AMIT/DSWG Workshop

The Ideas from Other Markets

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Discussion Points

- Who is Comverge?
- PA Act 129 Overview
  - PA Programs
- CA Overview
- ERCOT Challenges

Who is Comverge?

Comverge is the leading provider of Intelligent Energy Management solutions

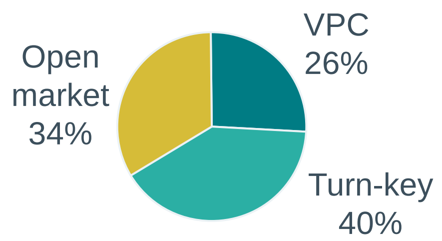
Key highlights

- Headquartered in Atlanta, GA
- Over 570 employees
- 30+ year history of innovation
- Publicly listed on the NASDAQ
- 2010 sales of $119 million
- 5+ million devices installed
- 3,700+ MW under management

Revenue breakdown (2010)

Segments

Contracts



2010 revenue = $119 million

Comverge is uniquely positioned to capitalize on energy growth trends in both the residential and C&I DR markets

Note: 2010E excludes impact from Energy Efficiency contracts

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Comverge is consistently the energy management provider of choice

Established incumbency

Multi-year, VPC & turn-key contracts

Strong business serving strategic customers

PURINA · gsk GlaxoSmithKline · VALERO ENERGY CORPORATION · American Water · CHRISTIANA CARE HEALTH SYSTEM · Armstrong · BARNES & NOBLE .com www.bn.com · Hatfield · pennsylvania DEPARTMENT OF GENERAL SERVICES · Foot Locker · UNIVERSITY OF MARYLAND · STEINER · Claymont STEEL · VIACOM

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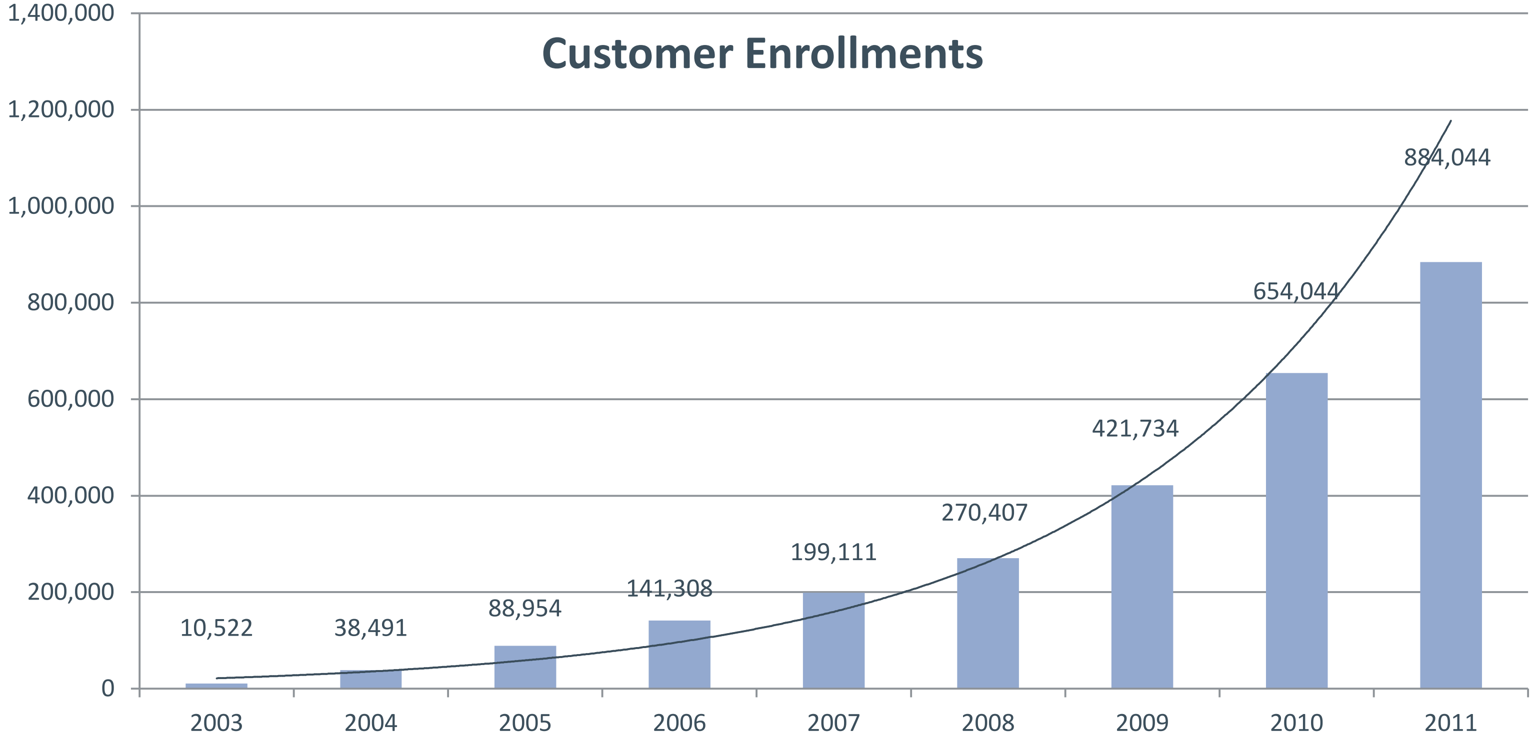
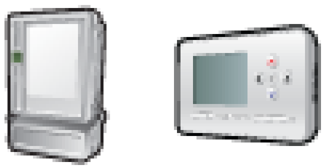
Comverge Track Record of Success



