



Annual Hedge Plan Update Meeting

June 23, 2022, 9:00 AM to 10:00 AM

Presenters: Devin McGreal

In attendance: Devin McGreal, Ashton Davis, Eric Wood, Carolyn Stone, Art Gelber & Daniel Meyers (Gelber & Associates)

Minutes: Carolyn Stone

Devin started out the meeting by presenting today's **Agenda** as follows:

1. The first ½ of the meeting will be spent going over the **Annual Plan draft** and discussion of any updates needed.
2. The second ½ Devin would like to discuss the contents of the hedge guidance, where it shows buying for winter season. Buying is risky now; prices are too volatile. He would like the group's thoughts on doing a **potential Call Option** for the winter season, the costs, benefits, and to document the conversation.

QUESTION: Devin asked Ashton when the PGA should be filed?

ANSWER: Ashton explained that the deadline is September 30, but it should be ready by September 15. Since the 30th is the deadline, Ashton recommends aiming for Sep 15.

Agenda Item #1: Review Draft of Annual Plan

Section 1 – Program Goals

- Devin explained that program goals will remain the same, but some dates have been changed.
- If he has referenced the old plan anywhere, he asked the group to let him know to let him know and he will make changes.
- Staff conversation on the Retrospective Report and 2019 guidance from the Commission is referring people to the Appendix here.

Section II – Organization Structure

- Devin said Mark will review at this section to make sure all titles are still the same.

Section III – Hedge Program

- The figure showing the hedge ladder has been updated.
- The Mark to Market snapshot has been updated.
- The Monthly Guidance, Trade & Execution section has not changed.

Section IV – Material Changes to the Hedge Program

- The only major change was the increase in max in Year 1 and 2 from 20 and 30% to 40 & 50%.

- Devin pointed to the highlighted paragraph on RNG. He explained that Renewable Natural Gas (RNG) will become a part of the Annual Hedge Plan. We will have to acquire this resource more aggressively. Many of these acquisitions will be hedges.
- Devin said the RNG project that is currently being worked on is at a 100% fixed price. The resource cost is fixed based on our expenses.
- He suggested the group may need to meet in 2023 to discuss how to value these transactions. He said they cannot be valued in the same way we value current hedges, and we may need to add environmental attributes.
- Devin asked the group to review this and provide Feedback. Devin thinks it is important to “T” this up to commission staff, that we are thinking about this and asked the group what their thoughts on this were....?
- Eric said he had nothing to add. He said it will be important in the future but won’t produce significant volume.
- Devin said in reply that eventually ½ the volumes of our portfolio going out in the future could be RNG, so this is really for the future.
- Eric said he is “skeptical” of the optics of 100% RNG.
- Devin asked, if not this, then what? In Oregon, it has been codified to get emissions down.
- Daniel stated that this is a new concept and not widely discussed yet, but producers that certify their gas, affects their emissions profile. We may be interested in the certification avenue.
- Devin said he was not familiar with this.
- Carolyn stated that there was a presentation by a company that certifies gas in the last NAESB conference call. She offered to send the presentation to everyone.
- Devin said he was very interested in learning more about this and asked Carolyn to send that presentation.
- Devin asked how much this type of gas is?
- Daniel said the difference is in cents rather than dollars. RNG will be expensive.
- Devin said this was very interesting information. He said we follow California and wondered what they were doing...?
- The value is not tied to mark to market - RNG

Section V – 2022 HEP Meeting and Final Recommendations

- The table in this section has been updated, along with the targets
- Devin, directing conversation to Gelber & Associates, said that the paragraph under the “Hedge Calculation Table” chart, shows discussion of the use of financial instruments going forward.

Section VI – Data Driven Hedging

- Devin said there were no changes to this section.

Section VII – Procurement Strategies

- Devin asked Eric to look at this section, to see if any changes were needed.

Section VIII – Retrospective Report of 2021

- Devin noted here that the chart, Figure 10 – Hedged vs Plan is in “greyscale”. He said this is because it is confidential.

Section IX – Market Summary

- Devin said to Gelber & Associates to provide updates here if needed and any insights on this section.

Section X – Conclusion

- Devin said this section references the appendix for mark to market information.

Devin concluded this Agenda item with a list of action items as follows:

- Eric and Devin will work on the Retrospective specifically reasons for deals.
- Devin will complete the compliance matrix.
- Devin asked, if there are changes to any of the narratives needed, can he get those today.
- A second draft will be produced by Devin in a week or 2.
- There is one more meeting before the July target.
- There will be no senior management presentation. Devin said the presentation will be distributed to them only, for feedback.

Agenda Item #2: Discussion of Call Option

Devin requested an open forum chat regarding the possibility of purchasing a Call Option for winter supply:

- Devin stated the argument in favor of this is that we still have volumes we want to hedge for the 2022/2023 season and have opportunities to hedge in 2023.
- He said there may be risk-based options for execution in the upcoming heating season.
- Devin said he talked to Mark about looking for a call option increasing upward price mitigation, lessening downside exposure.
- Daniel said Last year Gelber & Associates were happy to do the call purchase but...
 - The market rationale is "spot on". It seems useful but we've been running into expensive call option premiums!
 - Daniel went on to say, price volatility is implied on the curve. Nymex options are up \$2 on the \$ - so a painful proposition now. Deterrents exist, but that is not a reason not to discuss this with some of the counterparties.
- Devin said, in theory this is good, but in practice...?
- Eric said that the last time an option was purchased, it was a challenge and given the current volatility he feels it would be more challenging now.
- Devin asked if Eric could talk to counterparties to see if there is availability.
- Eric said he would.
- Devin said if you would be willing to look at the Henry Hub price for documentation purposes if nothing else. Having it documented is important. Even if the answer is no, the conversation is good.
- Art said pricing outcomes are important.
- Devin said \$2-\$3 premium?
- Art said the market is volatile.... lots of risk can argue for the other side. It depends on the market movements. As time goes on and we get closer to winter, the premiums decrease. There is risk in guessing and making quick decisions.
- Devin said there is a potential upside, higher than \$10, downside close to \$2, but the upside could be \$14. Devin suggested the group reconvene when there is an offer.
- Art said liquidity will be difficult – challenging.
- Devin said this is good information. We'll get parts for the hedge plan and look at a close to final document. Devin is looking forward to hearing from Eric on discussions with counterparties.

Art asked when members of the group will be unavailable this summer:

- Eric stated he will be gone for a week in mid-July.
- Devin said he will be out the first week in August.
- Art then announced that Daniel is leaving the firm and his last day is in June! There will be new people involved with Cascade's account.
- Daniel stated that he enjoyed working with Cascade on this program and said we will be in good hands for the future!

Devin thanked everyone and the meeting was adjourned