

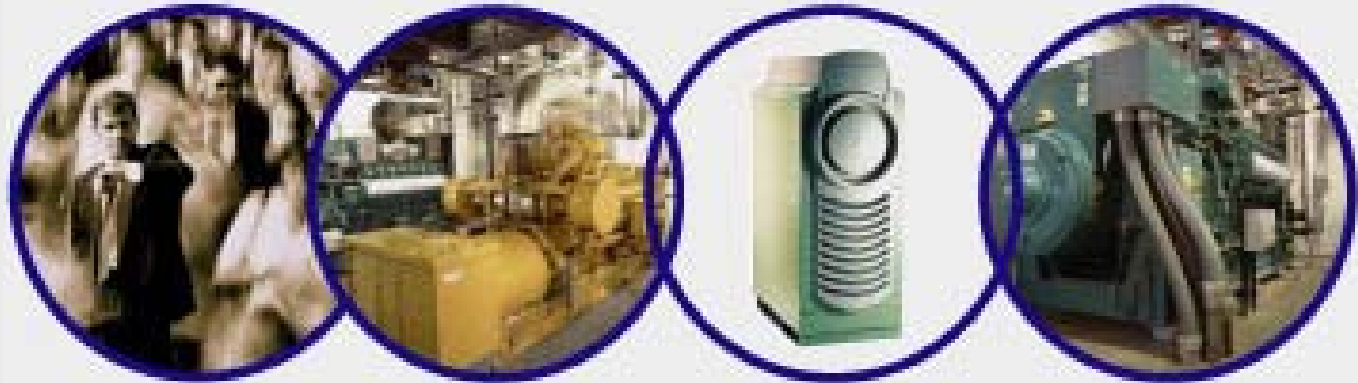


Natural Gas Industry DE Programs

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Utility Deregulation

- > Performance Based Ratemaking
 - Lower cost
 - Improve reliability
 - Improved performance results in higher returns
- > Significant Shift in Local Distribution Company (LDC) priorities
 - Increasing gas load no longer a top priority
 - Expect a similar shift in priorities for electric distribution companies
- > R&D, marketing, and incentive programs have declined

Scattered Support

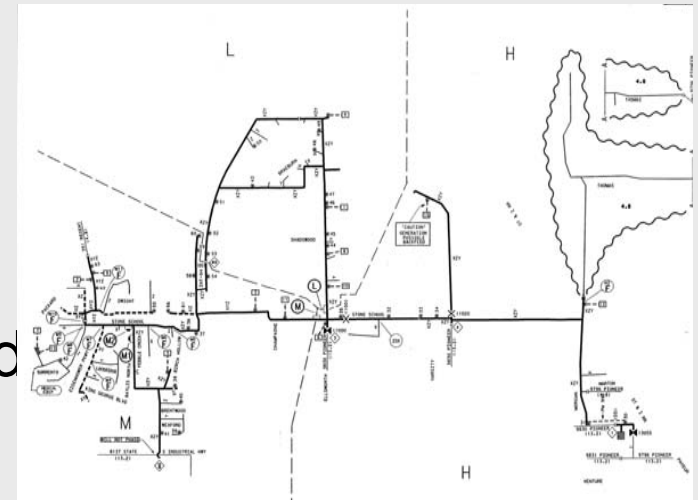
- > Several utilities offering incentives for DE on a case by case basis
 - Ask your local utility
- > Public Service Commissions stepping in
 - R&D funding
 - Incentives (ConEd, CA, LIPA)
 - Requiring that electric and gas utilities work together on load relief - Utah, NY, CA
- > As a minimum Utility customer relations can assist with customer contacts and information

Recognize Need to Partner Leverage Limited Resources

- > Future Grid
 - SCE, ConEd, First Energy, AEP, and GTI
- > Recycling Energy
 - USCHPA, IDEA, EMA, Primary Energy, and First Energy
- > DE Fund
 - Gas Utilities, CEC, and AEP
- > National Accounts
 - Gas Utilities, DOE, National Accounts, Developers, and Manufacturers
- > Packaged Plug and Play Systems

Future Grid

- > Paradigm Shift Occurring
 - Major urban constraints
 - Insufficient voltage support
 - Exelon announces major cuts to distribution expenditures
- > DOE “Card” Study Demonstrates Benefit to Grid
 - DE and EE could be utilized to reshape grid

