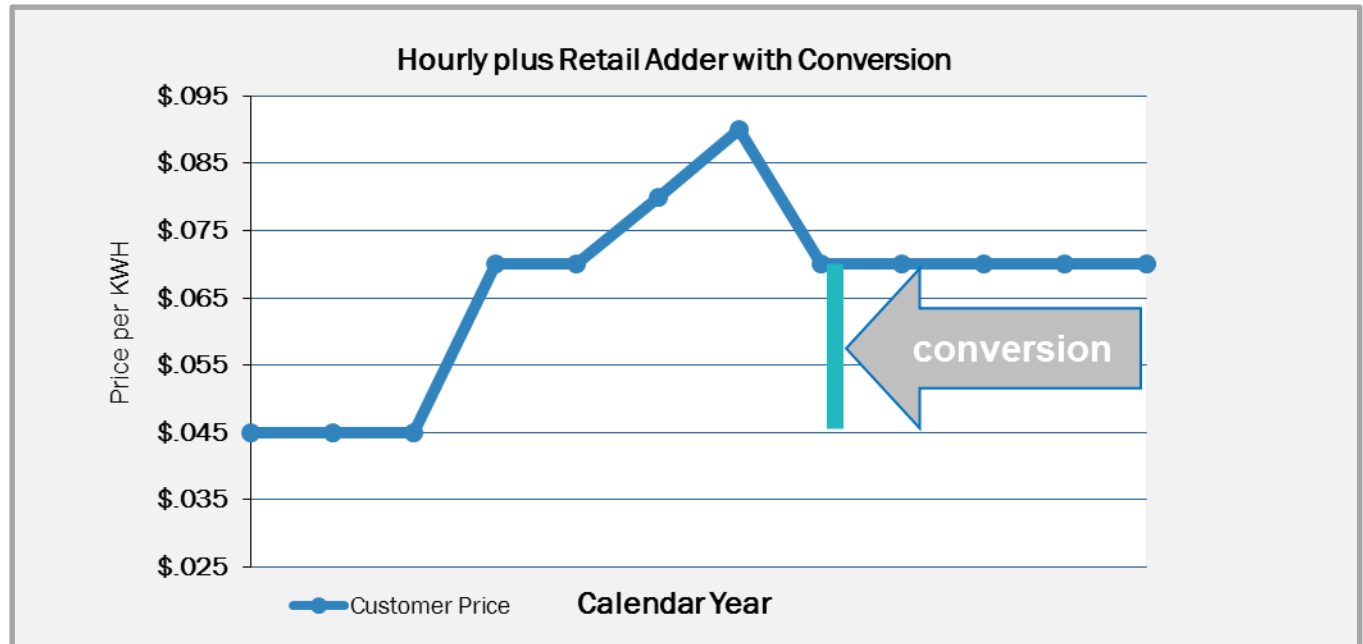


Volatility



Risk

- Price for each hour of the day, Interval vs. Loadshape
- Fix non-energy components (*LMP + Adder*) or Float all (*Fully Variable*)
- Half of annual spend can occur in 3 or 4 most volatile months
- Establish mechanism to monitor hourly prices
- Can be converted to a Fixed Price
- Least amount spent on risk premiums



