



Natural Gas Services

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Natural Gas Services

- There is no magic bullet, but there are options
- Customers will always pay utility distribution charges.
- The ability to budget for price certainty exists.



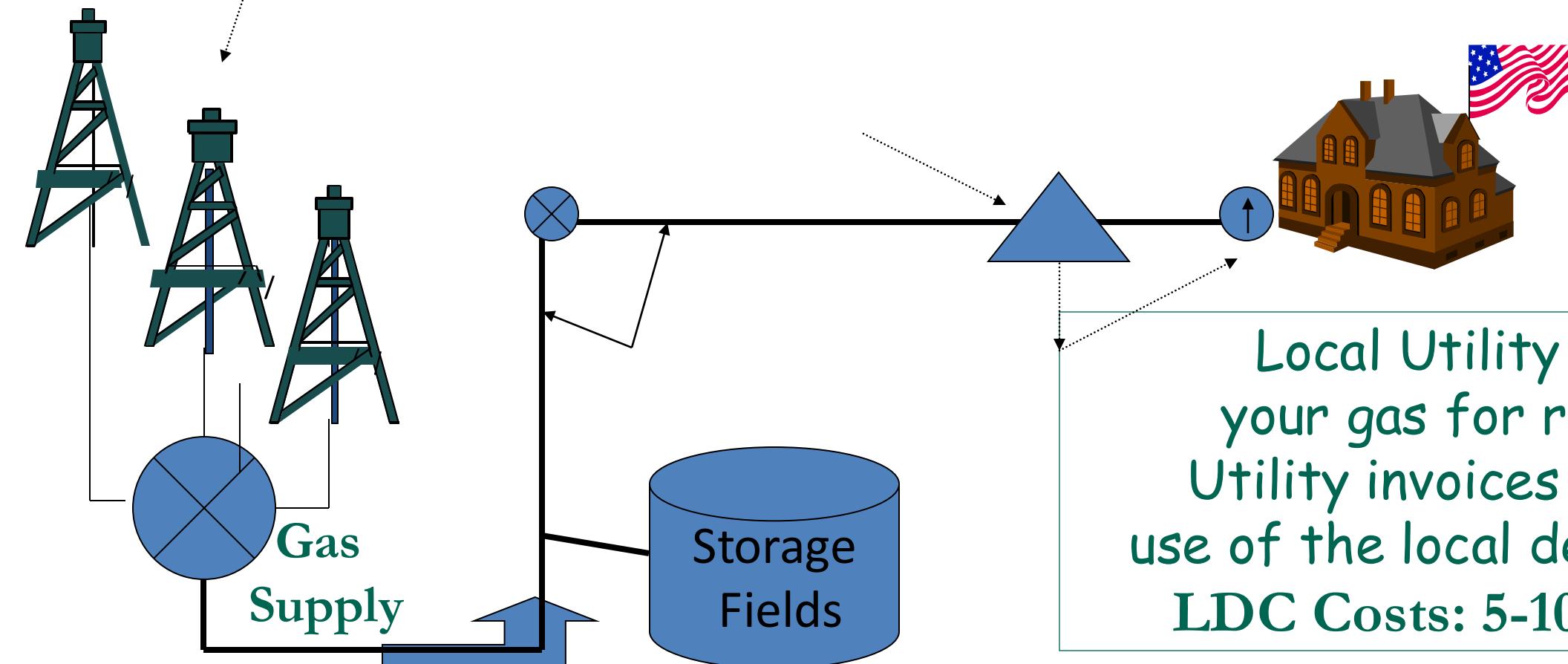
How are Savings Achieved?

- Actual purchase of gas
- Gas transportation costs
- Utility price versus transportation price
- Market fluctuations
- Price “lock” or “fix”
- A combination of weather and market determines the savings in any given year
- Note: Utility distribution charges remain

Natural Gas Services

Commodity Savings (NYMEX): 80-90% of total cost

Marketer delivers gas to City Gate Station. All "upstream" service including daily and monthly balancing services.



Interstate Pipeline Savings
Basis: 5-10% total cost

Utility Pricing

- **PRO** – Better at hedging
- **PRO** – In turn, utility pricing has gotten somewhat competitive with transportation pricing

- **CON** – Uncertainty with budget
- **CON** – Exposure to market forces

Defining Natural Gas Transportation

System Supply Utility Customer

- Purchased by the utility
- Transported by the utility
- Distributed by the utility
- Maintained by the utility
- Billed by the utility

Transportation Customer

- Purchased by the marketer
- Transported by the marketer
- Distributed by the utility
- Maintained by the utility
- Billed by both



Transportation

In the months where price is not locked, the NYMEX index price is used.

