

# 2021-2022 Hedging Technical Conference

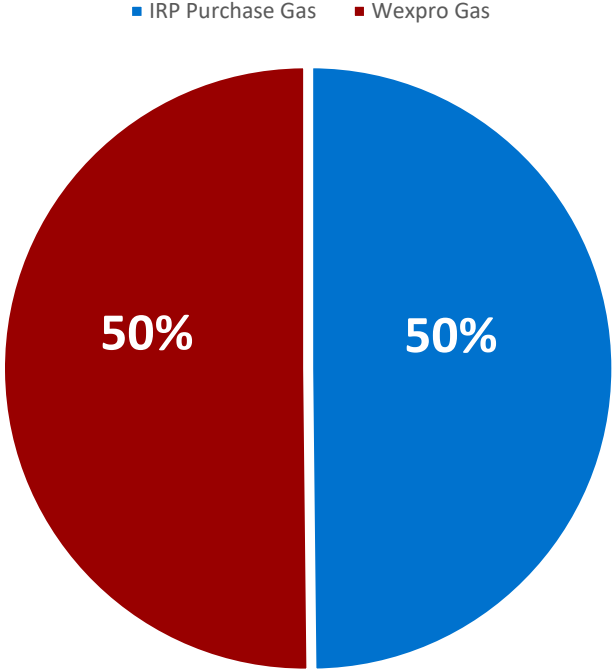
## September 22, 2021



**Dominion  
Energy<sup>®</sup>**

# Supply Breakdown

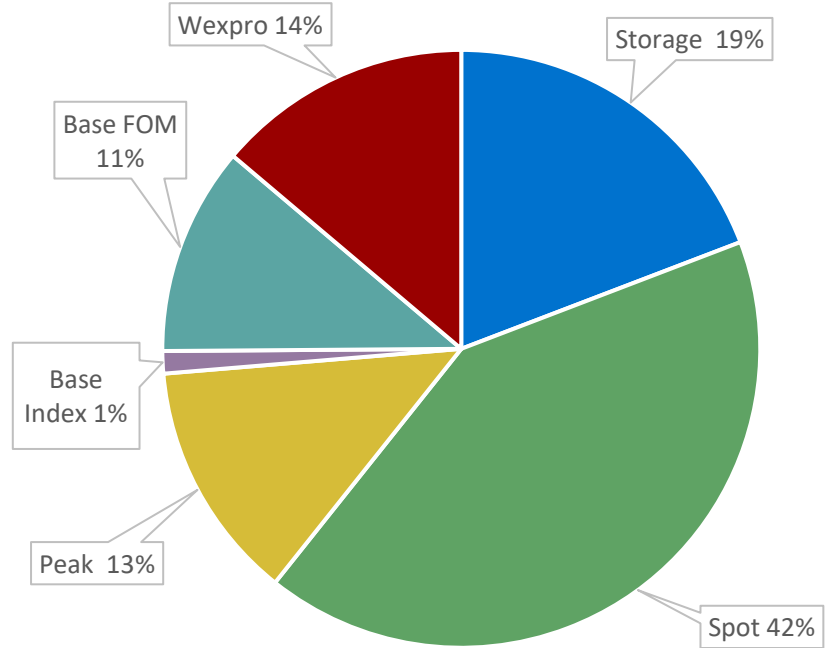
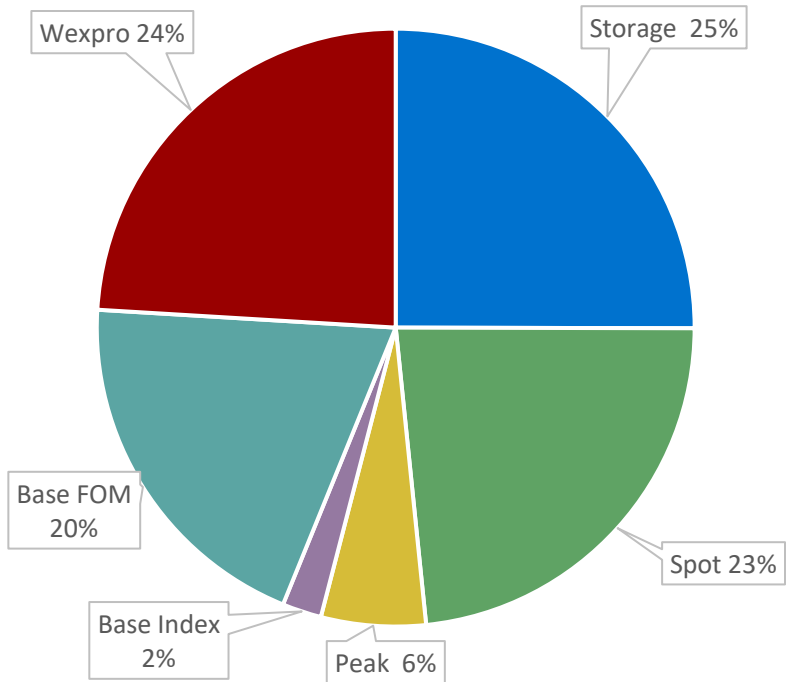
Annual – 2021-2022 IRP Model