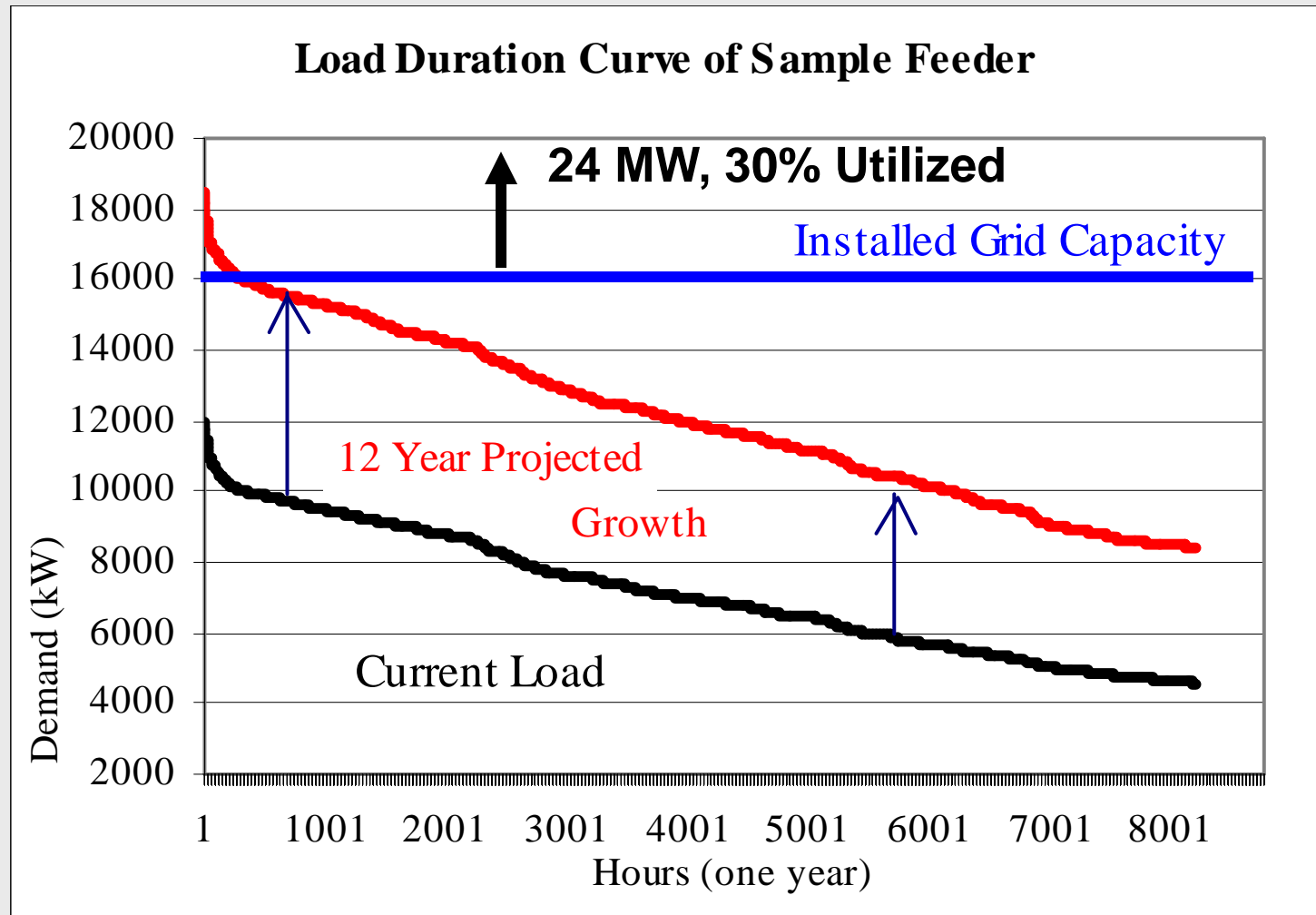


Actual feeder with actual customers

Card Phase I - Ann Arbor Circuit

Distributed Energy

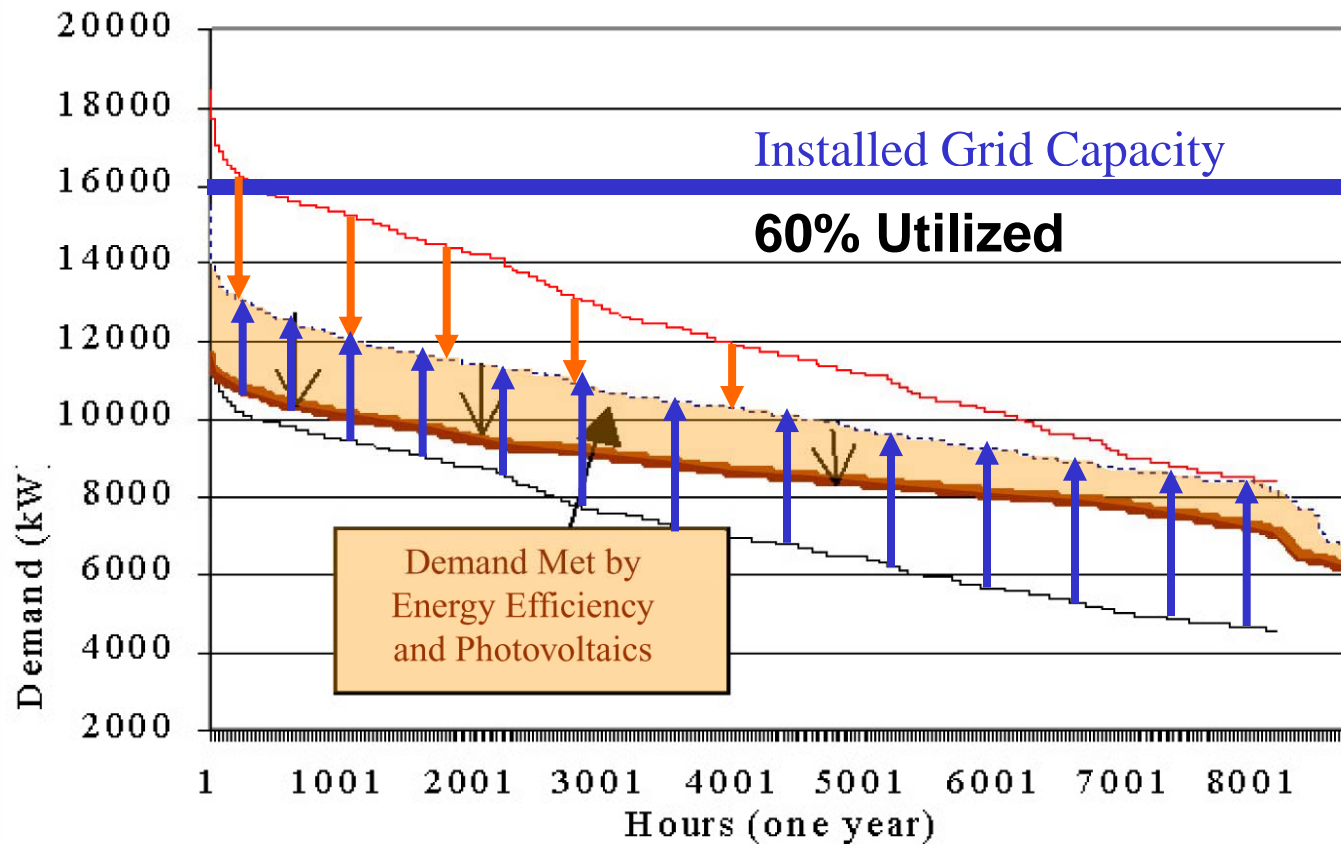
Consumer Benefits



DOE Card Study - Impact of CHP

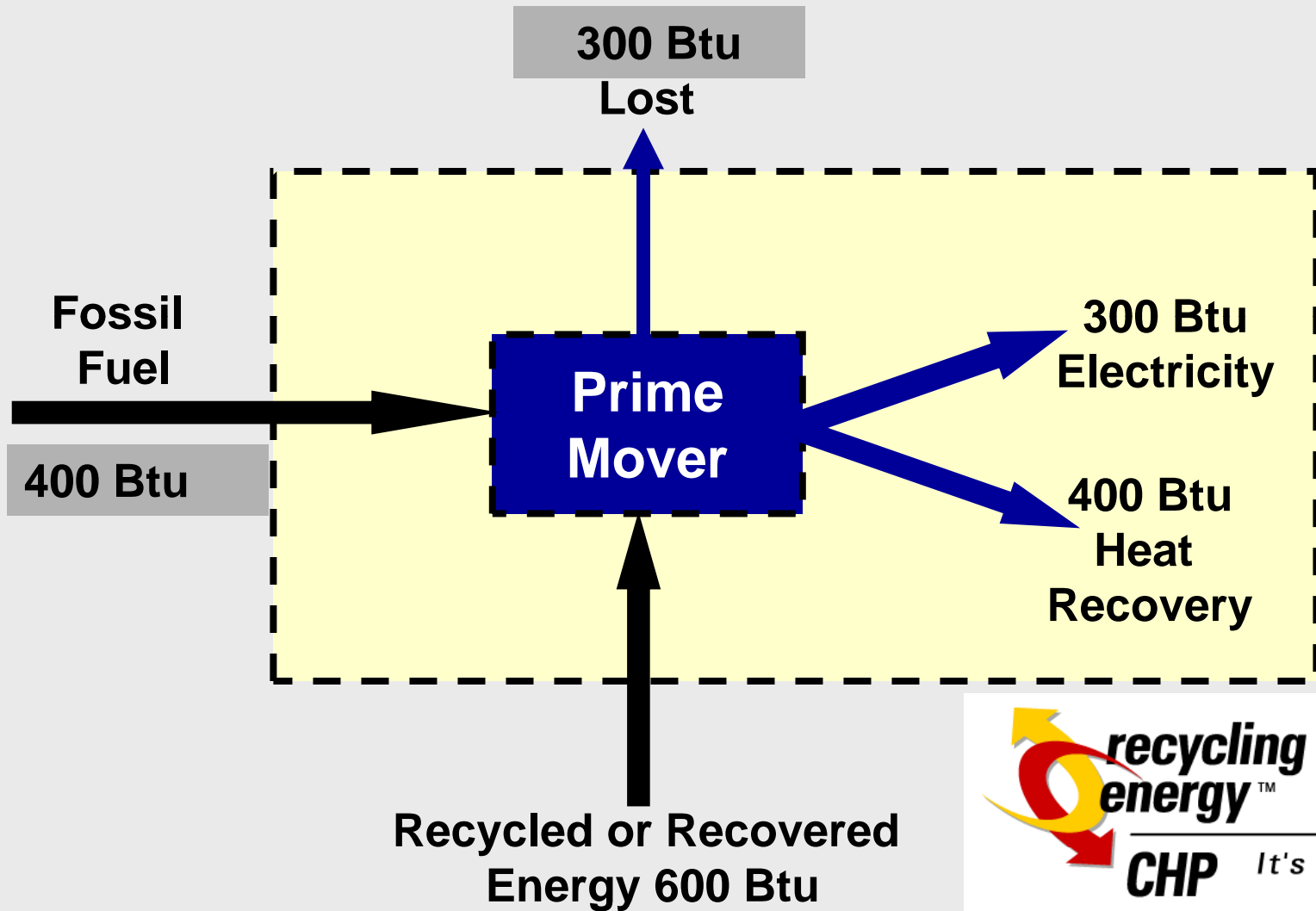
Consumer Benefits Distributed Energy

30% CHP – On Peak Only Operation



Recycling Energy Program

Distributed Energy
Consumer Benefits



DG Fund Security Program

- > Only “Nuclear Grade” Diesel Program Assures Operation, or
 - 50% of NY hospitals lost power
- > Distributed Energy Operating During “On-Peak” Periods
 - Uninterruptible power, heating, and cooling
 - > Schools, government buildings, hospitals, prisons, water filtration and pumping facilities, etc...
