

FS Energy Services: Energy Aggregation

Overview

The FS Energy Aggregation Purchasing Program offers an opportunity to lower a building's annual energy spend. In most cases, savings from this program will range between 5-16% percent of total natural gas and electric bills, depending on usage. For a typical property, that means an annual savings between \$1,700 and \$25,000.

Aggregation is the process through which energy is sold to consumers who have joined together as a group to buy a product – in this case, electric or natural gas.

Energy aggregation is a unique opportunity that is rooted in several New York laws. In 1996, the New York State Public Service Commission (NYSPSC) began to allow customers to start buying their electric and natural gas supply from sources other than traditional utility companies.

Utilities such as Con Edison and National Grid encourage customers to compare prices when shopping for energy. Energy bills consist of supply and delivery charges. Customers pay for supply from an Energy Service Company (ESCO) and delivery from the utility.

Utilities and ESCOs shop for energy in the marketplace, and prices vary from month-to-month based on supply and demand. If you sign up with an ESCO for your energy supply, your utility will continue to deliver electricity and gas to your building, safely and reliably, at delivery rates regulated by the NYSPSC.

However, because the utility must provide you with supply if you can't find a supplier, the utility is not concerned with savings – since it can pass through all costs to the customer.

By purchasing large blocks of energy, aggregated groups often have the advantage of being able to negotiate discounts on energy prices. Properties that are part of an aggregated group remain customers of their natural gas or electric utility company. The new energy supplier and rate will appear on the utility bill (a dual bill also is available).

Similar to electric aggregation, if customers choose a new natural gas supplier, the local gas utility company will continue to deliver the gas to your building; read the meters; assist with billing; and respond to emergencies. If a customer remains with the local gas company, that company will continue to supply the gas.

Energy aggregation allows FS Energy to give our customers additional electric and natural gas choices. As you consider the possibility of achieving savings for your property, we encourage you to read the Frequently Asked Questions and contact FS Energy with any questions.

As an energy management company, FS Energy serves as a resource for you in helping to educate your property about the benefits aggregation may deliver.

Frequently Asked Questions

What is electricity deregulation?

Deregulation gives consumers the opportunity to purchase electricity from competing suppliers. The local utility no longer has a monopoly covering a geographic territory. Consumers in the utility's service territory can choose to purchase electricity from other sources, but do not have to do so. The local utility will still deliver the electricity to you, service the lines, and render the bills. The local utility will continue to be paid by all customers in its service territory a monthly fee (tariff) for the delivery, servicing, and billing functions.

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Why is the FS Energy Aggregation Purchasing Program being approached as an “opt-out” program?

The opt out option provides a larger and more predictable customer base up front, and will increase the aggregation’s bargaining power for lower prices. Energy prices change by the minute and require an immediate decision by FS Energy to ensure optimal savings for clients.

Why do I have a short window to decide?

FS Energy has been diligently working on this program for several months. Negotiating flexible terms for your property with ESCOs takes time, and all of the details were not ready to roll out until late July. Natural gas contracts usually begin with the month of November through the following October. This encompasses one winter period (November – March, 5 months) and one summer period (April – October, 7 months). Cooling and heating season are not optimal as market prices are generally higher due to higher energy demands.

Due to the nature of these types of contracts, we are hoping to take advantage of market conditions and lock in the adder contract for an October 1st, 2011 start up, which requires us to sign a contract by mid-September.

How do I join the aggregation group?

If you are part of the Cooper Square Realty portfolio, your building is automatically included, unless you choose not to be. FS Energy’s opt-out procedure means that all eligible customers in our portfolio will become part of the aggregation group unless they take specific action to opt out of the program. Opt-out notices are sent to all eligible natural gas and electric customers every year.

What is the time frame for the program?

August 18: Natural gas Request for Proposal (RFP) sent for bids from Con Edison, ConEd Interruptible and National Grid

August 19: Electricity RFP sent for bids from various suppliers

August 26: Rebid all natural gas accounts

August 29: Rebid all electric accounts

September 1: All contracts executed

How will the contract process be handled?

Each Energy Service Company (ESCO) requires that you enter into a contract/agreement for the purchase of electricity and/or natural gas. Generally, a contract reflects the pricing, terms and conditions that apply to each participating member. Note that this is not a fixed-price contract and rates will fluctuate with the market just like Con Ed. However, we anticipate that the rates you will be charged will be less than Con Ed’s rate.

The contract must be executed by each member of the aggregation group. Because FS Energy is running the aggregation program, the contracts will be signed by FS Energy to ensure timeliness and optimal savings. FS Energy will make arrangements for the purchase of electricity and/or natural gas with supplier ESCOs on behalf of your building.

