

# Natural Gas Aggregation Program

## Township of Hamilton

### Quarterly Report – Q4 2011

Attention: Gary Boeres

February 20, 2012

For More Information Contact:  
Independent Energy Consultants, Inc.  
Mark Burns @ 330 995-2675



## **Natural Gas Program Update: Hamilton Township**

The fourth quarter of 2011 for Hamilton Township's natural gas program with IGS Energy was a busy period. Residents and small businesses have now saved \$69,197 in the program that began in March 2010.

Hamilton Township continues to set variable rates each month. Hamilton Township's natural gas rate was set at \$3.64/Mcf for March 2012 which is the last month of your current 2-year program. This rate is the lowest that has been brokered in your program to date.

In November, Independent Energy Consultants prepared and filed Hamilton Township's certification renewal application with the PUCO. The PUCO subsequently approved the application and Hamilton Township is recertified as a Governmental Aggregator through January 14, 2014.

In November Independent Energy Consultants also issued an RFP to seek bids for the continuation of Hamilton Township's Natural Gas Aggregation Program beyond March 2012. A summary and recommendation was prepared for the Township and the Township decided to stay with IGS Energy based on their fine performance over the years. The rate for this new 2-year program is NYMEX x \$1.035 + \$.83.

IGS will be mailing two separate but similar letters to your residents and small businesses.

1. A notice to existing customers, and
2. An opt-out notice to newly eligible accounts.

For your information, a series of indicative natural gas price quotes are provided in this report for the balance of your 2-year agreement with IGS Energy.

Anyone wishing to receive the Hamilton Township rate may do so by contacting IGS Energy at 800-280-4474.

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## **Electric Program Opportunity Update**

Independent Energy Consultants recently submitted proposed pricing to broker an electric supply offer for Hamilton Township. Independent Energy Consultants was recently retained to administer this Request for Proposal process and anticipates starting this process very soon. IEC has expressed its concern about the limited number of suppliers who may bid if the program is administered by Duke Energy Retail Sales.

Independent Energy Consultants values your business and we make ourselves available to meet with you whenever you desire and your busy schedule permits. We welcome and suggest quarterly meetings to all of our clients. Please contact us if you would like to schedule a meeting.

Please remember that important documents that support your natural gas and/or electric aggregation programs are housed on a web page dedicated to your community. This password protected page is maintained by Independent Energy Consultants to give you easy access to the most current information pertaining to your programs.

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# Natural Gas Program Participation

<b>Community</b>	<b>Month</b>	<b>Residential Customers</b>	<b>Commercial Customers</b>	<b>Residential Usage - Mcf</b>	<b>Commercial Usage - Mcf</b>
<i>Hamilton Twp</i>					
	01-Mar-10	39	3	221	4
	01-Apr-10	4,034	73	17,118	459
	01-May-10	3,984	70	10,616	178
	01-Jun-10	3,938	69	7,603	135
	01-Jul-10	3,896	67	6,373	117
	01-Aug-10	3,863	65	5,823	125
	01-Sep-10	3,810	63	6,165	125
	01-Oct-10	3,783	61	7,540	119
	01-Nov-10	3,754	59	17,313	357
	01-Dec-10	3,732	58	50,690	1,126
	01-Jan-11	3,714	53	66,544	2,011
	01-Feb-11	3,675	50	58,414	1,553
	01-Mar-11	3,679	49	38,094	850
	01-Apr-11	3,664	49	24,292	527
	01-May-11	3,615	49	13,900	232
	01-Jun-11	3,614	46	7,609	148
	01-Jul-11	3,583	43	6,370	47
	01-Aug-11	3,563	43	5,528	81
	01-Sep-11	3,535	41	5,679	67
	01-Oct-11	3,507	40	7,998	138
	01-Nov-11	3,484	37	17,933	281
	01-Dec-11	3,455	37	32,675	646

