

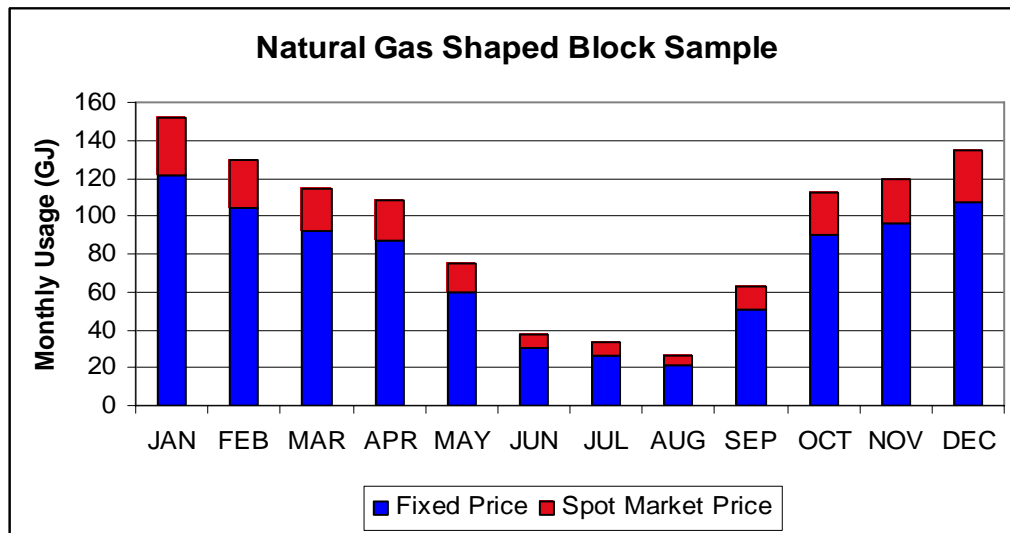
## AISCA Natural Gas Program Update

Institutions participating in AISCA's Energy Management Program were enrolled into the Natural Gas Program effective November 1, 2006. We have prepared a brief primer to help operators understand:

- 1) The type of product we have purchased;
- 2) Impact of the product to your budget;
- 3) Costs & fees; and
- 4) Ongoing AISCA Natural Gas Portfolio Management.

### 1. Natural Gas Product

In the interest of securing a natural gas plan that was both competitively priced and risk averse, AISCA purchased a Shaped Block product for its members from CEG Energy Options. Participating institutions are charged the fixed contract rate of \$8.95/ GJ for a fixed monthly volume of their natural gas (approximately 80% of the historical usage). The remaining 20% will be sold to schools at the floating spot market rate.



### 2. Impact of Product on Budget

As mentioned above, the goal of the Natural Gas program was to procure a fixed price at a competitive rate. To maximize the price and product, AISCA has purchased fixed volumes for approximately 80% of the historical usage. This serves two purposes:

- 1) Provides participating institutions with a strong degree of price stability and predictability for the majority of their natural gas usage.
- 2) Allows AISCA to secure additional gas volumes in the event that forward wholesale market prices were to drop; thus helping to reduce or avoid cost spikes. (see section 3 for further details)

The table below shows the pricing impact of varying spot market prices. If spot market prices are lower than the contract rate, it will help to average down the total cost. If spot market prices rise above the contracted rate, operators will be shielded from the brunt of any cost increase. Schools will also continue to be eligible for the government rebate program. If the rebates are triggered, they will apply to the **total** usage, not just the unhedged portion.

***AISCA Natural Gas Plan – Impact of Spot Market Prices on Total Cost.***

| <b>Contract Price:<br/>80% of Usage</b> | <b>Spot Market<br/>Price: 20% of<br/>Usage</b> | <b>Weighted<br/>Unit Cost</b> | <b>Rebates</b> | <b>Net Cost</b> |
|---|--|-------------------------------|----------------|-----------------|
| \$8.95                                  | \$4.00   | \$7.96                        | (\$0.00)       | <b>\$7.96</b>   |
| \$8.95                                  | \$6.00   | \$8.36                        | (\$1.50)       | <b>\$6.86</b>   |
| \$8.95                                  | \$8.00   | \$8.76                        | (\$2.50)       | <b>\$6.26</b>   |
| \$8.95                                  | \$10.00  | \$9.16                        | (\$3.25)       | <b>\$5.91</b>   |
| \$8.95                                  | \$12.00  | \$9.56                        | (\$3.25)       | <b>\$6.31</b>   |

**Important Note:** When comparing spot prices obtained through media with AISCA's contract prices, the volatile and variable spot prices do not factor in any administration, nominations and balancing charges.