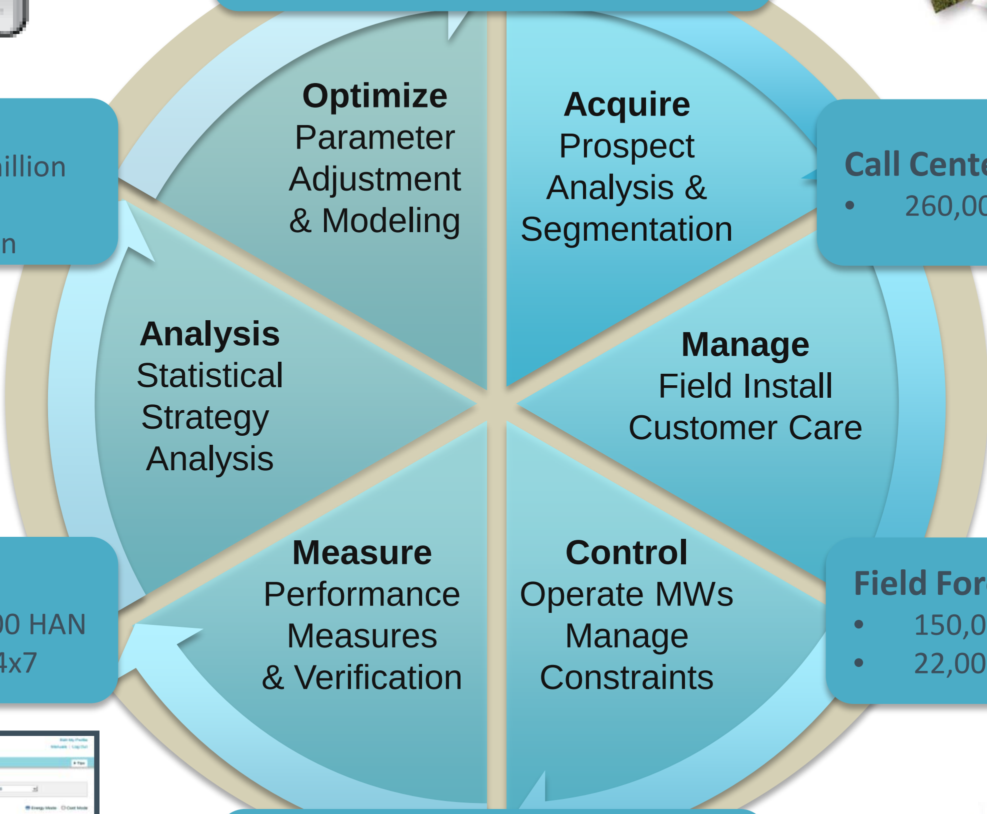
In 2011, we expect to be approaching ~1.0M enrollments

