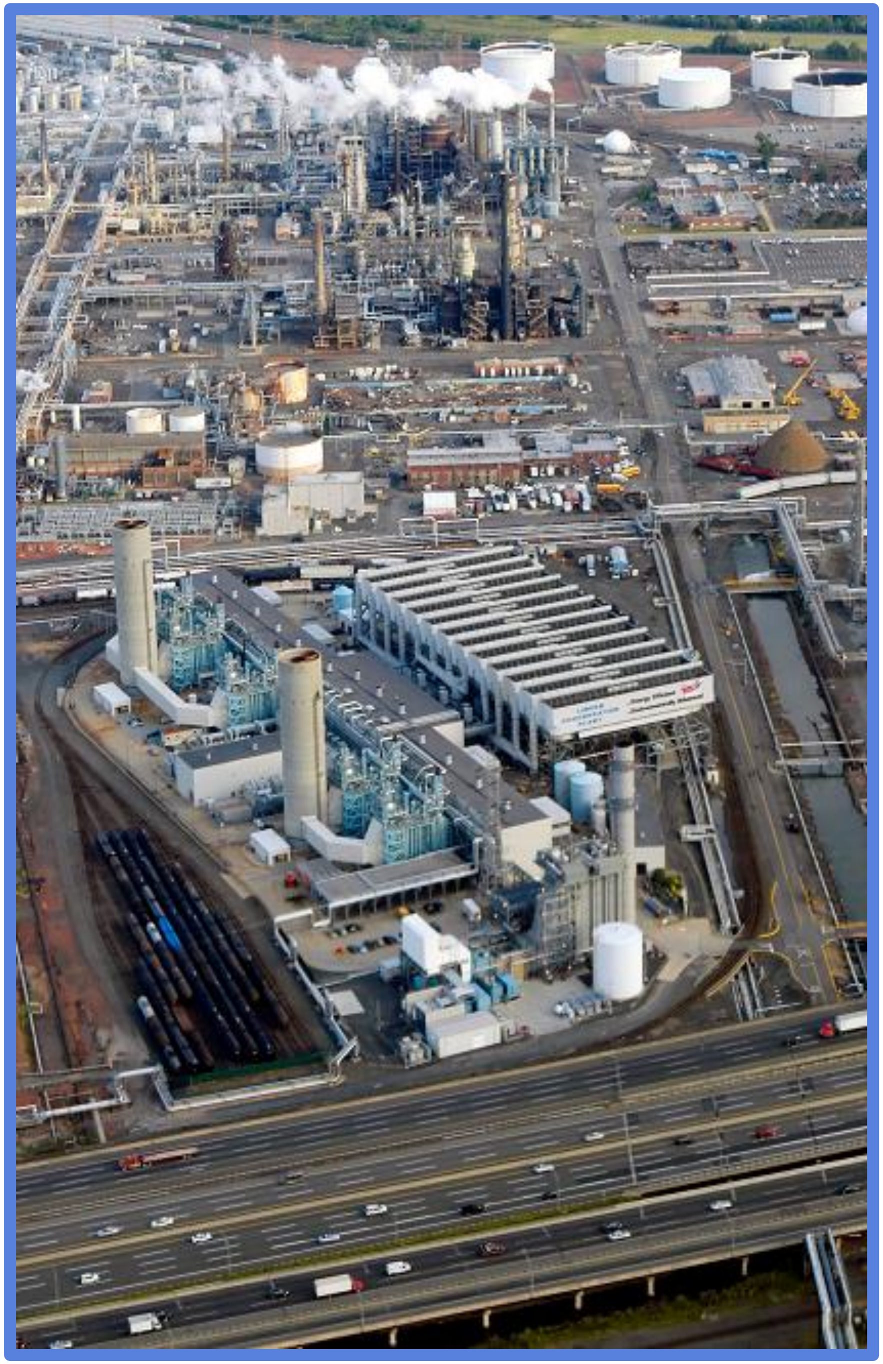

Stand-by Peaking Gas Contracts from a Small End User Perspective

Commodity Futures Trading Commission
Energy and Environmental Markets
Advisory Committee Meeting
July 29, 2015