**3. Additional Costs & Fees**

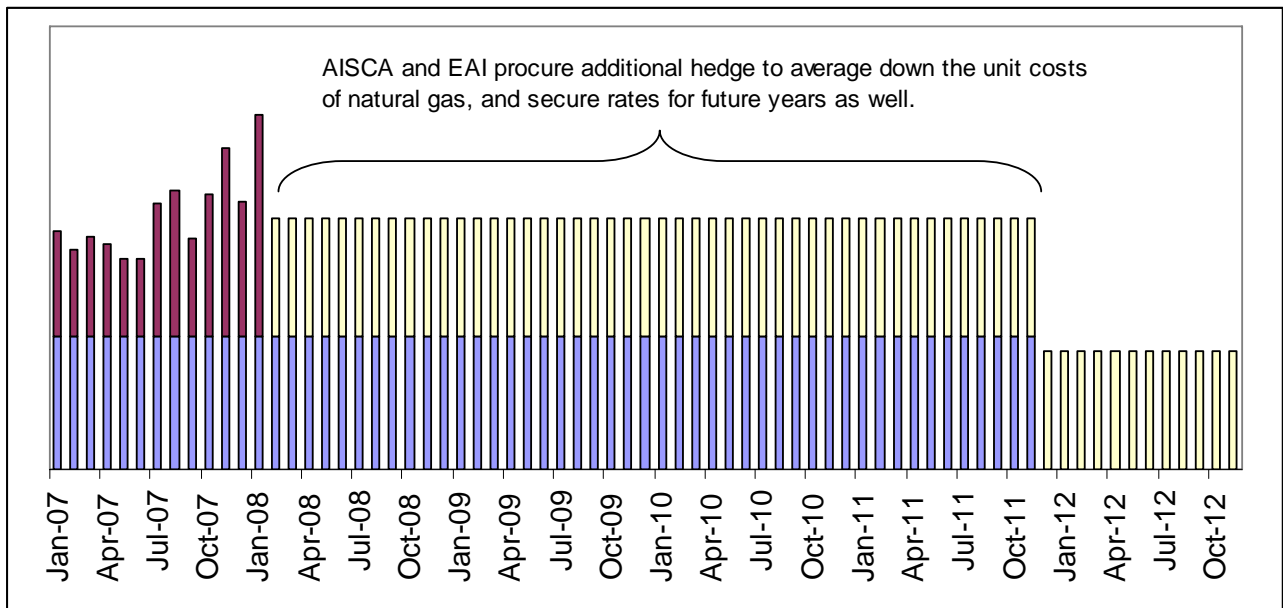
In addition to the commodity costs, participating institutions will see several additional charges on their monthly natural gas invoices from CEG.

- a. **Enrollment Fee** – A one time fee charged to members on natural gas invoice. The electricity fee will be invoiced directly in January. This nominal fee is assessed to cover the management and consulting costs incurred for the development of the AISCA Energy Program.
- b. **Program Management Fee** – A fee of \$0.15/GJ will be charged to members to cover the costs of ongoing cost of managing the natural gas contract with the supplier, managing AISCA's aggregated natural gas portfolio with any load settlements with the spot markets and take advantage of favorable future procurement opportunities in the wholesale OTC markets. The fee will also be used by AISCA to develop energy management seminars and programs related to efficiency and conservation.
- c. **Other Regulated Charges** – will be identified in your monthly bill in a separate section and will be a flow-thru from ATCO Gas.

#### 4. Ongoing AISCA Natural Gas Portfolio Management

Just like energy efficiency conservation, the procurement of energy is an ongoing process as the forward markets are not static. In this regard, AISCA's Energy Committee and our wholesale market experts, Energy Associates International (EAI) has developed a long term strategy which will allow us to proactively manage our aggregated natural gas prices. By leveraging EAI's expertise in the forward OTC (over the counter) markets, we will ensure that natural gas costs for participating operators in AISCA's program will continue to remain stable and competitive, and that this strategy will help maximize cost avoidance savings in the years to come beyond the current contract term with CEG.

The following example depicts this futures cost management approach:



AISCA currently secures up to 85% of its natural gas load for 5 years at \$8.95/ GJ starting in November 1, 2006. Using a proactive approach in the forward wholesale OTC markets, AISCA is able to take advantage of price weakness in 2008 to secure the remaining 20% of the load at a lower price. Additionally, AISCA secures the natural gas requirements for 2012, ensuring future price stability and cost avoidance.