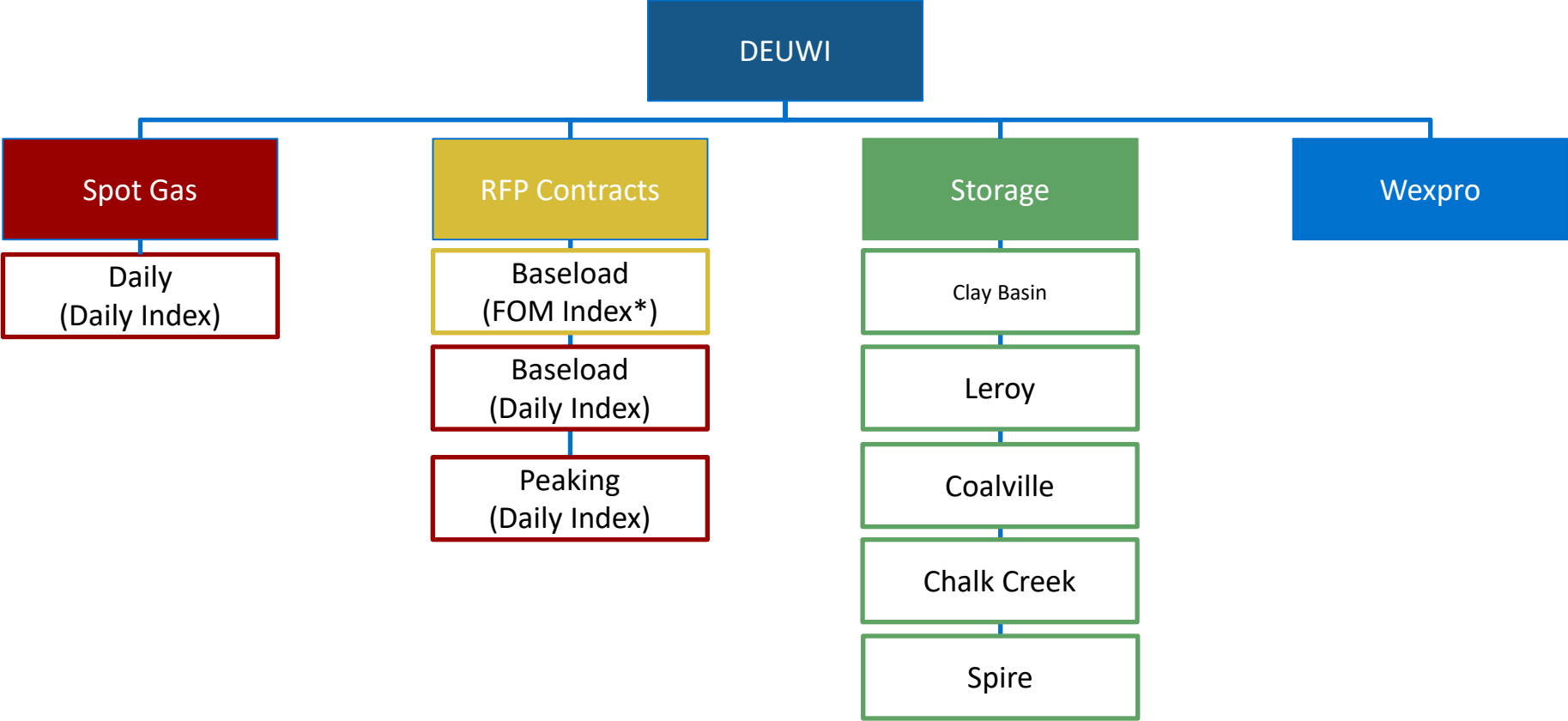
# 2021-2022 Supply Breakdown

Typical Winter Day (34 Deg/707 MDT Demand)

