

AOBA Utility Committee

June 27, 2013

*Will Energy Market Developments Drive
Government Policy or Will
Government Policy Drive Energy Markets?*

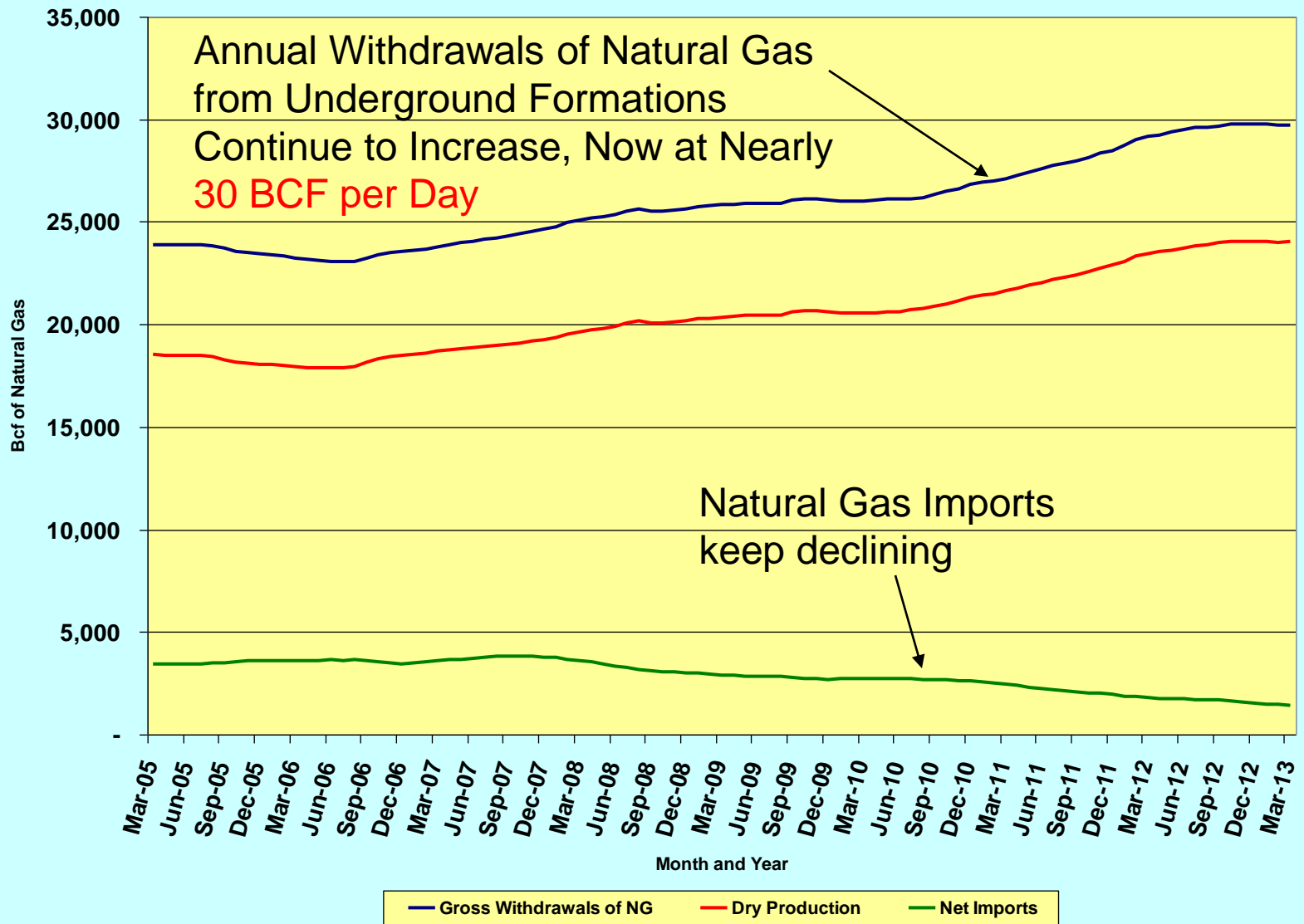
Presented By

Bruce R. Oliver

President, Revilo Hill Associates, Inc.

