

PROCUREMENT SERVICES
Requirement Letter No. 199
Natural Gas Term Contract Customers

**PLEASE BE AWARE THAT UPON SUBMISSION OF THIS REQUIREMENT LETTER YOU WILL BE
ENTERING INTO A BINDING CONTRACTUAL COMMITMENT.**

OGS Procurement Services is preparing to solicit bids for 2016-2018 natural gas supplies.

Participation in a Firm supply contract (fixed or indexed priced) or an Interruptible supply contract at an indexed price is at the sole discretion of the customer.

When submitting your filed requirements please be as close to accurate of anticipated volume as possible because participation in any contract type will effect the volume load requirements when soliciting bids.

It is also important to select the balancing type for your gas delivery which is the true up the ESCO will do on a daily or monthly basis depending on each months nomination(s).

Filed Requirement = the users estimated 12 month usage of gas listed for each month based on anticipated and/or historical need

Nomination = a more specific volume of close to actual gas consumption anticipated by the user provided to the ESCO at the beginning of each month.

Balancing = the ESCO true up of the difference between the users monthly nomination and gas actually consumed performed on either a daily or monthly basis. This covers both overages and under utilization.

For users who have National Fuel Utility company in their area they use a capacity or non-capacity in lieu of monthly or daily. You can check with your utility company representative and/or current ESCO to find which method is best for your facility.

It is important to include the Utility companies account number and not the ESCO's (contractors) account number when filing your requirements. NYSEG Customers need to include the NYSEG POD number as well. Both of these are available from your utility co. representative.

Each contract type has distinct characteristics and requires specific customer commitments and obligations. The more significant aspects of each contract type are described below.

Fixed Price - Firm Supply

- The customer will receive "firm" supply
- The customer will pay for quantities actually used
- The customer will pay one final price for the life of the contract.
- The contractor is responsible for all balancing to the burner tip.

Indexed Price - Firm Supply

- The customer will receive "firm" supply
- The customer will pay for quantities actually used
- The commodity price for natural gas will vary monthly based on the NY Mercantile Exchange (NYMEX) futures commodity prices. A fixed "basis cost" will be added to the commodity price to determine each month's indexed price. Prices are revised and released by OGS Procurement Services during the last week of the month preceding the month of delivery.

- The contractor is responsible for all balancing to the burner tip.

Indexed Price - Interruptible Supply

- The customer must have 100% dual fuel capability.
- The commodity price for natural gas will vary monthly based on the NY Mercantile Exchange (NYMEX) futures commodity prices. A fixed "basis cost" will be added to the commodity price to determine each month's indexed price. Prices are revised and released by OGS Procurement Services during the last week of the month preceding the month of delivery.
- customers in an interruptible service can only implement alternate fuels usage if decided at time of monthly nomination "0" and the alternate fuel is determined to be less costly based on price information available at the time of nomination.

*This requirement will include a selection to determine intent in participating in
a hedging / triggering (fixed price) agreement through the contract*

Hedging / Triggering - is a binding agreement between the Authorized User and Contractor (ESCO)
**that establishes a negotiated futures contract for a fixed (locked in) price for a set
period of time and for an agreed upon monthly quantity.**

This Requirement need to be filed no later than January 8, 2016

Should you have any questions, concerns or wish to discuss the natural gas contracting program, please do not hesitate to call the contract administrator, **James Patrick at (518) 408-1026**.

All contract users should be registered in our Purchaser Notification Service (PNS) to receive OGS Procurement contract news and updates. Register for Buyer Contract Updates (PNS) at
<http://nyspro.ogs.ny.gov/content/sign-buyer-contract-updates>