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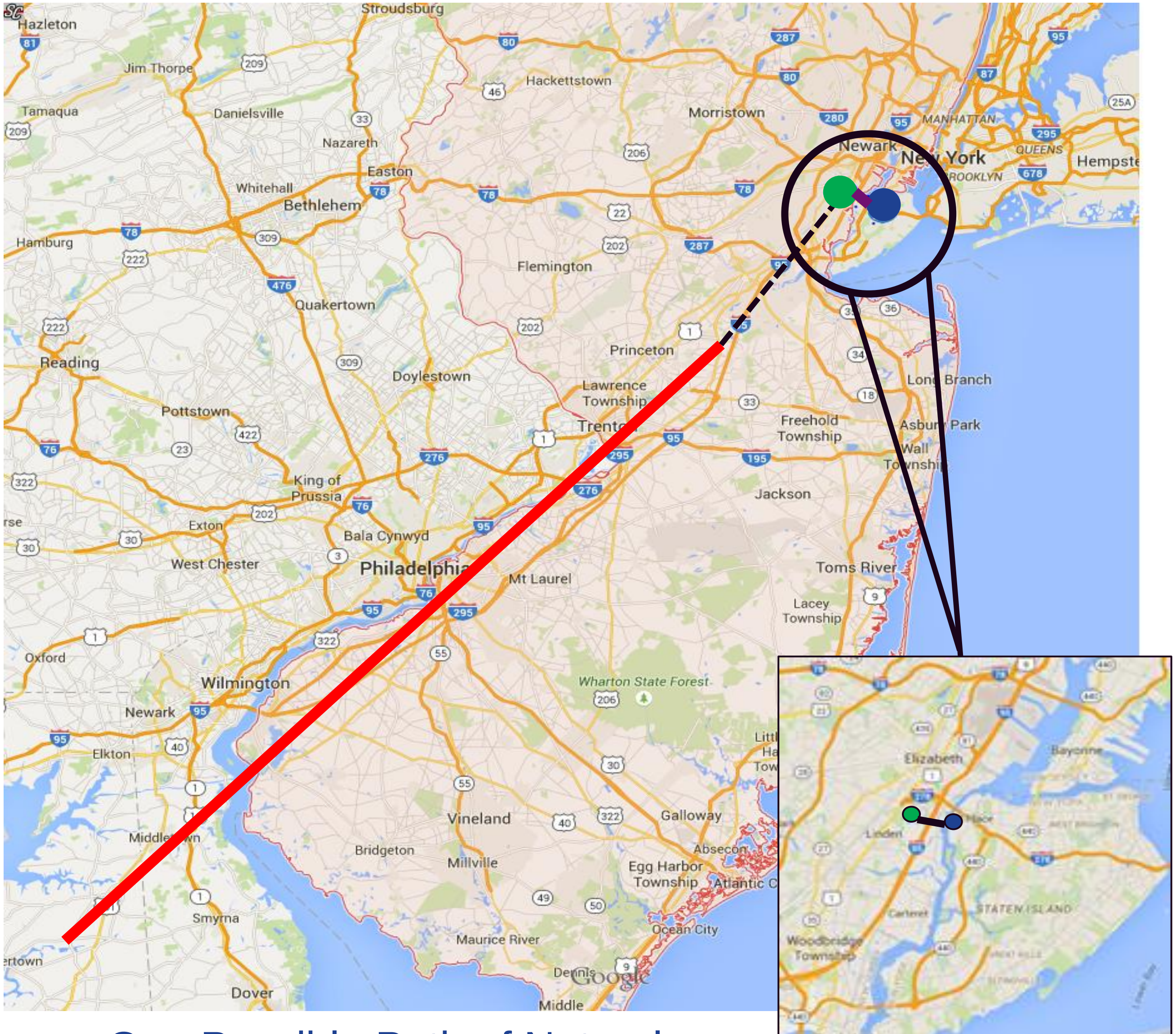
Managing Director, Regulatory Affairs
GE Energy Financial Services, Inc.
For Cogen Technologies Linden Venture, L.P.

