

MGE Talks Business

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Energy Trends

Natural gas prices remain high



New natural gas resources are harder to reach and cost more to drill than existing wells.

The sustained levels of high natural gas prices have made the winter of 2004-05 a budget challenge for businesses. Perhaps the only favorable news is that moderating temperatures eased the situation. In early November, MGE predicted energy bills could be, on average, 24% higher than last year. As of mid-January, that increase had eased to about 7%.

"We've been managing price risk for our customers with the tools that are available to us," said Jeff Keebler,

MGE's Fuels Procurement Director. "But the prices are driven by factors outside our control, such as weather, which drives demand."

The impact of weather has been evident on market prices. The NYMEX futures' prices for January were as high as \$9.90 per dekatherm on October 26 but moderated to \$6.21 by the end of December.

Prices have remained near that level since then, he said. "Because the market lacks the excess production

capacity of the early 1990s, the mere potential of an increase in demand can trigger sudden and extreme volatility," Keebler noted.

Demand is also driven by the use of natural gas as a clean fuel source to generate electricity. In Wisconsin, for example, natural gas use in power plants has increased fivefold from the early 1990s. Nationwide, use in power plants is predicted to increase by more than 50% by 2020.

The push to increase supply is affected by both market and political constraints. "Although drilling for natural gas is at record levels, most of the drilling is to replace gas from depleting wells, not bringing new supply to the market," Keebler noted. "New domestic sources are typically harder to reach and cost more to drill than historic sources, which also increases costs to consumers."

In the mean time, MGE's strategic policies help reduce vulnerability. MGE buys gas for storage during late spring and throughout summer to ensure adequate supplies. It helps to hedge against uncertain prices during November through March. About a third of our winter gas supply is acquired this way.

MGE uses a price-hedging strategy for another third of its gas purchases to further reduce vulnerability to extreme price swings.

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Hot Topics

New energy-saving resources at mge.com

The updated business section of mge.com offers an expanded library of energy management tools. Learn how to improve productivity and cut your utility bills with equipment and maintenance recommendations. The information you need to start your plan is all in one easy-to-use location.

New energy-saving Product and Maintenance Guides offer practical advice geared to busy facility managers, business owners and maintenance personnel. They're structured so you can find answers quickly, anytime you're online. Recommendations (and potential savings) are in three key areas:

- Operations and maintenance**
 Detailed steps to improve equipment performance for HVAC, lighting, motors and building shell. Includes recommended maintenance practices.
- Energy advice by business type**
 Compare your business to others in your industry. Sections include offices, hospitality industry, health-care, supermarkets, schools and small business.
- Equipment buyers' guides**
 Offers purchasing criteria for more than 50 technologies, from adjustable-speed drives to window film, centrifugal chillers to HID lighting. Includes links to manufacturers' Web sites.

To visit this new section of our Web site go to mge.com/bizenergy.

Online accounts provide value for business customers

An ever-increasing number of customers are discovering that using mge.com makes good business sense. "Nearly a thousand commercial customers have enrolled in an online account," said Brad Nordeng, MGE's Senior Web Project Manager.

Nordeng observed that the addition last spring of energy-use data and customer-consumption histories have been an important added value. "Since adding this service, commercial logins alone are up 109%," he added.

With an online account, access is as simple as clicking on the "MyAccount" button at mge.com.

"Having energy use information on the Web is very convenient for customers," Nordeng said. "You can bring up your account data at any time, 24 hours a day, seven days a week." For every service address listed in an MGE online account summary, there are buttons to click for viewing either account detail or energy-use detail.

You can even download the data from your online account for record-keeping purposes. Export options make it easy to use this data in a database or spreadsheet.

For more information, visit mge.com or contact an MGE Account Manager.

Natural Gas Energy Use for XYZ Business

Service Address: 127 Ivory Ln
Middleton, WI 53562

Account Number: 00000005

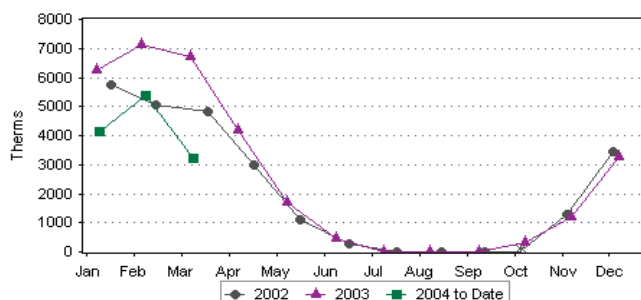
Meter Number: G000005, Warehouse Heat ([Change](#))