# Natural Gas Program Savings

<b>Community</b>	<b>Month</b>	<b>TDC Alternative Rate</b>	<b>TDC Program Customer</b>	<b>Average Residential Account Saving</b>	<b>Average Commercial Account Saving</b>	<b>Total Program Savings</b>
<i>Hamilton Twp</i>						
	3/1/2010	\$7.871	\$7.863	\$0.041	\$0.010	\$2
	4/1/2010	\$6.526	\$7.214	(\$2.918)	(\$4.324)	(\$12,088)
	5/1/2010	\$6.209	\$6.412	(\$0.540)	(\$0.515)	(\$2,187)
	6/1/2010	\$7.210	\$6.931	\$0.538	\$0.545	\$2,155
	7/1/2010	\$7.781	\$7.259	\$0.855	\$0.913	\$3,394
	8/1/2010	\$7.889	\$7.019	\$1.312	\$1.674	\$5,176
	9/1/2010	\$7.622	\$6.932	\$1.117	\$1.369	\$4,341
	10/1/2010	\$6.870	\$6.275	\$1.186	\$1.161	\$4,559
	11/1/2010	\$6.544	\$6.222	\$1.486	\$1.950	\$5,693
	12/1/2010	\$6.779	\$6.489	\$3.937	\$5.627	\$15,019
	1/1/2011	\$7.305	\$6.802	\$9.011	\$19.082	\$34,477
	2/1/2011	\$7.242	\$7.147	\$1.510	\$2.950	\$5,695
	3/1/2011	\$6.766	\$6.476	\$2.999	\$5.025	\$11,281
	4/1/2011	\$6.019	\$6.723	(\$4.668)	(\$7.572)	(\$17,474)
	5/1/2011	\$6.285	\$6.936	(\$2.506)	(\$3.085)	(\$9,209)
	6/1/2011	\$6.464	\$6.703	(\$0.503)	(\$0.769)	(\$1,855)
	7/1/2011	\$6.929	\$6.904	\$0.043	\$0.027	\$156
	8/1/2011	\$6.716	\$7.120	(\$0.626)	(\$0.761)	(\$2,265)

TDC = Total Delivered Cost \$/Mcf.

Savings calculations: Savings/cost during variable priced periods are calculated by comparing a client's rate vs. the variable monthly utility rate. During fixed priced periods, savings are calculated vs. the best available rate at the time a rate was fixed.

This is the industry default standard methodology and is the most fair and accurate means of portraying savings/cost. Independent Energy Consultants go a step further by performing calculations based on metered consumption, in lieu of projected volumes as used by many.

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	9/1/2011	\$6.985	\$6.491	\$0.794	\$0.808	\$2,840
	10/1/2011	\$6.882	\$6.685	\$0.451	\$0.682	\$1,608
	11/1/2011	\$6.462	\$6.106	\$1.834	\$2.707	\$6,491
	12/1/2011	\$6.480	\$6.138	\$3.233	\$5.968	\$11,390
<i>Summary for 'Community' = Hamilton Twp (22 detail records)</i>						
Sum				\$18.58	\$33.47	\$69,197
Grand Total						\$69,197

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## Independent Energy Consultants

### Indicative Price Quotes

Client: Hamilton Twp

Starting Month	Thru Month Beginning	Retail Price \$/MCF
4/1/2012	4/1/2012	3.645
4/1/2012	5/1/2012	3.674
4/1/2012	6/1/2012	3.706
4/1/2012	7/1/2012	3.736
4/1/2012	8/1/2012	3.766
4/1/2012	9/1/2012	3.792
4/1/2012	10/1/2012	3.845
4/1/2012	11/1/2012	3.947
4/1/2012	12/1/2012	4.137
4/1/2012	1/1/2013	4.278
4/1/2012	2/1/2013	4.343
4/1/2012	3/1/2013	4.374
4/1/2012	4/1/2013	4.386
4/1/2012	5/1/2013	4.392
4/1/2012	6/1/2013	4.398
4/1/2012	7/1/2013	4.405
4/1/2012	8/1/2013	4.411
4/1/2012	9/1/2013	4.417
4/1/2012	10/1/2013	4.433
4/1/2012	11/1/2013	4.463
4/1/2012	12/1/2013	4.532
4/1/2012	1/1/2014	4.609

Notes: Retail Price represents the gas supply rate paid to the supplier. It includes any Dth/Mcf conversions and the retail adder. Quotes reflect purchases made with purchases yet to be made. Indicative natural gas commodity quotes are based on the client's contract pricing. These price quotes represent a series of quotes for various monthly terms, each with the same starting date. Indicative prices are for informational purposes only and do not constitute a firm offer.