- **PROs** – price certainty, could be cheaper than the utility, ability to lock at any time, ability to lock over any term (winter months), ability to lock 100% or incremental volumes
- **CONs** – lock at a price and the market prices drop, pipeline capacity may not exist

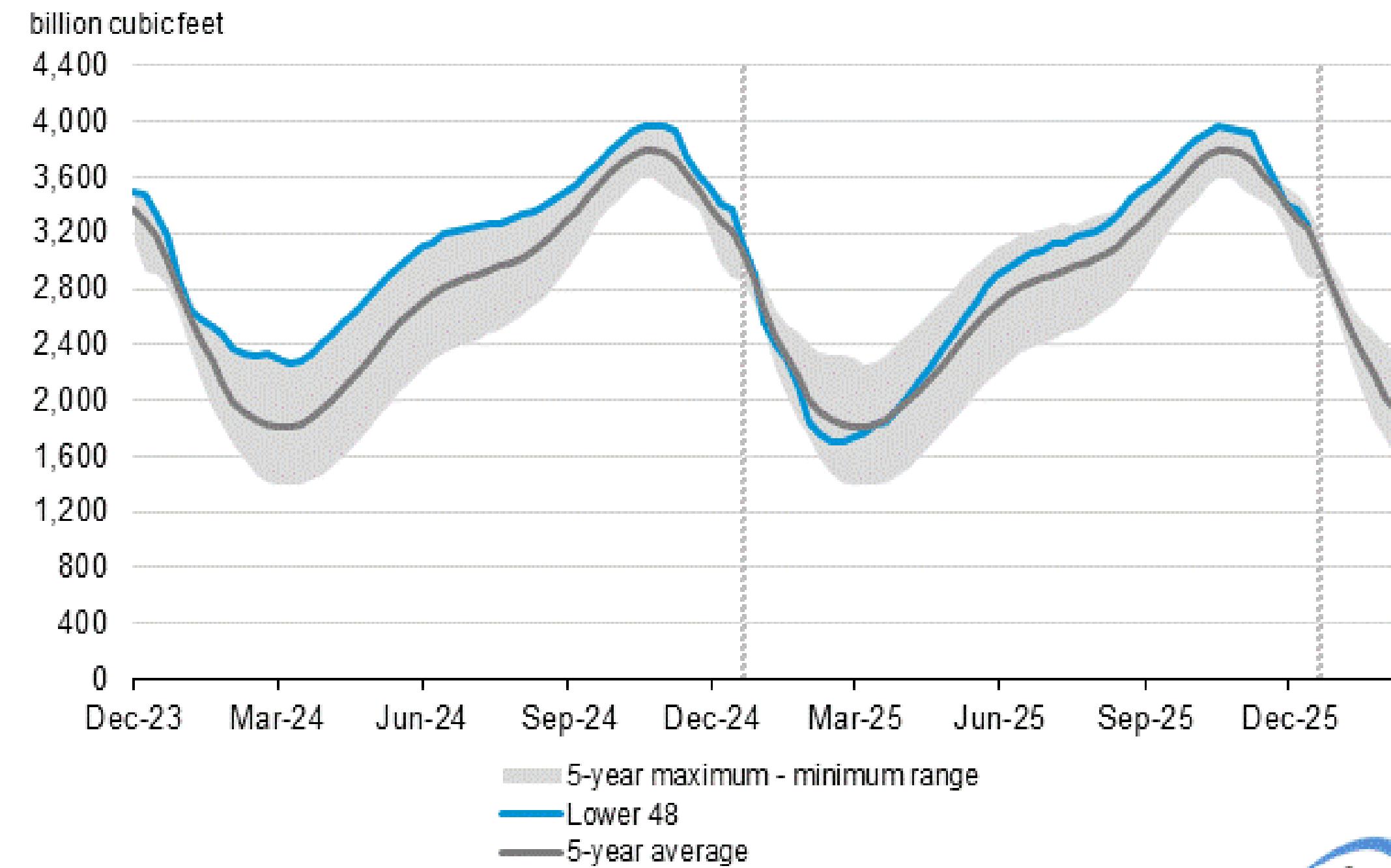
CESA 10 Performance

- Winter months transportation costs versus utility costs – average savings of approximately 10%
- Most of the savings is in the winter months (heat load – schools)
- “Certainty” versus “Beating the utility price”
- Rate analysis with utility history