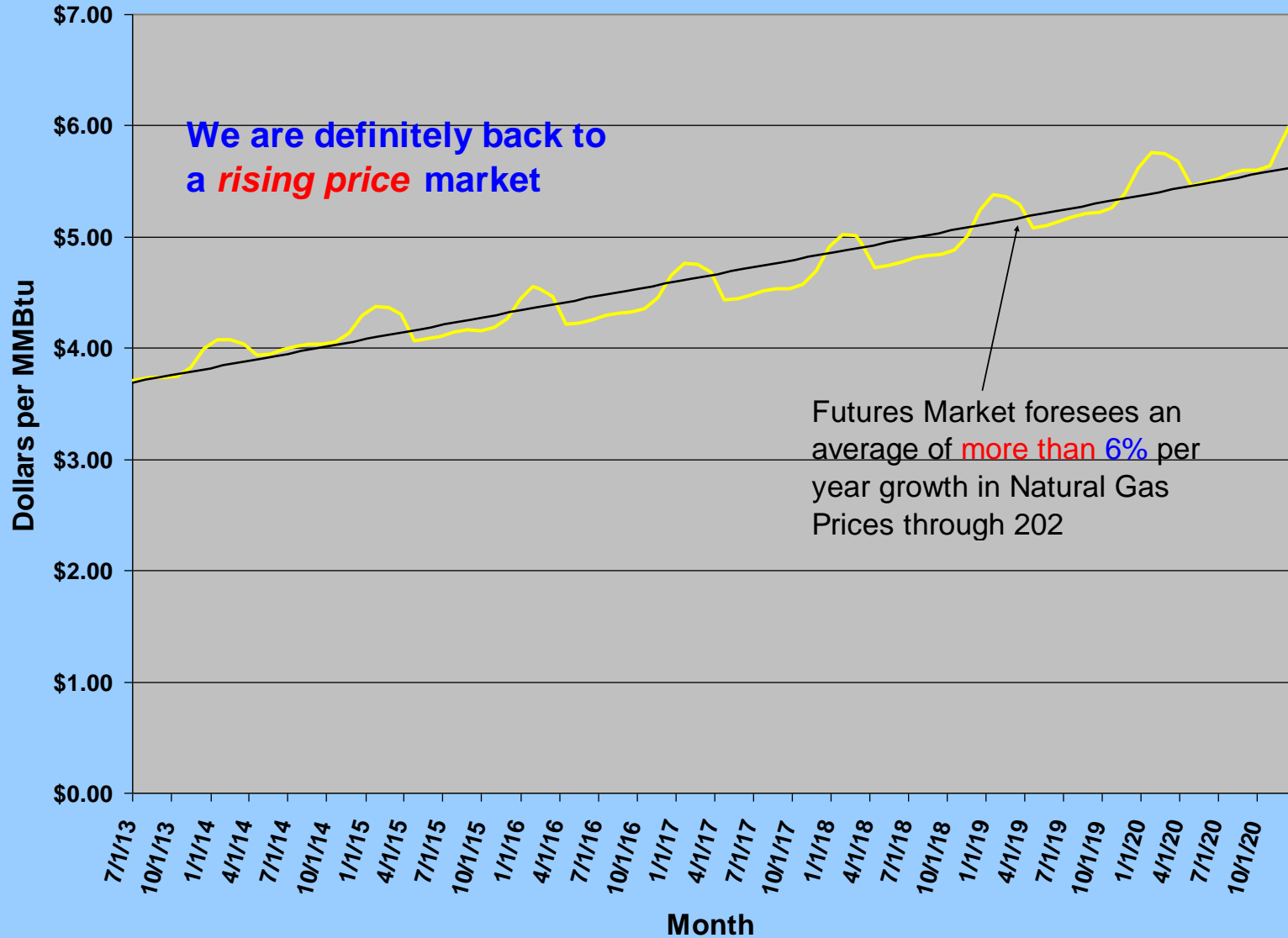
This publication is intended as an information source for members of the Apartment and Office Building Association of Metropolitan Washington ("AOBA") and participants in the AOBA Alliance, Inc. The content should not be construed as legal or other professional advice, and readers should not act upon information in this publication without professional advice. Copyright © 2011 AOBA. All rights reserved.

