



Gas Hedging Update

Open Session

August 9, 2023

Overview



- Summary of Tasks Completed
- Assessment of Pilot Transactions
- Recommendations
- Next Steps

Summary of Tasks Completed



- Finance Dept led update of BPUB Investment Policy.
- Board resolutions and Energy Risk Management Policy modifications were approved by Board.
- Energy Risk Management group led initial ISDA contracting.
 - Shell Energy North America
 - Tenaska Power Services
- Draft Gas Hedging Guidelines have been developed.
- Three pilot gas hedges have been executed.
 - June 22-30, 1500 MMBTU/Day
 - July 1-31, 5000 MMBTU/Day
 - August 1-31, 10,000 MMBTU/Day

Purpose of pilot transactions is to gain experience on a small scale and confirm our understanding of pricing, settlement process, accounting issues, and needed internal procedures.

Assessment of Pilot Transactions



■ Summary

- Pilot transactions are behaving exactly as we expected.
 - Daily pricing mechanisms between hedges and underlying gas contracts match.
 - Tracking and projection of hedge settlement matches that of counterparties.
 - Settlement values fall in range of model-based estimates.
- We are confident we can successfully manage the gas hedging program.
- We recommend fully implementation of the gas hedging program, starting slowly at first.
- It will be important to monitor effectiveness and cost of the program versus risk management benefits.