Demand Response is our Business

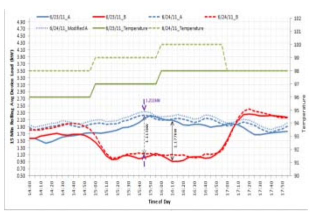


Marketing Recruitment:
- 225,000 Recruitments in 2010
- 1 Millionth recruitment this fall

Device Optimization
- Devices controlled over 3 million times in 2011
- Events from 6 hours to 9 min



Call Center:
- 260,000 transactions in 2011 YTD



Energy Sciences
- 10,000 M&V points & 20,000 HAN devices read in real time, 24x7

Field Force
- 150,000 Installed in 2011 YTD
- 22,000 per month peak

Control Operations
- 211 Control Events in 2011
- 16,000 MWhs in 2011

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Act 129 Overview

Act 129 Overview

- Elements of Act 129
  - Energy efficiency and Conservation
    - 1% consumption reduction goal from 2009-2010 baseline by May 2011
    - 3% consumption reduction goal from 2009-2010 baseline by May 2013
    - 4.5% demand reduction goal in 100 highest demand hours from 2007-2008 baseline by May 2013
    - Cost/benefit analyses done by November 2013
    - Material fines for non-achievement of goals

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Act 129 Overview

- Additional Elements of Act 129
  - Smart Meter deployment
  - Time of Use rates
  - Modifications to Alternative Energy Portfolio Standards Act ("AEPS")
  - Carbon Sequestration studies
  - Default Service and Default Service Procurement
  - Market Manipulation
  - Conservation Service Providers
  - Cost Recovery

The Rationale for Act 129

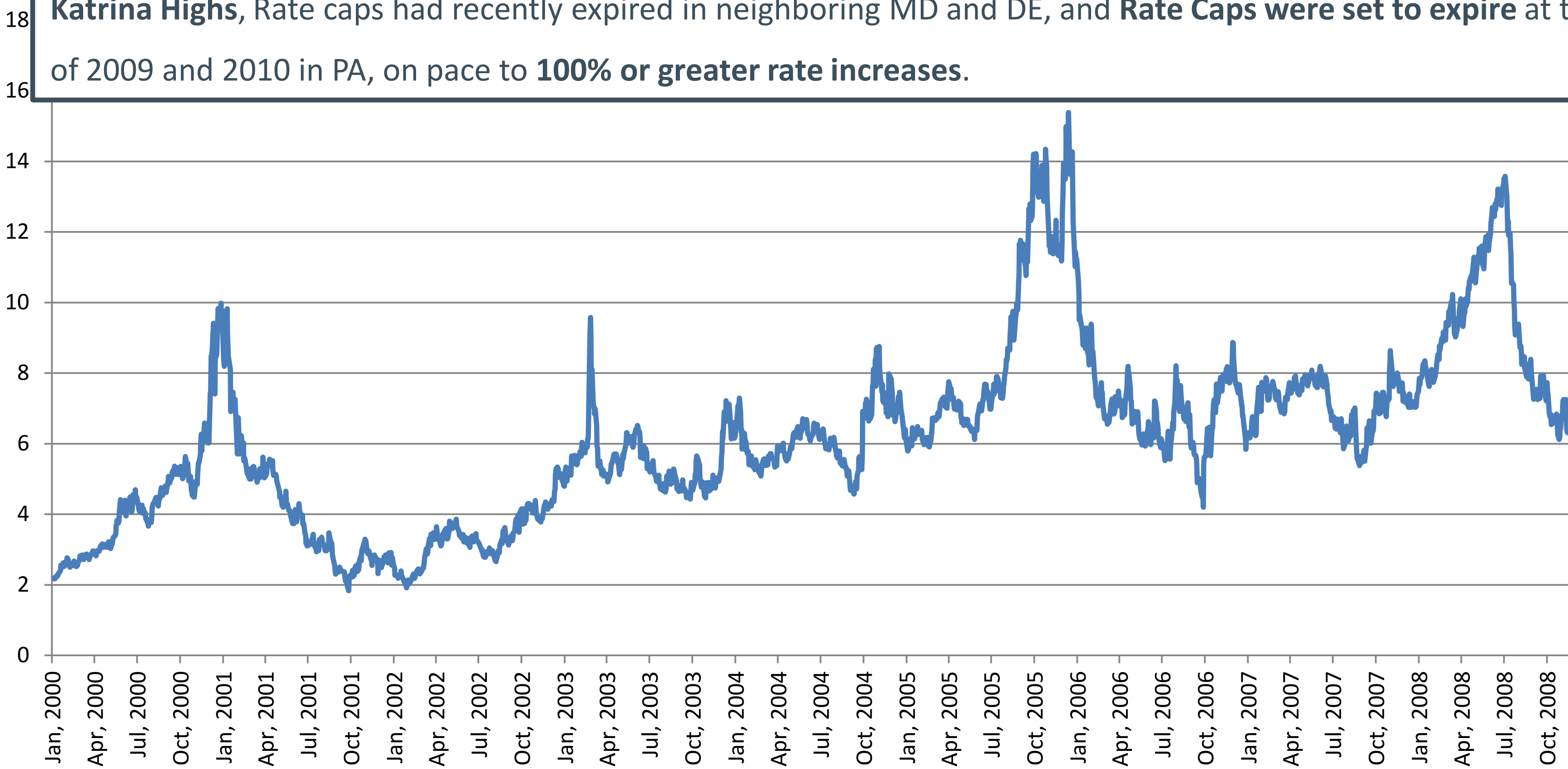
Why did they do it?

