Report to the LIPA Finance and Audit Committee
May 18, 2022

Power Supply Hedge Update
PSEG Energy Resources & Trade
Agenda

- Hedging Is Prudent – What Is Driving Natural Gas Prices
- Hedging Is Prudent – The Summer Weather Forecasts
- Hedging Is Prudent – Power Supply Charge vs. Market
Hedging Is Prudent – What Is Driving Natural Gas Prices

Recent Henry Hub Natural Gas Prices and Natural Gas Rig Count

Back in 2019
- Low storage pre winter ‘18/’19 led to increased drilling
- Normal winter ‘18/’19 / summer ‘19
- Storage better than 5 yr. avg. going into winter ‘19/’20
- Producers began to reduce drilling activity
- Dutch TTF $ 7.39/dth Jan’19 (~$4 premium to Henry Hub)

Source: NYMEX and US EIA
Hedging Is Prudent – What Is Driving Natural Gas Prices

2020 Brought
- Mild winter ‘19/’20
- COVID-19 reduces demand
- Producers reduce drilling

Source: NYMEX and US EIA
Hedging Is Prudent – What Is Driving Natural Gas Prices

Mid ‘20 – ’21 Brought
- Summer ‘20 was warm
- Winter ‘20/’21 was cold
- Economic rebound ’21
- Modest drilling rebound

Source: NYMEX and US EIA
Hedging Is Prudent – What Is Driving Natural Gas Prices

Late ’21 / Mid ’22 Brought
- Avg. pre-winter storage
- Continued labor shortage
- Recent increase in drilling
- Fear cold winter ‘21/’22
- Cold Jan ’22
- Fear Ukraine / Russian war
- Inflation fears

Recent Henry Hub Natural Gas Prices and Natural Gas Rig Count

Source: NYMEX and US EIA
Hedging Is Prudent – What Is Driving Natural Gas Prices

Uncertainty Going Forward
- War in Europe
- Dutch TTF (~$25 premium to Henry Hub)
- US natural gas drilling
- Inflation / recession
- Low post winter storage levels
- Summer ‘22 weather

Recent Henry Hub Natural Gas Prices and Natural Gas Rig Count

Source: NYMEX and US EIA
Hedging Is Prudent – The Summer Weather Forecasts

So the summer will be **average** here in the Northeast.. And above average in the Dakotas
Hedging Is Prudent – The Summer Weather Forecasts

Or... the summer will be above average here in the Northeast and Rockies. Texas and California will have equal chances of everything.
Hedging Is Prudent – The Summer Weather Forecasts

Sorry, I meant California is scorching, Texas is broiling and the Northeast will be warm. We have a disciplined process to hedge that does not rely on weather forecasts or pundits.
Our hedging activity has led to a continuing decline in customer’s price volatility with current volatility levels substantially below wholesale spot market results.

PSC pre 1/1/2017 adjusted up by 2.5 cents/kwh associated with transfer of capacity costs