Rate Schedule(s): [GSD-2, FS-1](#) - Gas: Commercial and I

Select an Account or Meter

- Acct: 00000003, 125 Milan Pl
Meter: E000003
- Meter: E000013
- Meter: E000023
- Meter: E000033
- Meter: E000043
- Acct: 00000004, 124 Ivory Ln
Meter: E000004
- Acct: 00000005, 127 Ivory Ln
Meter: E000005
- Meter: G000005, Warehouse Heat

Yearly Natural Gas Use Data							
Billing Year	# Days	Total Therms	Monthly Therms Avg.	Htg Deg Days	High	Low	\$ Amount
2004	91	12,704	4,234.7	3,819	5,357	3,199	\$10,424.81
2003	369	31,292	2,607.7	7,482	7,116	11	\$24,190.61
2002	356	24,793	2,066.1	6,699	5,758	10	\$15,058.00



(Above) Online you can view detailed energy use data for any of your gas or electric meters. Also, up to three years of therm or kWh energy use and demand data is available online. (Left) Your account access enables you to see summary energy info and graphics for every meter under one account.

News Briefs

Cogeneration facility nears completion



The new cogeneration facility will provide steam for heating and cooling UW campus buildings and serve as a vital new source of electricity for our growing area.

Major construction is wrapping up at the West Campus Cogeneration Facility. We have moved rapidly from focusing on construction to preparing the natural gas-fired plant for commercial operation.

“The overall project is on schedule. We expect to begin producing power for the community in late spring,” said Don Peterson, MGE’s Executive Director of Energy Products and Services.

Commissioning the power plant will require various inspections and tests. These allow us to safely bring

the plant on-line. With a net capacity of 150 megawatts, the cogen facility will produce electricity for MGE’s service territory and provide heating and cooling to the UW-Madison campus.

The cogeneration process is fuel-efficient because it uses the residual thermal energy wasted in standard electrical power plants. It will be one of the cleanest power plants in the Midwest. MGE takes responsibility to plan for a reliable energy supply for today and tomorrow.

Blount Station achieves ISO certification

Blount Station, MGE’s 200-megawatt power plant, achieved ISO 14001 certification—an internationally recognized standard for environmental management systems (EMS).

Located just east of downtown Madison, Blount Station is the first power plant in Wisconsin to receive ISO 14001 certification.

“Earning ISO 14001 certification underscores our commitment to environmental stewardship,” said Gary Wolter, MGE’s Chairman, President and CEO. “Sound environmental management is a good business practice that improves efficiencies and reduces environmental risk.”

Blount earned certification following an independent, third-

party audit. ISO 14001 is a voluntary standard that identifies the key elements of an EMS. The objective is to integrate the EMS with a company’s overall business processes and systems. It establishes a permanent framework that calls for annual environmental goals and recertification every three years.

MGE and Blount have had an environmental management program for years. The company built on that program to establish an ISO 14001-based EMS and train all employees.

The EMS encourages employees to find better ways to perform day-to-day activities, set environmental goals and conserve resources.



Blount Station’s ISO 14000 certification underscores MGE’s environmental commitment.

Exploring renewable energy as your energy source

Have you wondered how your business could use renewable energy? Wisconsin's Focus on Energy program guides you through the steps to make clean and affordable renewable energy a part of your energy supply.

- **Learning** - Focus on Energy provides information about renewable energy system options, costs, financial incentives and can help find a dealer/system installer.

- **Assessing** - Will renewable energy work well at your site? Focus on Energy partners with local energy experts who visit and examine your site, then suggest a renewable energy system that works best for your location.

- **Deciding** - Even after learning about different renewable energy sources and having your site assessed, Focus on Energy can provide you with further technical assistance and professional advice in order to answer every question you have about renewable energy.

- **Financing** - Financial incentives are available to help reduce the cost of your renewable energy system. Whether you qualify for a Cash-Back Reward or an implementation grant, Focus on Energy can help lower the installation costs of a new system.

No matter where you are in the renewable energy decision-making process, a visit to the Focus on Energy Web site can

help provide the information you need. Visit focusonenergy.com or call 800-762-7077.



MGE installed solar systems to help students and customers learn about how solar energy works in our area. Pictured is the solar system on the Dane County Arena.

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Company Name _____
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Phone _____ Fax _____ E-mail Address _____

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*Important energy-related
news inside.*

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