



• August 15-18, 2010 • Dallas, Texas •  
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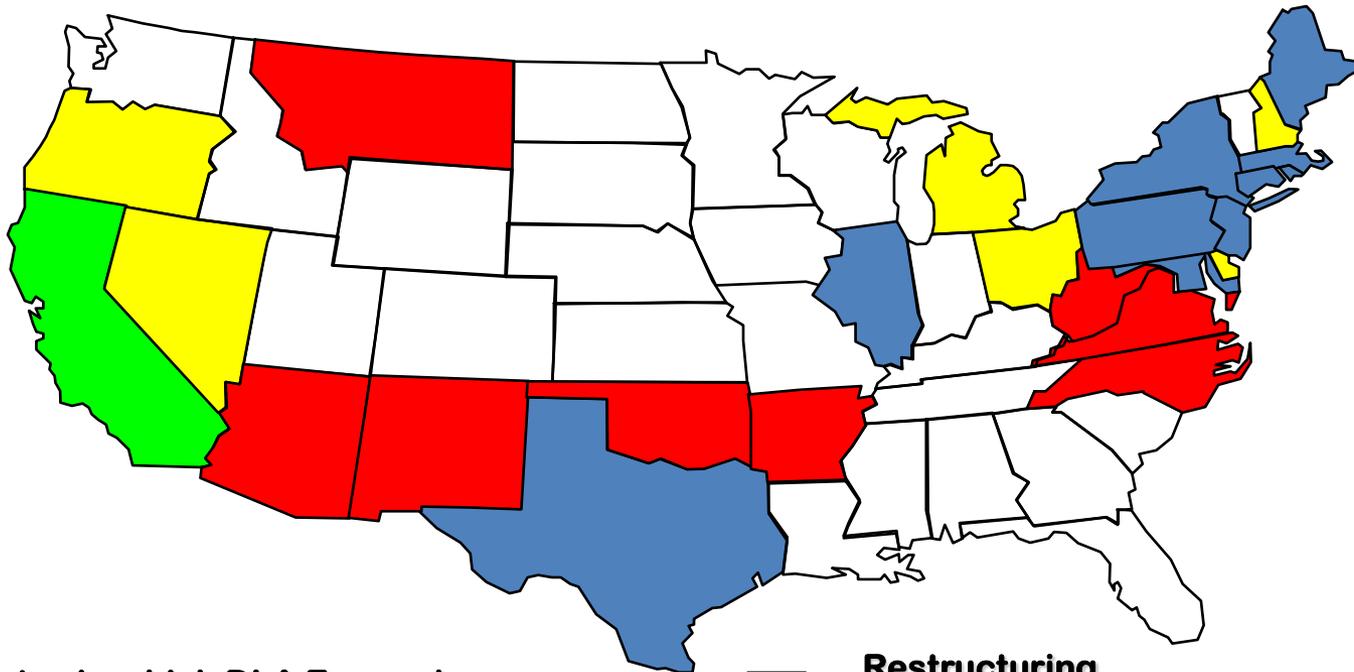


Energy Supply Contracting  
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# Background

- Competitive electricity markets opened in 1998
  - Texas opened in 2002
- Restructured markets provide competition for generation and ancillary services
- Competitive markets are emerging for demand response services
- Competitive markets also exist for on-site renewables

# Restructuring Status



States in which DLA Energy has awarded contracts



States solicited but the utility was determined the best value to the Government



States that have not implemented restructuring



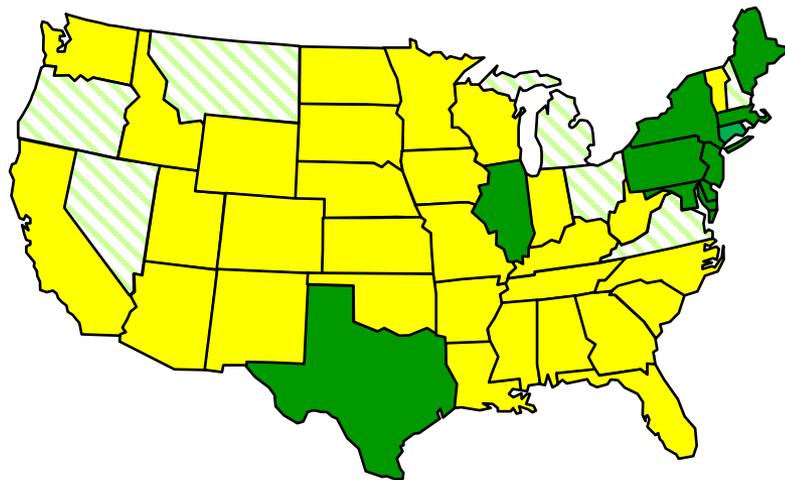
Restructuring suspended/repealed/cancelled



Pilot Program

# Electricity Support

- DLA Energy is actively managing over 15.7 million megawatt hours of electricity valued at over \$1.2 billion under multiyear contracts.