US Natural Gas Production and Imports

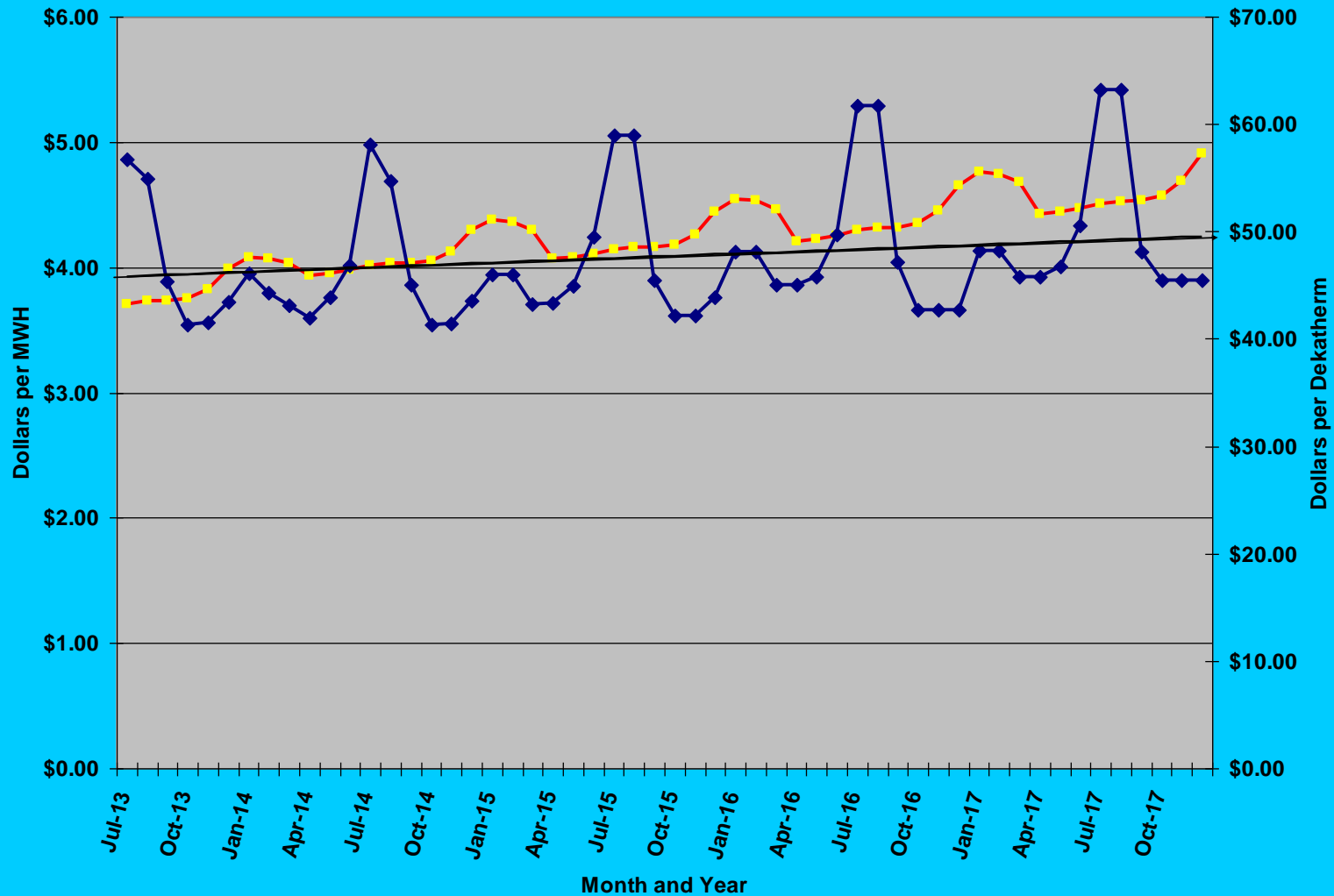


Henry Hub Natural Gas Futures Prices