Peak Day



# Types of Supply by Exposure



# Market Exposure

## Wexpro Gas – Least Exposed

- Cost-of-service gas production, isolated from market driven pricing
- Pricing is cost based, not market based

## RFP Contracts – Somewhat Exposed

- Gas contracts established to ensure adequate supply that can be daily index priced or FOM index priced
- Daily index priced contracts have the same exposure as spot gas, where FOM index contracts are less susceptible to daily volatility

## Storage – Some Fall Exposure

- Gas supply coming from storage provide the ability to inject during the less volatile/lower cost time periods
- Most of DEU's storage injection also comes from excess Wexpro Gas in the summer months
- Purchases in the fall are used to finalize injections and inject into Aquifers

## Spot Gas – Most Exposed

- Gas purchased at daily index prices to fill supply gaps based on demand
- Daily spot purchases are subject to daily market price volatility

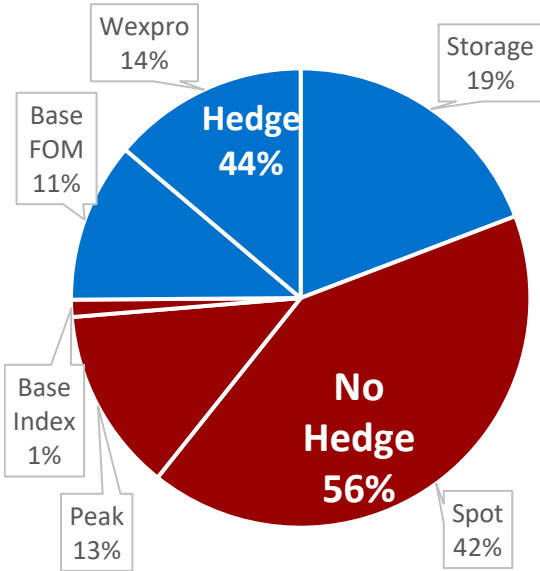
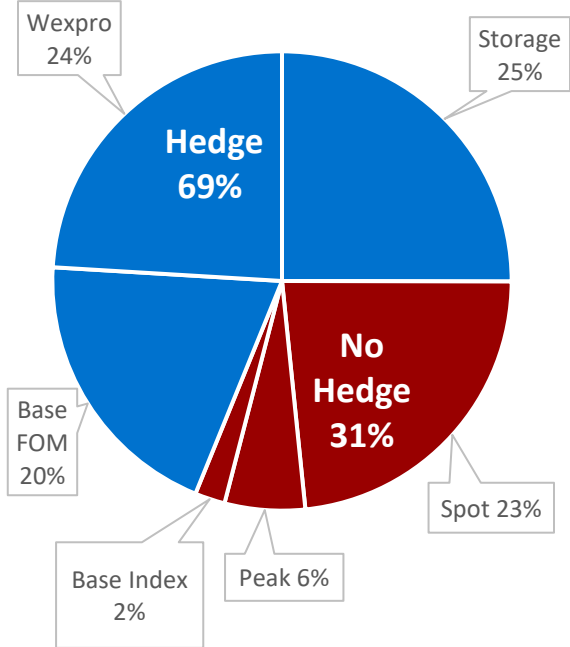
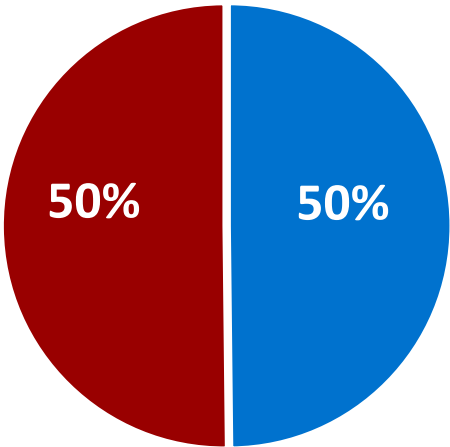
# Supply Exposure – 2021-2022 IRP Year