 - Without stranding the asset
 - > On-site power system provide an economic return

Imagine a City Where ...

- > Key Facilities have on – site cooling, heating, and power
 - Cooling and heating centers
 - Water and waste water
 - Schools
 - Police and fire
 - Hospitals
 - Key government buildings
 - Data centers and communications

National Accounts Program

- > GTI and AGA Partnership
 - Working closely with DOE
- > Assist NA with Integrating DE into their facilities
 - Standard designs, specifications, and deployment plans
- > Strategic Demonstrations
- > DE Intelligence

What to Expect Next

- > Increased regulatory support for DE
 - Special gas rates
 - Incentives
 - Waive standby charge and streamlined interconnect where DE support grid
- > Regional energy plans that incorporate DE
- > Tier II RPS which includes free fuel and CHP
- > New and improved products
- > Continued pressure to reduce distribution system costs and natural gas volatility

System Utilization

- > Opportunities for cost reduction are dwindling
- > System utilization will become an important tool for lowering costs
 - Increase flow through existing pipes and wires

Natural Gas

- Reduce winter peak
- Increase summer and shoulder month demand

Electricity

- Reduce daily peak
- Increase off peak demand

- > DE provides a possible solution for both electric and gas distribution companies
 - Flexible fuel may be a key to realizing this benefit