What is the duration of the contract?

All contracts are for a 12-month term. For any contract coming over from the utility, the start date will be October 1, 2011 and the end date will be September 30, 2012. Previously negotiated ESCO contracts will be handled on an individual basis.

How much will participating in this program cost?

There is no cost to your building for this service, although FS Energy does receive a brokerage fee from the procurement companies. Even with this small fee, your cost will be less than you are currently paying. The administrative cost for FS Energy to run the Energy Aggregation Purchasing Program is \$.002/kwh for electric and \$.02/therm for gas. This administrative cost is paid to FS Energy directly by the energy suppliers.

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How does this program help my building reduce its energy spend?

Your building will benefit from aggregated purchasing power. In addition to a small reduction in sales tax, your building will benefit from the removal of the Merchant Function Charge (an administrative expense charged by the utility that you are currently paying as a result of buying your supply from them).

What if I join the Energy Aggregation Purchasing Program and then decide that I do not want to be part of it?

Clients who do not opt out will be enrolled for a period of one year for electricity and natural gas. Following the one-year contract, you will be given another opportunity to opt out.

How is the aggregation energy product different from the Con Ed rate?

The blended rate that we will be contracting for will be variable in nature like the Con Ed rate, however, we will be minimizing the risk by locking in the “adder” portion (Ancillaries and Capacity charges) and buying index energy at the wholesale rate which will be tied to the NY-MEX. While one portion (the energy portion) will float at the market and fluctuate, the adder portion will be fixed at a lower rate. Additionally, the other part of the savings will come from the aggregated way in which we are negotiating the rate.

Will FS Energy issue regular reports comparing Con Ed pricing to the program pricing?

Yes, FS Energy will issue semi-annual reports comparing the program against Con Ed.

What is the difference between FS Energy and other energy consultants?

FS Energy is a comprehensive energy company owned by FirstService Corporation – the same parent of Cooper Square Realty and its Goodstein Division. FS Energy was created to deliver FirstService Corporation’s goal of 25% energy cost and usage reduction across its portfolio of managed properties. FS Energy’s goal is to deliver both savings and stability to Cooper Square Realty properties. To that end, FS Energy is concerned with a long-term approach to the energy market as well as short- and long-term savings. Other energy consultants are focused on short-term offers.

One of the hallmarks of energy deregulation is that consumers are free to make their own decisions, and all the factors involved should be carefully weighed. The difference in purpose between FS Energy and other energy consultants is certainly one of those factors. Clients have already experienced major advantages in the FS Energy Aggregation Purchasing Program. Our programs have produced 15% to 40% savings for clients over their current Con Edison electric and gas rates. Our unique market position and the vast size of our portfolio of buildings are major factors in FS Energy’s ability to negotiate an attractive rate and lower prices.

What procedures will FS Energy use for the Energy Aggregation Purchasing Program?

FS Energy will create two aggregated Requests for Proposals (RFP) – one for electric, another for gas – that will include the energy needs for all participants enrolled in the program. After two rounds of bidding, a vendor will be selected based on the most cost effective pricing for each individual property. Customer service also will be considered. FS Energy will then sign the individual contracts for each property.

What if I would like to fix my energy costs?

The contract will be a variable rate contract for a 12-month term. However, at any time during the contract term, you have the option to fix the contract for the remainder of the term. This is one of the flexible options FS Energy has negotiated on your behalf.

Who is eligible to participate in the program?

Only properties that are managed by Cooper Square Realty, including its Goodstein Division, are eligible to participate. This is an energy cost savings program created exclusively for these managed properties.

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Who is not eligible to participate in the program?

Properties that are managed under governmental programs, such as Mitchell-Lama housing, are not eligible to participate. Properties that have an existing contract in place for their energy supply needs also are not eligible unless the current contract expires prior to December 31, 2011.

I didn't receive an opt-out notice. Why can't I participate?

There are several reasons why some of our clients may not have received an opt-out notice:

- Customers previously signed a notice from the utility that prohibits them from releasing a customer's information to independent suppliers.
- Customers are under contract with another supplier.
- Customers are under a government subsidy type of housing program.

If you did not receive an opt-out notice and none of the above exclusions apply to you, please call FS Energy at 212.634.5486.

Is FS Energy guaranteeing savings, and for how long?

FS Energy cannot guarantee savings for your property. However, FS Energy has demonstrated exceptional energy procurement capabilities and has saved a substantial amount for many buildings already. We anticipate savings will be greater under the aggregation program.