Linden Cogen

800 MW plant serving NYC load (~8%) and refinery steam needs for fractionating petroleum products.

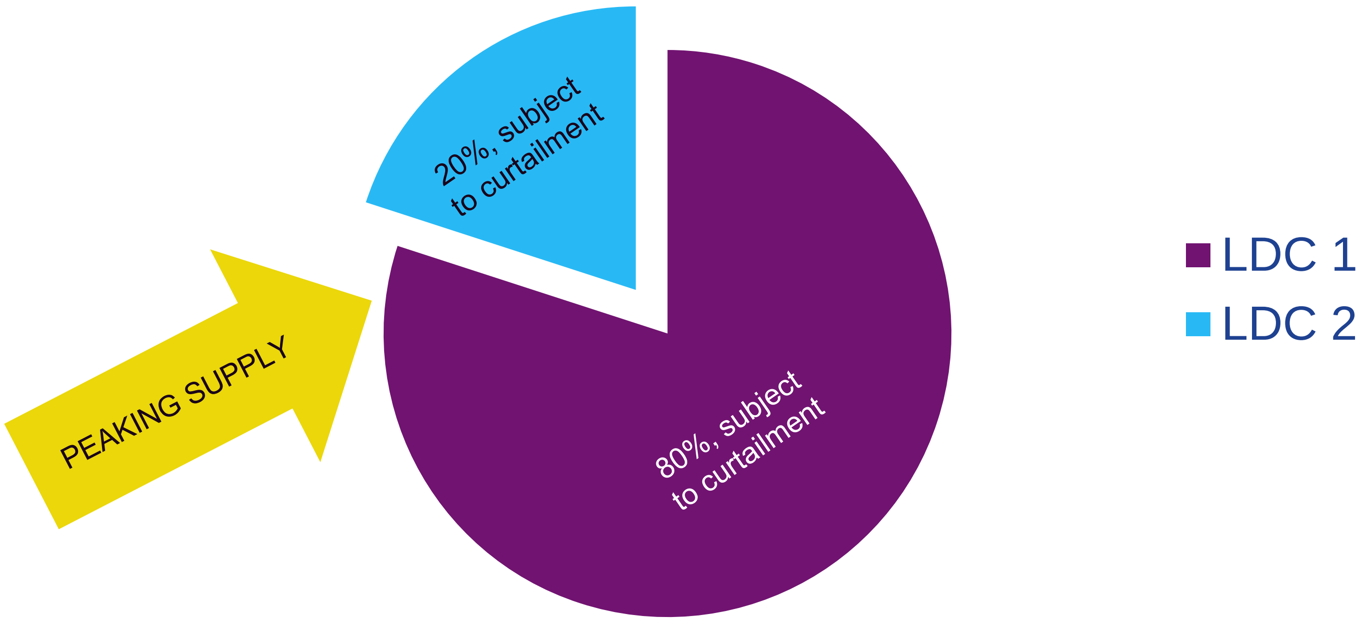
Critical need for natural gas fuel

Delivery of NG to Linden is highly regulated by Federal Energy Regulatory Commission and NJ Board of Public Utilities.



One Possible Path of Natural Gas Sourcing for Linden Cogen

Linden Cogen's Natural Gas Suppliers



- Linden Cogen has entered into an Agreement with two Local Distribution Companies (LDCs), which collectively supply 100% of its base requirement for natural gas.
- The Agreement was approved by NJ Board of Public Utilities (NJBPU), which retains jurisdiction over any amendments.
- The Agreement permits the LDCs to curtail deliveries up to 20 days/year when the temperature is lower than 22°F to prioritize residential heating load. NJBPU has required that Linden Cogen identify a replacement source for those periods.
- **Linden Cogen must have 100% natural gas deliveries at all times.**

Indicative Peaking Gas Arrangement Terms

- Approved annually by NJBPU in 2012, 2013, 2014.
- Gas nominations on up to 20 days; exercised by Linden Cogen following 24-hour curtailment notice from LDCs.
- **Linden Cogen has no discretion to determine when the peaking gas nomination will occur.**
- Stand-by reservation fee - $/stand-by volume; commodity priced at spot at point of delivery; LDC fee for transportation.
- Curtailment requires LDCs to acquire Linden Cogen's peaking gas and transport it to the plant – no opportunity for Linden Cogen resale.

The Peaking Gas Contract is a Commercial Supply Agreement

- Procured to fill 100% of Linden Cogen's supply needs
- Linden Cogen does not control nomination and has no option
- Commodity price risk has not shifted

However, because the Peaking Gas Contract is for a commodity and nomination is optional (at the direction of the LDCs), uncertainty remains as to its classification.

- Internal compliance and regulatory
- Lenders and other credit counterparties
- Accountants/Finance/treasury
- Others in the future

Without further clarification, may require treatment as "commodity options" or "trade options", which may require Linden to:

- Segregate this contract from its other recordkeeping and mark-to-market.
- Explain to credit counterparties why this contract does not constitute "swap" or "derivative" exposure.
- Allow extensive internal monitoring and review to comply with Dodd-Frank and financial reporting (including CEO-level public certifications).
- Provide a risk mitigation framework and analysis, even though the contract is not entered into for hedging purposes, but rather to procure natural gas.

Clarification that these Peaking Gas Contracts are not "commodity options" is necessary

- This issue has been outstanding since 2012 and has not been clarified.
- The final Trade Option rule is where concerned end users will look for this guidance.
- Commissioner Bowen has proposed an approach for clarifying and requested comment in her concurrence.
- Failure to respond to Commissioner Bowen's concurrence may lead to further confusion.

New Rules in Eastern Interconnect Highlights the Need for Clarification

Two of the regional electric grid operators regulated by FERC severely penalize electric generators that do not run when needed for failure to obtain natural gas. PJM (Mid-Atlantic region) is requiring the most flexible natural gas procurement available.

Generators will increasingly look to satisfy their 100% natural gas requirement from several back up suppliers to assure reliability of operation.

Figure 3-4 North American Regional Transmission Operators