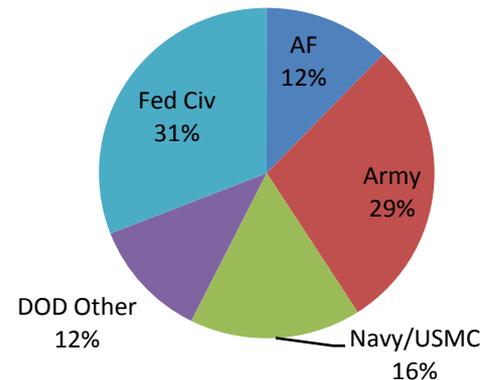


 Retail Access Implemented, awarded contracts

 Retail Access Implemented, solicited, no awards

 Retail Access pending, monitoring market

Customer Segmentation  
(Based on \$)



# What can DLA Energy do for you?

- Provide price stability vs. variable market rates
- Provide assistance with the interpretation of the various state/utility rules (each state/utility has unique rules)
- Blend customer/supplier needs/wants
  - Bandwidth
  - Full requirements
  - Block and Index
- Provide knowledge of market rules
- Competition In Contracting Act compliance

# Pricing Methodology

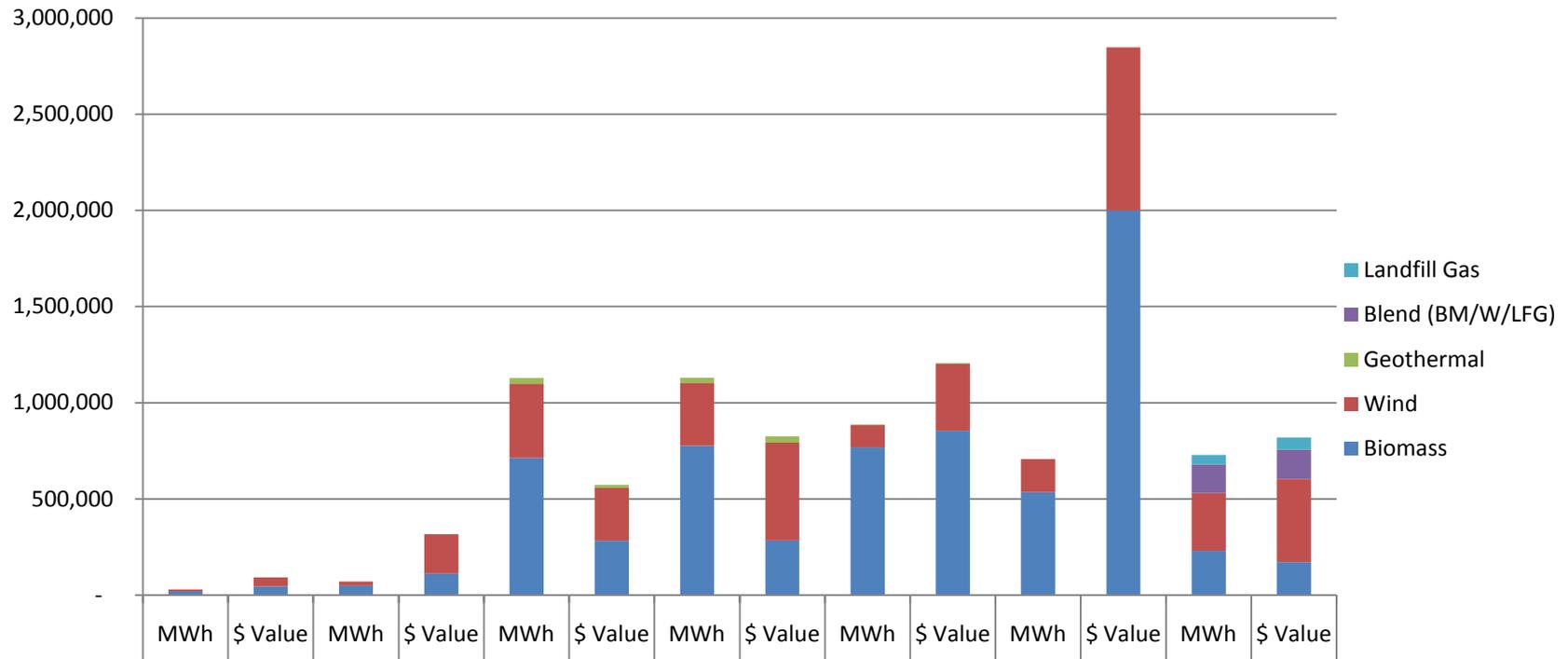
- Utilize expertise to identify the market framework to the needs of the installations (price stability, risk tolerance and load characteristics)
- Examples:
  - *Multiple Installations* – Full-requirements, fixed-price arrangements (affords price stability for duration of contract term in accordance with installation preferences)
  - *Earle Naval Weapons Station* (New Jersey) – Unstable and unpredictable loads necessitated reliance on real-time markets to avoid substantial risk premiums paid to suppliers; suppliers were unwilling to provide firm fixed prices without a significant adder for risk.
  - *Johnson Space Center* (Texas) – Installation requested power supplies indexed to natural gas prices.

# Pricing Methodology, cont.

- *Multiple installations* (PJM) – Pricing for provision of a combination of block power and spot market energy; dollar cost averaging (manages market timing risk and provides substantial price predictability over a longer term (five years)).
- *Strategic Petroleum Reserve* (Texas) – Combination of full-requirements, fixed-price service but, in the event of a reserve draw-down, indexed prices for drawdown requirements (power supply requirements for drawdown are substantial, but the likelihood of a drawdown is small, with the timing and duration not known).
- *Fermi National Laboratory* (Illinois) – The installation is provided fixed prices but avoids market risk by “laddering” fixed price contracts; DLA Energy assisted in development of solicitation approach and evaluation of block bids.

# Renewable Energy

- DLA Energy has awarded over 4.5 million megawatt hours of renewable energy credits (RECs) valued at \$6.2 million since 2003.



# On-Site Renewable Energy

## Power Purchase Agreements

- Contractor installs equipment at their expense
- Contractor performs O&M
- Payment is made on kWh delivered
- Requires a land use agreement
- NEPA study
- Full and open competition
- Contracting Authorities

# Demand Response

- Signed agreements with 13 curtailment service providers
- DoD and federal civilian customer participation in PJM, New York Independent System Operator (NYISO), Independent System Operator – New England (ISO-NE), and the Electric Reliability Council of Texas (ERCOT) territories
- Over \$2.4 million in credits received since program inception

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