Report to the LIPA Finance and Audit Committee
November 16, 2022

Power Supply Hedge Update
PSEG Energy Resources & Trade
Agenda

• Hedging Is Prudent – What Is Driving Natural Gas Prices
  • What We Said In May / What’s Happened Since Then
• And The Upcoming Winter Weather Will Be...
• LIPA’s Hedge Plan Represents An Industry Best Practice
• Hedging Is Prudent – Power Supply Charge vs. Market
Hedging Is Prudent – Uncertainties From May Trustee Meeting

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

Source: NYMEX and US EIA
Since The May Trustee Meeting, We Have Witnessed Very Volatile Henry Hub 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

Source: NYMEX
Since The May Trustee Meeting, European Gas Prices Increased Due To War, Their Storage Is Now Full For Upcoming Winter

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

Source: StoneX; Dutch TTF = Dutch Title Transfer Facility in the Netherlands, Similar to European version of Henry Hub
Since The May Trustee Meeting, US Gas Production Has Continued To Increase

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

Source: StoneX and US EIA
Since The May Trustee Meeting, US Natural Gas Storage Has Caught Up To Seasonal Norms

Uncertainty Going Forward
- War in Ukraine
- Dutch TTF (~$25 premium to Henry Hub)
- US natural gas drilling
- Inflation / recession
- **Low post winter storage levels**
  - Summer Winter’22/’23 weather

Source: StoneX and US EIA
And The Upcoming Winter Weather Will Be...

Temperature Outlook December - February

The Weather Company
October 13, 2022
And The Upcoming Winter Weather Will Be...

2022-2023 WINTER FORECAST REVEAL!

THE OLD FARMER’S ALMANAC
And The Upcoming Winter Weather Will Be...

**2022-23 WINTER OUTLOOK**

*Shake! Shiver! Shovel!*

- **Brisk Normal Precipitation**
- **Hibernation Zone Glacial, Snow-Filled**
- **Mild Drier than Normal**
- **Unreasonably Cold Snowy**
- **Chilly Normal Precipitation**
- **Shivery, Wet & Slushy**
- **Significant Shivers Slushy, Icy, Snowy**
And The Upcoming Winter Weather Will Be...

Seasonal Temperature Outlook

Valid: Dec-Jan-Feb 2022-23
Issued: October 20, 2022

The Weather Company
October 13, 2022
Hedging Is Prudent – Weather Is The Biggest Near Term Uncertainty

Recent Henry Hub Natural Gas Prices

- **Forward Prices As Of October 21, 2022**
- **Forward Prices As Of November 5, 2022**
- **Forward Prices As Of August 22, 2022**
- **Settled Henry Hub Prices**
LIPA’s Hedge Plan Represents An Industry Best Practice

Key Takeaways –

LIPA Plan
Representative of Industry Best Practices

- Hedge Methodology
  Combination of Historic Pricing and Time-Driven components – position LIPA well in varying market scenarios

- Hedge Horizon and Volume Parameters
  Hedge Horizon – Max 4-year Horizon window with Hedge Volume % range at ~50%/85% allows LIPA to take advantage of Historical Value and requires minimum coverage in markets above Value

- Hedge Plan Compliance
  LIPA’s methodical Hedge Strategy and discipline to plan execution over the long-term sets the Authority in StoneX’s client pool top 10%

- Benchmarking/Plan Performance
  LIPA’s Plan results continue to Reduce Volatility, Protect against Catastrophic Markets and Minimize Ratepayer Exposure
Our hedging activity continues to limit customer’s price volatility with current volatility levels substantially below wholesale spot market results.