



**INDIANA
ENERGY**
ASSOCIATION

Winter Reliability Forum

Small Gas Companies

November 17, 2022



Customer Bill Trends

Significant market fluctuations continue to be the norm in 2022, not the exception

The NYMEX prompt month closed above \$3.00 only once in 2019 and 2020. It closed below \$3.00 as recently as June 2021. Prices began moving higher in July 2021, moving to a peak settlement for September 2022 at \$9.353. Then November 2022 settled at \$5.186.

- ▶ So how is this affecting small gas companies? These fluctuations are contributing to larger gas cost variances.
 - The GCA flex mechanism includes a \$1.00 cap designed to protect consumers from large market fluctuations.
 - Gas utilities are faced with a market that has moved up and down each month in 2022, from a low of \$4.024 in January to the high of \$9.353 in September.
- ▶ What does this mean for customer gas bills for the upcoming winter?
 - Small gas companies are expecting an increase of 15-40% over the same period last year, varying by company, mostly due to NYMEX market pricing increases.
 - Some of this increase is due to variances caused by the \$1 flex restriction, because of recovering an under-collection as prices rise.



Customer Bill Trends

How much is the variance contributing to gas costs?

Companies reported including for recovery GCA variances of \$0.20/Dth up to as much as \$1.32/Dth for this winter.

Conversely, not being able to reduce to market spot pricing in our flex filings could contribute to over-recoveries in months like Nov-22 where pricing dropped significantly from Sep-22.

Will this trend continue? What about hedging?

Based on the events of 2022, no one can predict when the volatility will go away. The US market continues to be affected by an increasingly global market. The market for future winters currently does seem to offer some pricing relief. Each company tries to protect our customers from volatility through our hedging programs, but it continues to be difficult to predict what will happen from one day to the next.

NYMEX Settlement History					
MONTH	2018	2019	2020	2021	2022
Jan	\$ 2.738	\$ 3.642	\$ 2.158	\$ 2.467	\$ 4.024
Feb	\$ 3.631	\$ 2.950	\$ 1.877	\$ 2.760	\$ 6.265
Mar	\$ 2.639	\$ 2.855	\$ 1.821	\$ 2.854	\$ 4.568
Apr	\$ 2.691	\$ 2.713	\$ 1.634	\$ 2.586	\$ 5.336
May	\$ 2.821	\$ 2.566	\$ 1.794	\$ 2.925	\$ 7.267
Jun	\$ 2.875	\$ 2.633	\$ 1.722	\$ 2.984	\$ 8.908
Jul	\$ 2.996	\$ 2.291	\$ 1.495	\$ 3.617	\$ 6.551
Aug	\$ 2.822	\$ 2.141	\$ 1.854	\$ 4.044	\$ 8.687
Sep	\$ 2.895	\$ 2.251	\$ 2.579	\$ 4.370	\$ 9.353
Oct	\$ 3.021	\$ 2.428	\$ 2.101	\$ 5.841	\$ 6.868
Nov	\$ 3.185	\$ 2.597	\$ 2.996	\$ 6.202	\$ 5.186
Dec	\$ 4.715	\$ 2.470	\$ 2.896	\$ 5.447	

2018 – High to low difference = \$2.076
 2019 – High to low difference = \$1.501
 2020 – High to low difference = \$1.501
 2021 – High to low difference = \$3.735
 2022 – High to low difference = \$5.329



Other States Impact Potential

Could another winter storm or an operations issue in another state affect small gas companies in Indiana?

Some small gas companies have multiple interstate feeds into their systems, but some have single interstate interconnections feeding parts of their systems. An interstate pipeline outage for an extended period could be detrimental to our ability to serve.

- ▶ Generally, each company utilizes interstate contracts for service and a supply manager to assist with scheduling and balancing.
 - These contracts provide firm service up to reserved capacity.
 - Many of the small companies rely on pipeline storage, so we are reliant on the pipeline's ability to provide service.

- ▶ Could February 2021, or something with the same effect, happen again?
 - Cyber attacks, physical attacks, actual issues at the point of supply, or interstate pipeline outages remain concerns for all companies.
 - We all believe we learned some things we could do, on a limited basis, to address an issue like Winter Storm Uri in 2021. Getting supply was not the issue in February 2021. Interstate pipelines serving Indiana proved to be reliable. The issue was the price some companies had to pay for that supply.



Other States Impact Potential

In the case of a pipeline or supply problem, what can be done to increase coordination among natural gas companies and mitigate structural and operational discontinuities?

Generally, the IEA small gas companies operate within their own territories, and as a result, have their own interconnections with interstate transmission pipelines and no connections to other Indiana utilities. Unfortunately, there may not be many things other companies could do to assist in times of operational discontinuities.



Storage Levels

Have there been any issues maintaining storage levels or any supply chain issues in procuring fuel?

All small gas companies have reported they are entering the winter season with storage at targeted levels.

None of the companies have reported any supply chain issues in their procurement practices for natural gas supply.



Any Questions?

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