



MO PSC HEDGING PRACTICES WORKSHOP
File No. EW-2013-0101

SUMMIT NATURAL GAS OF MISSOURI

Presented by:

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I. GENERAL DISCUSSION

- Goals
- Current Natural Gas Supply Environment
- Approach

II. GAS SUPPLY STRATEGIES

- Requirements
- Existing Contracts
- Supply Hedging Plan

Goals

- Secure Peak Day Reliability
- Avoid Propane Pricing Pressure
- Capture Lowest Price Consistent with Reliability Requirements
- Ensure Price Stability for Ratepayers
- Support Regulatory Compliance

Current Natural Gas Environment

- Supply > Demand
- Current Prices are Attractive
- Shale Gas is a Game Changer – Large Resource with Low Extraction Costs
- Expected Long-term Supply-Side Abundance is Maintaining Bear Market Sentiment
- Historically Low Prices = Good Time to Buy 2012-2013; however, No Imminent Upside Pressure to Pricing Anticipated
- Natural Gas Prices lower than Propane Prices

NYMEX Natural Gas Futures Daily Settlement Prices (\$/Dth)



Approach

- Determine Requirements
- Confirm/Secure Transportation Pathways
- Plan Supply Procurement
- Ensure Regulatory Compliance

Requirements

- **Peak Day Requirements — Based on 30 Year Maximum HDDs**
 - Gallatin: 1,861 Mcf
 - Warsaw: 1,767 Mcf
 - Rogersville: 13,008 Mcf
 - Branson 1,227 Mcf
 - **Total Peak Day: 17,863 Mcf**

Requirements

■ Winter Season Requirements (Mcf)

HDD:	(-2 Std Deviations)	(30 Year Normal)	(+2 Std Deviations)
	<u>Warmer</u>	<u>Normal</u>	<u>Colder</u>
Gallatin:	80,965	117,160	153,355
Warsaw:	64,617	86,342	108,068
Rogersville:	553,723	794,472	1,035,220
Branson:	<u>101,171</u>	<u>124,952</u>	<u>148,734</u>
Total:	<u>800,476</u>	<u>1,122,926</u>	<u>1,445,377</u>

Existing Contracts

- ***Supply: All Rate Areas***
- Existing NAESB Contracts:
 - Anadarko Energy Services
 - BP Energy
 - CenterPoint Energy
 - Concord Energy
 - Enbridge Marketing
 - Seminole Energy

Existing Contracts

- ***Transportation: Gallatin***
- **ANR Pipeline Storage**
 - Max Daily Transport Quantity (MDTQ): **900 Dth**
 - Max Daily Withdrawal Quantity (MDWQ): **1,100 Dth**
 - Max Daily Injection Quantity (MDIQ): **1,100 Dth**
 - Max Storage Quantity (MSQ): **55,000 Dth**
 - Must have 11,000 Dth or less in ANR Storage by April 1 of each year
- **ANR Pipeline Firm Transportation**
 - Maximum Daily Quantity (MDQ): **600 Dth**

Existing Contracts

Transportation: Warsaw, Rogersville, Branson

- **Southern Star Firm Transportation (Daily Capacity)**
 - **Production Zone: 10,000 Dth**
 - **Market Zone: Rogersville 10,100 Dth**
 - **Market Zone: Rogersville 5,000 Dth**
 - **Market Zone: Branson 5,000 Dth**
 - **Market Zone: Warsaw 2,400 Dth**
- **Star Storage**
 - **Max Storage Quantity (MSQ): 300,000 Dth**
 - **Max Daily Injection Quantity: 2,250 Dth**
 - **Max Daily Withdrawal Quantity: 3,000 Dth**

Supply Procurement: Gallatin

Nov-Mar: Forecast = 117,160 Mcf



Pricing Structure	Hedge Percent	Goal Achievement
Fixed Price	33 %	<ul style="list-style-type: none">- Secure Reliability- Competitive with Propane- Low Price- Price Stability- Regulatory Support
<u>Index (FOM/Daily)</u> During Apr-Oct delivered to Storage	47 %	<ul style="list-style-type: none">- Low price by capturing Summer Market Pricing for Nov-Mar delivery- Known Price for Winter
Daily Index	20 %	<ul style="list-style-type: none">- Market Pricing- Load Management- Minimize Balancing Costs

Supply Procurement: **Warsaw/Rogersville/Branson**



Nov-Mar: Forecast = 1,005,766 Mcf

Pricing Structure	Hedge Percent	Goal Achievement
Fixed Price	45 %	<ul style="list-style-type: none">- Secure Reliability- Competitive with Propane- Low Price- Price Stability- Regulatory Support
<u>Index (FOM/Daily)</u> During Apr-Oct delivered to Storage	15 %	<ul style="list-style-type: none">- Low price by capturing Summer Market Pricing for Nov-Mar delivery- Known Price for Winter
Daily Index	40 %	<ul style="list-style-type: none">- Market Pricing- Load Management- Minimize Balancing Costs



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