Rationale for Act 129

- Why all of the different elements?
  - PA operates a deregulated retail electricity market
  - Retail electricity rates were capped in 1998 at 1992 levels
  - Gas prices were very bullish in the post-Katrina, strong economic market from 2005 to 2008
  - PA ratepayers were looking at rate increases in excess of 100% when caps expired

An Ominous Situation

As the Pennsylvania legislature was debating Act 129, **natural gas prices** were steadily increasing to **Historic Post-Katrina Highs**, Rate caps had recently expired in neighboring MD and DE, and **Rate Caps were set to expire** at the end of 2009 and 2010 in PA, on pace to **100% or greater rate increases**.



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Rationale for Act 129

- What was the goal?
  - State's goal was to put in place the **tools** that would **allow the market** to control energy costs
  - Act 129 is not "Command and Control"
  - Created Utility Obligations
    - EE & C, DR, Rates
  - Other programs
    - Modification to AEPS Act qualified additional resources as "alternative", bringing economic opportunity to non-fossil resources
    - Carbon Sequestration studies to look at long-term feasibility of coal use

PA DR Programs

- PPL
  - Direct Load Control – A/C Cycling
  - Pays Customers $32 per unit per year
- PECO
  - Direct Load Control – A/C Cycling
  - Pays Customers $30 per month (June-Sept)
- Programs are available through Summer 2012
- Cost recovery is through wires surcharge
- Maryland programs are very similar

California Programs

Where are they going?

CA Programs

- Each IOU has separate programs
  - Base Interruptible Program
  - Capacity Bidding
  - Critical Peak Pricing
  - Critical Peak Pricing - Emergency
  - Residential A/C Cycling Program
  - Technical Assistance and Technology Incentives
- All programs are currently administered and cost recovered through the utilities wires charges
- Moving forward CPUC wants DR to prove cost effectiveness and dispatch through CAISO

ERCOT Challenges

Where do we go from here?

ERCOT Challenges

- Energy Only market doesn't provide any certainty of recovery
  - DR can cost $300-500/kW
  - New Gen costs $700-900/kW
  - Who is willing to take on the *Risk*
- EE Programs provide limited penetration
- Absent SCED integration – mechanism for compensation?
- Resource adequacy is up to the market participants

Regulatory Needs Today

- What does this mean for Regulators & Legislators Today?
    - Slow economy keeping average electricity prices in check
    - Marcellus gas is plentiful keeping gas prices in check
- Energy and Environmental Leadership
    - – Non-crisis environment
    - – Do we wait?
    - – Or act now?
- Requires Innovative Regulatory Initiatives
    - – Policies should integrate energy and environmental goals
        - Smart Grid √
        - Information Availability √
        - Demand Reduction Goals (add to RPS?)
        - Evolving Regulatory Paradigm √

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Thank You

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