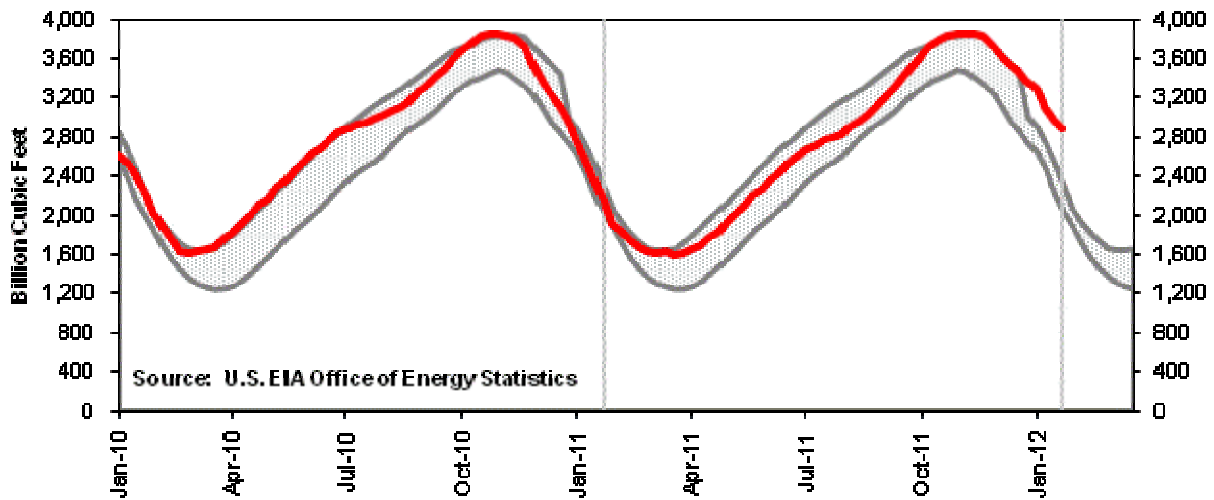
Starting Month	Thru Month Beginning	Retail Price \$/MCF
4/1/2012	2/1/2014	4.662
4/1/2012	3/1/2014	4.688

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## Market Update:

The winter heating season of 2011/2012 is winding down and has been one of the warmest on record across most of the continental United States. **Natural gas** storage inventories have swollen to record levels. The current inventory of 2,888 (red line) billion cubic feet is 32.8 percent above the 5-year average for this week. With supply still outpacing demand by a considerable margin we are likely to have problems finding room to store gas this fall. If that happens, suppliers will be forced to shut-in production rigs.

**Working Gas in Underground Storage Compared with 5-Year Range**



Shown below is the 5-year chart for the prompt month natural gas futures contract, March 2012. All other monthly and strip prices are exhibiting similar patterns. We are at 10-year



lows with natural gas prices and there appears to be few forces that could move near-term wholesale contracts back above \$3/MMBtu.

Some other items making news in the energy markets:

- Crude Oil prices remain strong as tensions surrounding Iran's nuclear weapon's program continue. Iran's war game exercises and renewed threats to block the Straits of Hormuz have given traders all the "ammunition" they need to keep oil prices above \$100/barrel. The Strait of Hormuz is the most vital passage for oil tankers in the world. A narrow waterway between the Gulf of Oman and the Persian Gulf, the Strait of Hormuz has Iran to its north coast and the United Arab Emirates on the south coast. An estimated one-third of the world's oil tanker traffic passes through it.
- Heating Oil prices have soared to highs not seen for the past 3.5 years. Prices have gone above \$3.20/gallon due to rising crude oil prices and due to U.S. exports going to a frigid Europe gripped in one of their coldest winters on record.
- The RBOB gasoline futures contract continues a slow steady upward trend and has now topped the \$3/gallon mark for the first time in six months.
- Electricity prices continue to be driven by natural gas prices and are also at 10-year lows.
- Chesapeake Energy Corp. announced plans to reduce operated dry gas drilling rigs by 50 to 24. The rig curtailment could reduce U.S. production by up to 1.0 Bcf per day. According to the U.S. Energy Information Agency the U.S. currently produces 67.64 Bcf/day so the Chesapeake curtailment amounts to only 1.4% of our daily production. The number of rigs drilling for natural gas in the United States fell last week to the lowest level in 28 months as producers continued a rapid cut in activity in the face of ultra-low prices. Record-high supplies and weak demand during one of the mildest winters on record helped drive gas prices to 10-year lows, forcing companies to halt production at flowing wells and slow drilling in pure gas plays. Several key players including Chesapeake Energy, the country's No. 2 gas producer, have said they will shut-in some output or move rigs over to more lucrative oil or gas liquids prospects as dry gas fields become uneconomical.