As of June 26, 2013



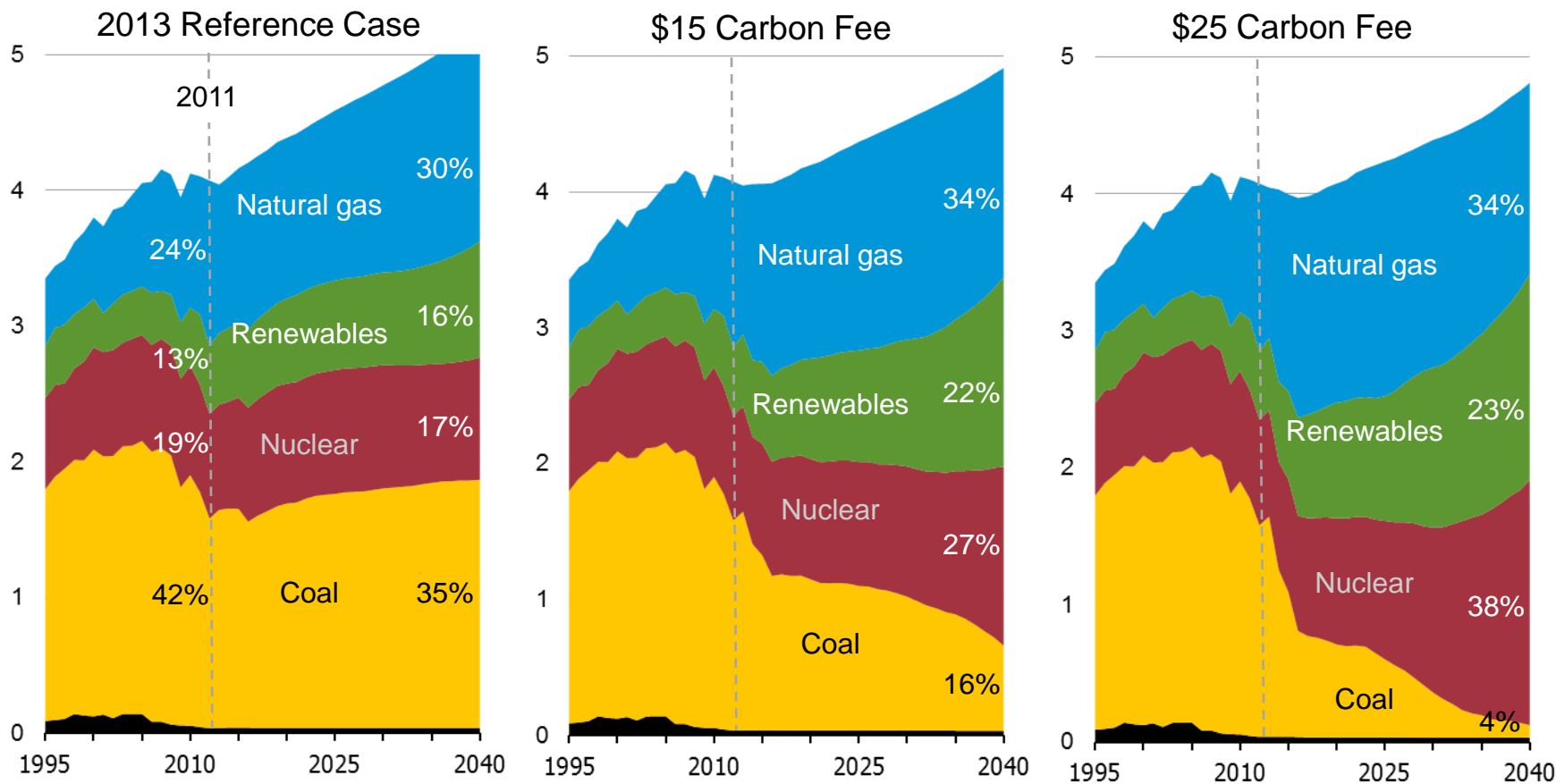
Comparison of Natural Gas and Electric Futures Prices