Block with Hourly Price

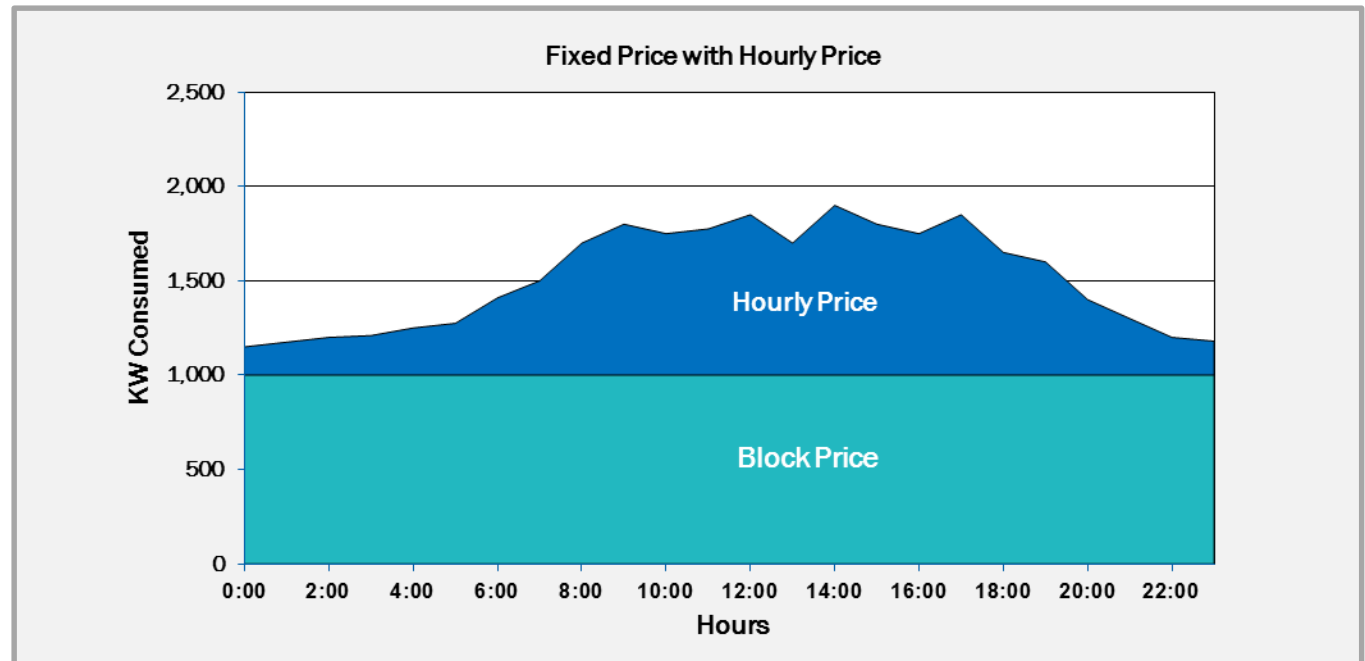


Volatility



Risk

- Fix the price on a portion of usage, remainder at hourly price
- Lessens exposure to price spikes, benefit from lower market
- Penalties may exist if usage drops below block
- Determine appropriate block size and layering plan
- Establish mechanism to monitor hourly prices



Shaped Block with Hourly Price

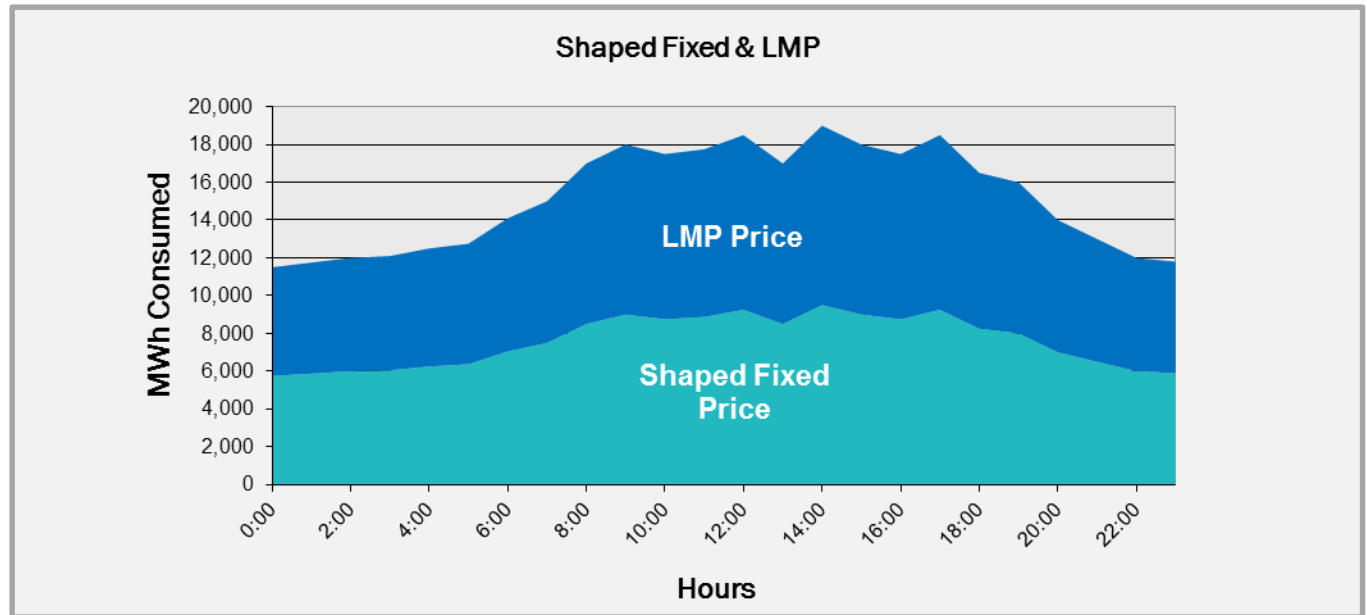


Volatility



Risk

- Fixed price on a percentage of usage, remainder at hourly
- Fixed price patterned on your actual usage
- No penalty for failing to hit a specific volume (unlike a block)
- Exposure to index market can be limited/or eliminated
- Layer in an additional percentage during your contract term



Contact the Experts:

We will provide a free assessment of the potential energy savings.



McHale Energy

Michael McHale

President

914-771-9846

michael@mchaleenergy.com