Natural Gas Services

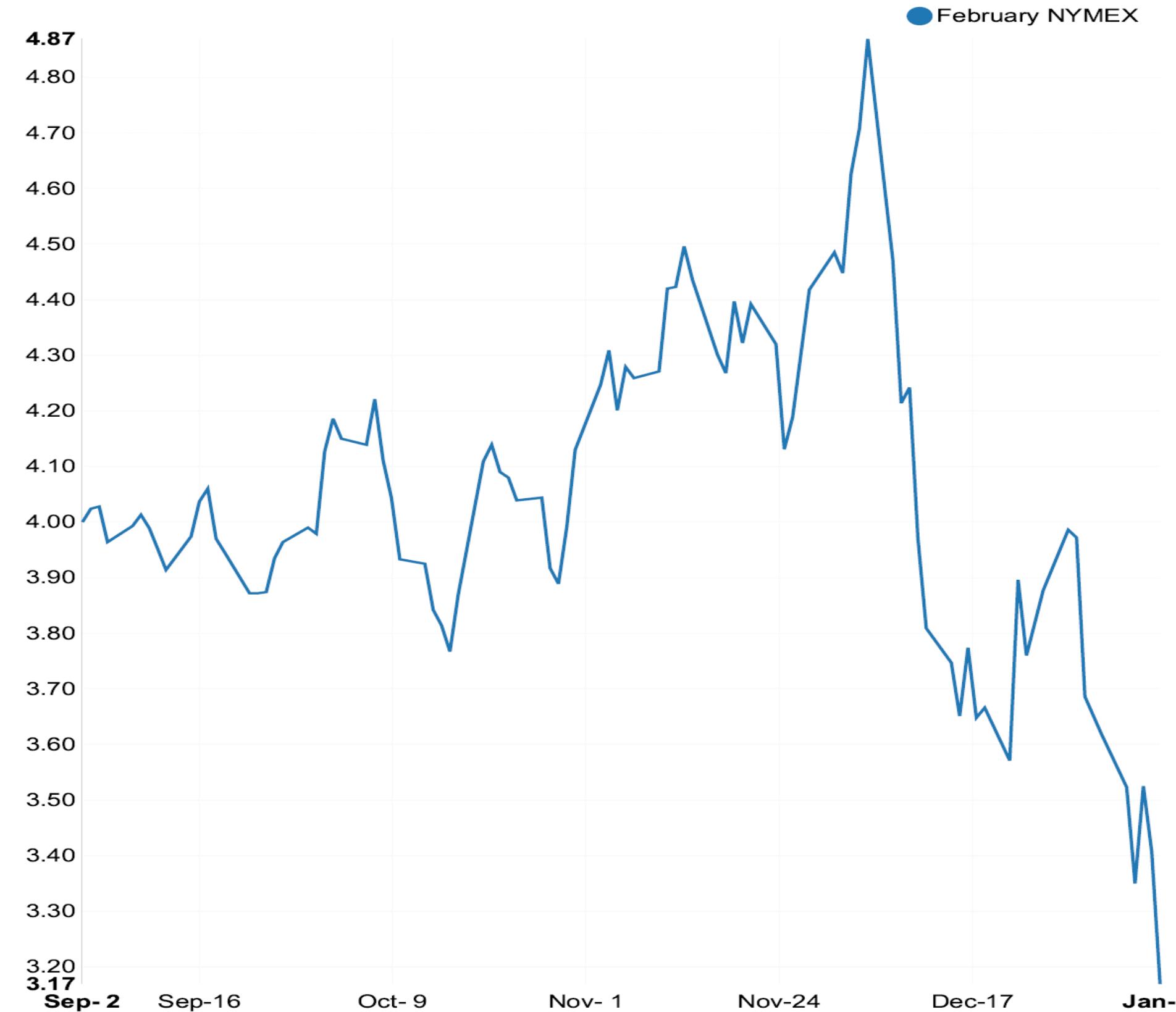
Working gas in underground storage compared with the 5-year maximum and minimum



Data source: U.S. Energy Information Administration



Natural Gas Services





Conclusion

Program

- Transportation – real volumes, pipeline capacity

Market Uncertainty Issues

- Fundamentals – supply and demand (data centers), storage, LNG export increase
- Power Generation – coal & nuclear, legislation

Develop a Strategy

- Natural Gas Price – certainty & budget
- Natural Gas Use – conserve & manage

Questions?



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