—■ Natural Gas Prices
 —◆ PJM Western Hub Peak Electric
 — Linear (PJM Western Hub Peak Electric)

Changing electricity generation mix in *AEO2013* reference case and carbon fee allowance side cases

U.S. electricity net generation
trillion kilowatthours

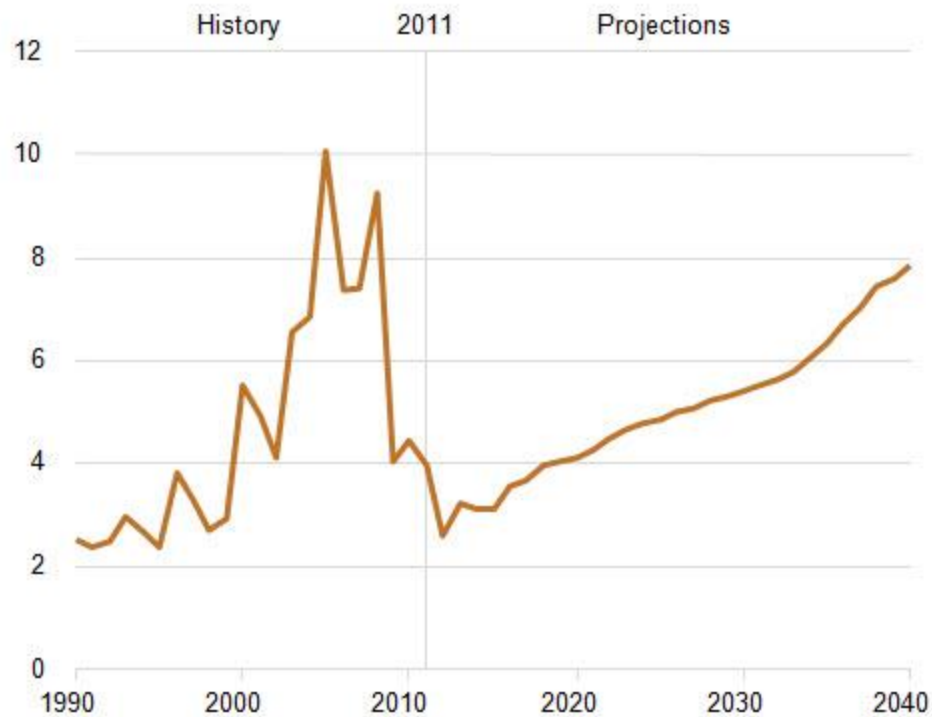