Who will deliver my electricity or gas once I choose a new supplier?

If you choose a new supplier, your local electric or natural gas utility will continue to deliver the power or gas to your property. Your local electric utility will also continue to maintain and repair the poles and wires. The New York State Public Service Commission (NYPSC) will still oversee the safety and reliability of your service.

Will my local utility penalize my property for buying natural gas from a supplier?

No. When deregulation for natural gas was instituted by the Federal Energy Regulatory Commission (FERC) in the 1980s, utilities became obligated to support customers who opted to purchase their natural gas from third party suppliers. The primary function of the utility is to take the gas that has arrived from the supplier at the utility receipt point and redeliver it to the customer's facility.

What happens if my supplier fails to deliver the natural gas my property requires?

Since the local Public Service Commission governs the suppliers who are registered, such acts happen rarely, if ever. In the event a supplier fails to deliver natural gas, the utility will step in and deliver the gas necessary to keep the customer in operation. However, as the customer notified the utility that they would be purchasing their natural gas from a third party supplier, there may be a penalty associated with the natural gas provided by the utility. The customer would be required to seek compensation from the supplier.

What natural gas and electric accounts will be included in the Energy Aggregation Purchasing Program?

Natural Gas: The program only includes ConEd firm and interruptible accounts, and National Grid firm accounts for heating gas only. Co-generation accounts are not included in this program. Electricity: All electric accounts not already on an ESCO contract are included. Electric accounts on an ESCO contract will be part of the aggregation but handled differently to avoid any contractual issues.

From which suppliers will you be soliciting bids and is there any flexibility?

All suppliers (ESCOs) are New York Public Service Commission approved, and each contract is stand alone. FS Energy will be negotiating as flexible a contract as possible for this type of program.

What happens when I leave the local utility and switch to a different electricity supplier?

The process is seamless and you will not even notice when the new supplier begins. You do not need any new equipment, meters, or

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account numbers – all of that stays the same. The only difference is that you will pay a competitive supplier for the electricity you consume rather than pay the local utility. Thousands of consumers change suppliers every day and during the past decade, literally millions of end-users have taken advantage of deregulated markets and transferred electricity service to competitive suppliers.

If there is a power outage because of a hurricane, windstorm, blizzard, or any other reason, what happens to my property if I have moved my accounts to a competitive supplier?

Nothing changes. The same local utility service team will be dispatched to service the power lines and turn your power back on under the same protocols that have existed for years. Your local utility is still responsible for all aspects of delivering and servicing your power. Your property, along with all other consumers in the utility's service territory, pays a tariff amount every month to the utility for the delivery and servicing of the wires. In fact, the local utility is indifferent as to what supplier a customer uses. It delivers the electricity through its wires just as it always has. Further, the utility does not even know which of its delivery customers are using competitive suppliers.

What types of provisions will be included in the contract?

All contracts will be reviewed by FS Energy and may include the following provisions:

- Term – States the dates the contract is in effect, and any renewal provisions; states if renewals are automatic, or need subsequent approval.
- Pricing – Establishes the price per energy unit (kWh, therm, ccf, MCF), and notes how taxes are treated, as well as any other potential fees or charges.
- Termination – Specifies the conditions under which the contract can be terminated.
- Assignment – Identifies whether and under what conditions your contract may be assigned to others.
- Consumer Protections – Outlines protections to consumers, along with contact information for the ESCO (or broker) and the New York State Public Service Commission.
- Cancellation – Identifies how to cancel the contract and provides notice of any cancellation fees that might apply.
- Title – Identifies where the title to the electricity or natural gas is transferred to the customer.
- Warranty – Outlines any representations or warranties included in the agreement.
- Force Majeure – Establishes circumstances under which the ESCO (or broker) may be released from performance under the contract; generally related to interruptions in service beyond the control of the parties.
- Liability – Outlines the conditions and remedies that may be available in the event of damages arising from lack of performance under the contract.
- Dispute Resolution – Outlines the process which is to be used if the customer disputes a specific bill or charge.
- Choice of Laws – Identifies the venue and process agreed to for legal determinations of the contract, if needed.
- Taxes and Laws – Identifies responsibility for taxes or regulatory requirements.
- Emergency Contacts – Who is to be contacted in the event of a service interruption, gas leak, etc.

Opt Out

If you are already locked in at a fixed cost or prefer not to participate in the Energy Aggregation Purchasing Program and wish to "Opt-out", please contact the individual below no later than August 17, 2011:

Edmond Ohin

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