**Annual**

**Typical Winter Day  
(34 Deg/707 MDTH Demand)**

**Peak Day**

■ IRP Purchase Gas ■ Wexpro Gas



# Options to consider for increasing hedged amount

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- Increase FOM baseload contracts
- Increase Wexpro - cost-of-service production
- Increase storage contracts
- Purchase financial instruments
- Increase fixed price baseload contracts

# Acquire More First-of-Month (FOM) Priced Contracts

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- Reduces exposure to daily pricing
- Increases exposure to monthly pricing
  - Events that impact FOM pricing will impact the full month of purchases
- More FOM offers were received and accepted as part of the 2021-2022 RFP
- Potential to lock in additional “bidweek” supply each month based on current pricing
  - Can be contracted on a monthly basis outside of RFP
  - Fixed price for the month



# Increase Wexpro Supply

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- Wexpro volumes help costs to customers remain relatively steady and customers have a physical supply of gas, increasing security of supply
  - Wexpro ensures reliability with freeze prevention measures
  - Wexpro owns and operates the majority of gathering systems, and ensures maximum runtime
- Market conditions appear favorable to purchase existing wells, and their low-risk gas supply, at attractive prices
- In addition to reducing price volatility and increasing reliability of supply, additional Wexpro volumes would save customers money compared to strip prices
- Increasing to 65% would result in an additional 32,000 Dth/day of production
- Higher supply cap allows Wexpro to consider broader range of property targets
  - 55% cap requires Wexpro to wait until gas supply drops below 45% before it can develop additional properties
- Any Wexpro acquisitions would require regulatory approval under the Wexpro II process

# Increase Storage

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- Potential storage options include:
  - Spire Storage West
  - Magnum Storage
  - DEQP – Aquifer expansions
  - Additional LNG Capacity
- Provides operational benefits of both injections and withdrawals with operational control
- Beyond 2021, summer/winter spreads do not justify the cost

# Purchase Financial Instruments

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- Purchase strictly financial contracts that mitigate the risk of large price spikes
- Limited liquidity in contracts
- Henry Hub contracts would be disconnected from localized pricing events
- Would have offered very little, if any, cost offset during 2019 or 2021 price increase events

# Acquire Additional Fixed Price Baseload Contracts

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- Purchase fixed price baseload gas through an RFP
  - Winter months only (Dec-Feb)
- Request proposals for gas at locations that match available transportation capacity
- Increases reliability by decreasing the amount of spot gas that must be purchased each day
- Increases exposure to current pricing forecasts for the winter heating season
- Reduces exposure to daily or monthly pricing during the heating season

# July 2022 Working Session with DEUWI, OCS and DPU

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- Reviewed historical demand vs current hedging plan
- Review projected design-day demand vs current hedging plan
- Identified 80,000 Dth as appropriate hedging amount
  - Provides supply reliability
  - Potential cost vs savings
- Recommendations:
  - Purchase 80,000 Dth/day Fixed Price Gas through an RFP
    - 1 year only due to credit concerns and current pricing
  - Maintain ability to add additional Wexpro
    - Continue to evaluate increasing the cap
  - Maintain ability to layer in additional monthly FOM/Fixed Price Contracts
  - Maintain possibility of adding additional storage contracts
    - Potential to expand withdrawal volumes from Aquifers will be tested this winter

**Fixed Price Baseload Proposals** should include the following information:

Term: December 1, 2021 – February 28, 2022

Volume: Minimum of 5,000 MMBtu/day – Maximum 80,000 MMBtu/day. Please specify if same gas supply is offered under multiple proposals.

Delivery Points: Any receipt MAP location on DEQP or KRGT listed below. MAPs and associated volumes must be identified as part of your proposal.