Source: EIA, *Annual Energy Outlook 2013*

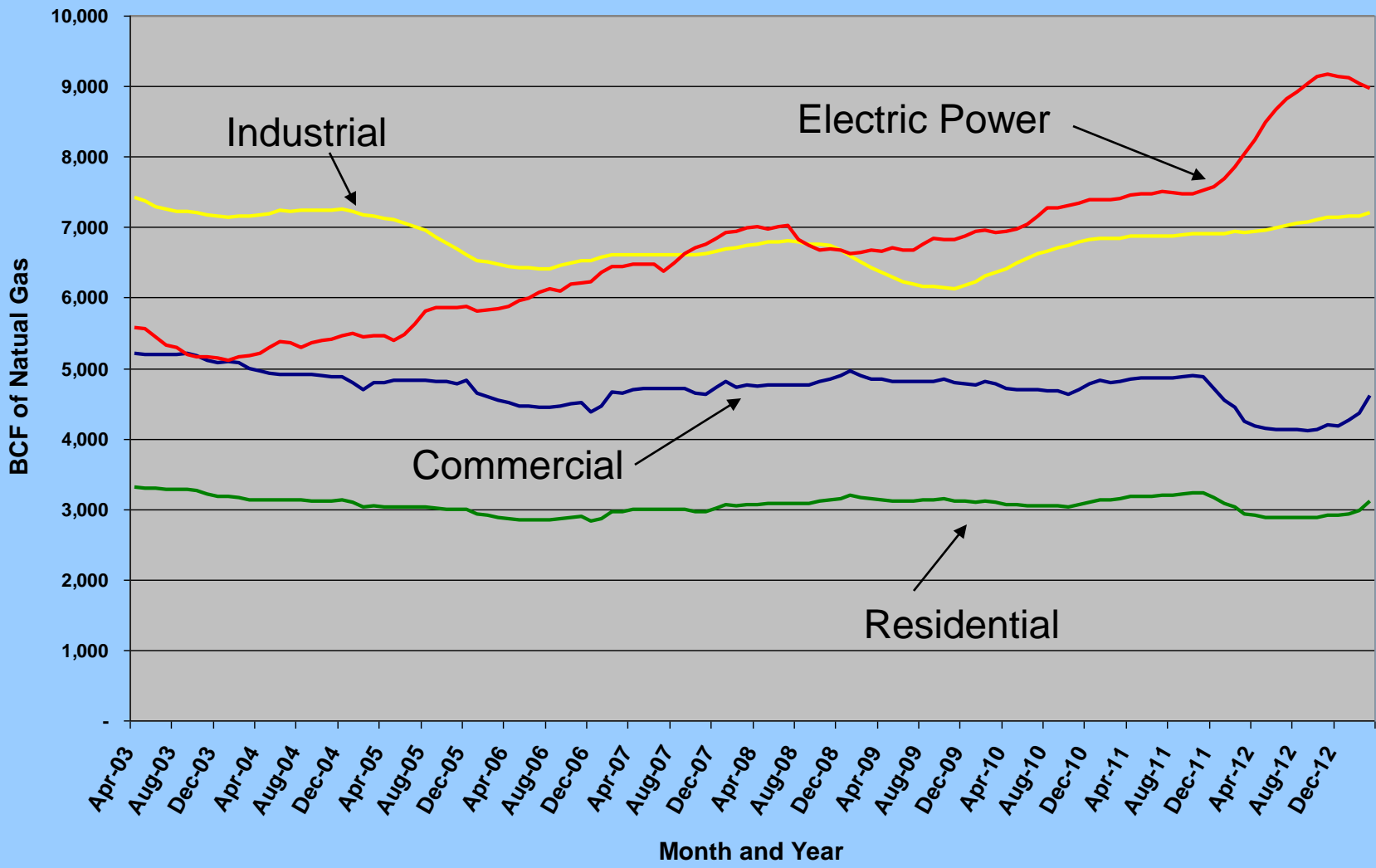
EIA Says Natural Gas Prices Expected to Rise After 2015 With Increase in Production Costs

What is Wrong with this graph?

Figure 86. Annual average Henry Hub spot natural gas prices, 1990-2040 (2011 dollars per million Btu)



