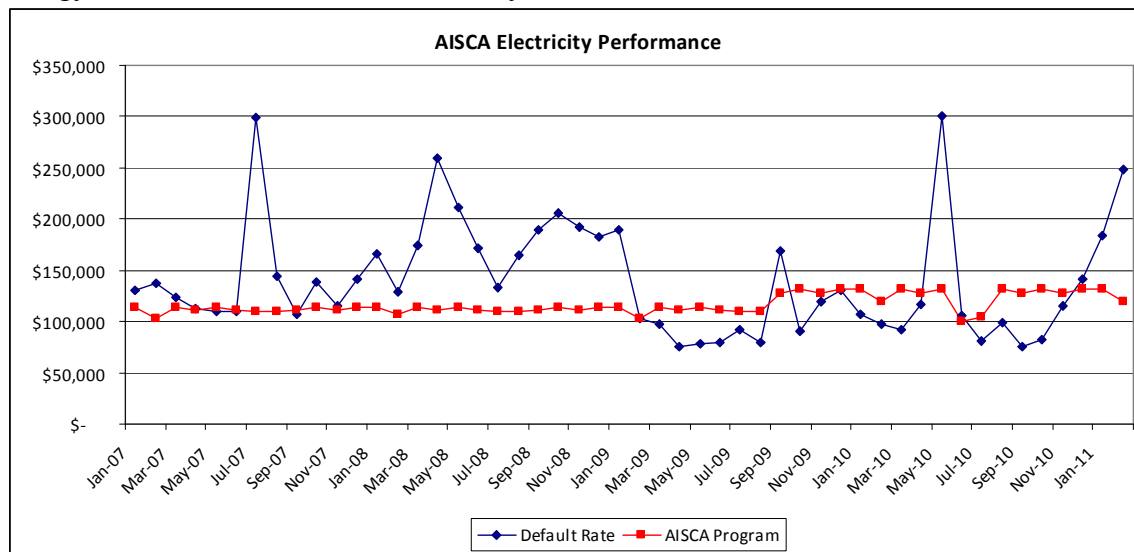


March 25, 2011

AISCA’s Energy Management Program, initiated in 2007, has been remarkably successful in strategically managing energy commodity markets for nearly five years. Our long-term wholesale purchasing strategy will soon adjust the group’s position in the markets in order to ensure stable, predictable budgets on a long-term basis.

### Electricity Performance

To date, the AISCA electricity hedge has outperformed the spot index market in Alberta by approximately **\$1.2 million**, and it has provided the aggregated energy member group with cost stability and budget predictability. This is attributed to the fact that AISCA’s energy strategy is aligned with the wholesale forward markets in making decisions on what, when and how to buy energy as a wholesale driven commodity.



Participants in AISCA’s Energy Management Program are very well protected against rate increases well into the future because AISCA’s existing electricity contract with a major supplier does not expire until December 2013. The purchase last spring took advantage of highly competitive forward prices. This forward purchase strategy is also mitigating the impact of future rate increases due to carbon emission taxes as well as rate fluctuations and volatility stemming from events such as the recent unexpected shutdown of the Sundance #1 and #2 generation plants in Alberta which caused spot market prices to average more than \$90/ MWh in 2011 so far.

Next Step with Electricity: In the near term, AISCA is continuing to monitor the forward markets in electricity and intends to secure a further hedge in the markets for 2014/2015 to ensure further cost-avoidance savings to energy program participants.

Note: Schools or facilities currently without a fixed supply arrangement may be further exposed to higher electricity prices due to sustained power unit outages in the upcoming months. AISCA, however, does not encourage any contracting with suppliers for short-term supply; rather, we encourage schools to take advantage of AISCA's more strategic approach based on the wholesale forward market purchasing to leverage stability.

## **Natural Gas Performance**

In May of 2010 AISCA completed a wholesale bid process and switched the aggregated group to a new supplier, ACCESS Gas rather than Direct Energy. This reduced commodity charges for the group by approximately 25% and has also resolved a number of billing issues. This ongoing leveraging down from higher contracted prices of four or five years ago (when gas reached approximately \$12.00/GJ) has been very positive for the program's participants. Last May we took a short one-year position (expiring November 31, 2011) rather than purchasing a longer term for natural gas.

**Current Natural Gas Markets:** Spot market prices have been unusually low for the past year but recent changes in the natural gas sector point toward mid-term volatility and price gains. Spot market prices have begun to creep back for various reasons. In 2010 alone, industry giants such as Chevron, Exxon Mobil and Total SA made acquisitions of under-valued natural gas assets for a combined value of more than \$40 billion – now they want a return on that investment. Additionally, the recent nuclear crisis in Japan has caused many countries to seriously consider the benefits of natural gas generation: minimal carbon footprint, short plant construction cycle and easy-to-transport domestic fuel supplies. Long term markets – 2012 and 2013 – are already reacting to these issues.

**AISCA's natural gas program has seen participant schools' prices reduced significantly over 3 consecutive years** as we have been able to take advantage of declining market prices without exposing the group to possible winter volatility.

The Next Step with Natural Gas: AISCA is **changing its natural gas position** by targeting a partial hedge strategy for the upcoming winter season. We plan to secure fixed prices for up to 50% of participant's volumes, while the spot index market prices remain near 10-year lows. This affords our group the best of both worlds – cost security for the majority of their natural gas load, while taking advantage of spot prices if they continue to remain low. It also provides the flexibility to layer additional hedges if prices climb in the future. This will again leverage costs down, possibly by an additional 15%.

## **Ongoing Management Step: Renewal of Agency Agreement**

It is time to renew the Energy Program Agency Agreements. Accomplishing this in an expeditious manner is important for enabling long term stable and predictable management related to the forward purchasing opportunities which spring markets may afford. Like interest rates, natural gas has nowhere to go but up but we will hedge our bids to balance the best of both worlds, especially in light of changed economics and reaction to global markets.

## Agency Agreement Renewal Process

Renewal Agency Agreements are attached for all participants in the Energy Program. Please ensure that a designated representative from your institution signs and return the agreement to AISCA. (The signature should be by one of the following: President, Treasurer/Business Manager or Chief Executive Officer).

**Fax the signed Agency Agreement to AISCA at (780) 469-9880,  
Attention: Pat Vos, by April 8, 2011.**

### Notes on Changes

A few amendments have been made to the former Agency Agreement.

1. The renewed agreements will extend AISCA's Energy Program Services for five years.
2. Some billing mix-ups have occurred from time to time when an institution's legal name is not the same as its common name; therefore, both names are required on the agency agreement. For schools, for example, the school authority society's legal name is not necessarily the same as the school's common name.
3. Under point four (4) we are restating that participants must notify AISCA in writing if they wish to terminate the Agency Agreement. In such cases, the Agreement clarifies that the institution continues to be responsible for fulfilling their obligations for any transactions made prior to notice of termination. This is a standard expectation with vendor contracts. The commodity contract which AISCA and its consultants negotiate with the selected supplier means that any institution participating in the AISCA Energy Management program is obligated to pay for the committed volumes until the contracted term for the commodity expires.

It is important to remember that AISCA continues to act forward in the future markets in the best interests of the aggregated group throughout the five year framework. As a rule the program is working very well and continues to ease the challenges of shopping among retail suppliers while at the same time providing an effective long term strategy for managing energy market volatility and creating predictable and stable budgets.

We look forward to continuing to serve your institution/school's energy needs through this program.

Sincerely,



Duane Plantinga  
Executive Director