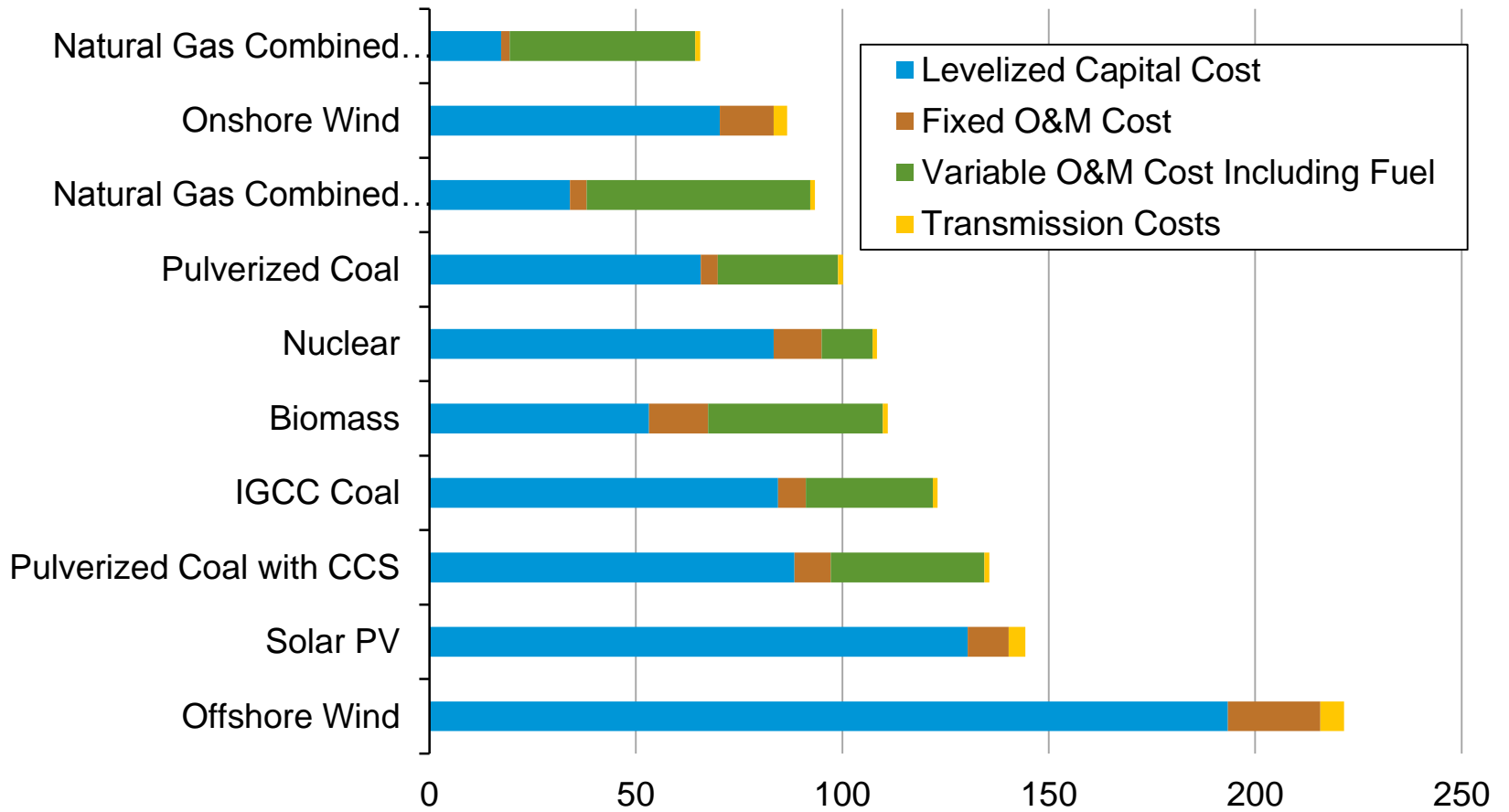
U.S. Natural Gas Consumption by Sector



— Residential — Commercial — Industrial — Electric Power

New power plant costs: levelized cost of electricity

costs for new U.S. electricity power plants in 2018
2011 dollars per megawatthour



Source: EIA, Annual Energy Outlook 2013

Reliability Pricing Model (RPM)

Locational Generation Capacity Costs

For Pepco Service Territory

Through the PJM **2016-17** Planning Year

Year	Clearing Price	Capacity Transfer Credit	Net Load Price	Clearing Price	Capacity Transfer Credit	Net Load Price
	(Dollars per MW Day)			(Cents per Kilowatt-Hour)		
2007-08	\$188.54	\$48.38	\$140.16	1.572	0.403	1.168
2008-09	\$210.11	\$29.53	\$180.58	1.751	0.246	1.50
2009-10	\$237.33	\$19.21	\$218.12	1.987	0.160	1.818
2010-11	\$174.29		\$174.29	1.453		1.453
2011-12	\$110.00		\$110.00	0.917		0.917
2012-13	\$133.37		\$133.37	1.111		1.111
2013-14	\$247.14		\$247.14	2.060		2.060
2014-15	\$136.50		\$136.50	1.138		1.138
2015-16	\$167.46		\$167.46	1.396		1.396
2016-17	\$119.13		\$119.13	0.993		0.993

Note: Each RPM Pricing Year runs from June 1 through the following May 31.