Location
MAP 871 - Kanda
MAP 66 - Clay Basin
MAP 285 - Overthrust
MAP 67 – Blue Forest Tap
MAP 68 - XO-16
MAP 69 – Shut Creek MM
MAP 409 – White River Hub
KRGT - Opal
KRGT – Delivered (Riverton)

Pricing: Dominion Energy will only consider fixed price offers. Price should be quoted on a \$/MMBtu basis at the location provided and should include all costs incurred prior to delivery.

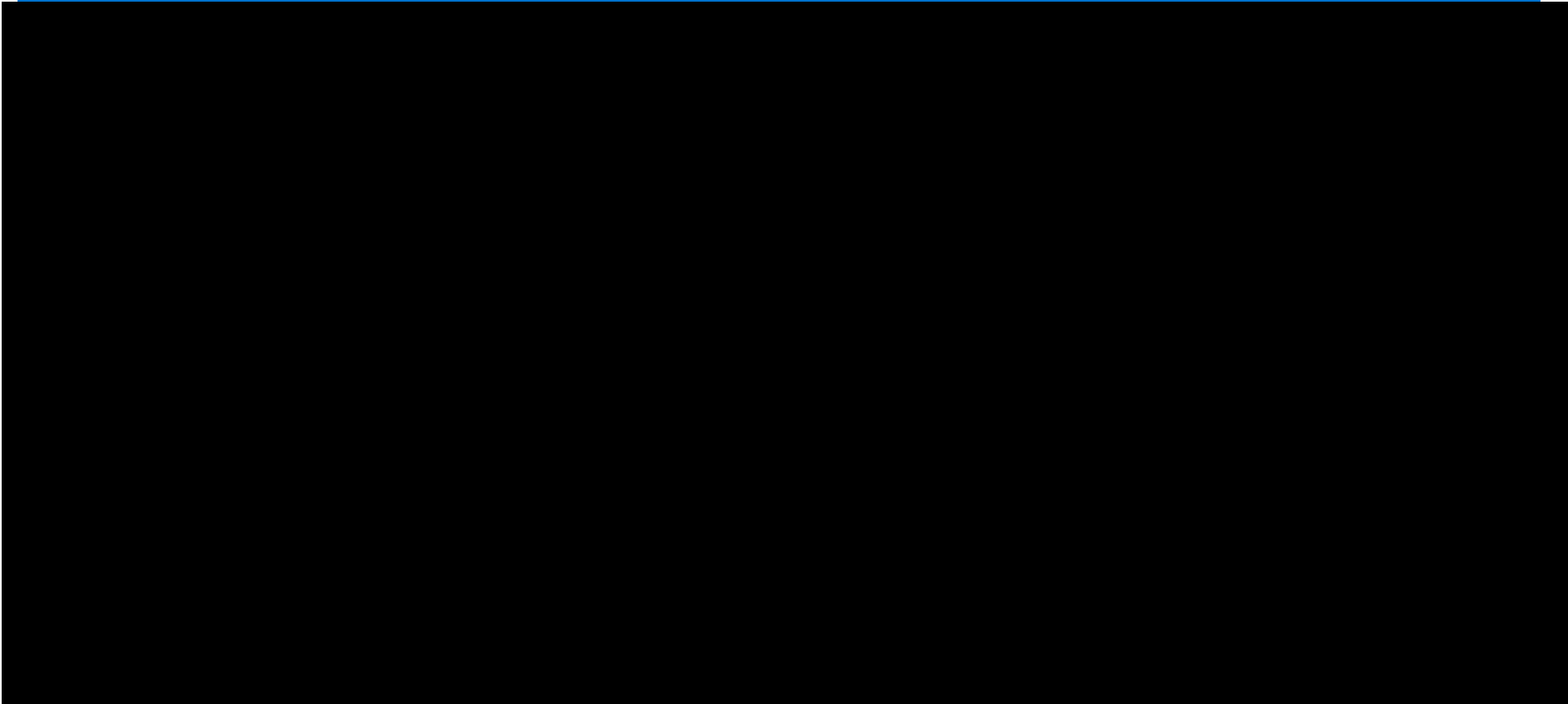
Credit

Authorization: All accepted proposals will be subject to Dominion Energy credit approval.

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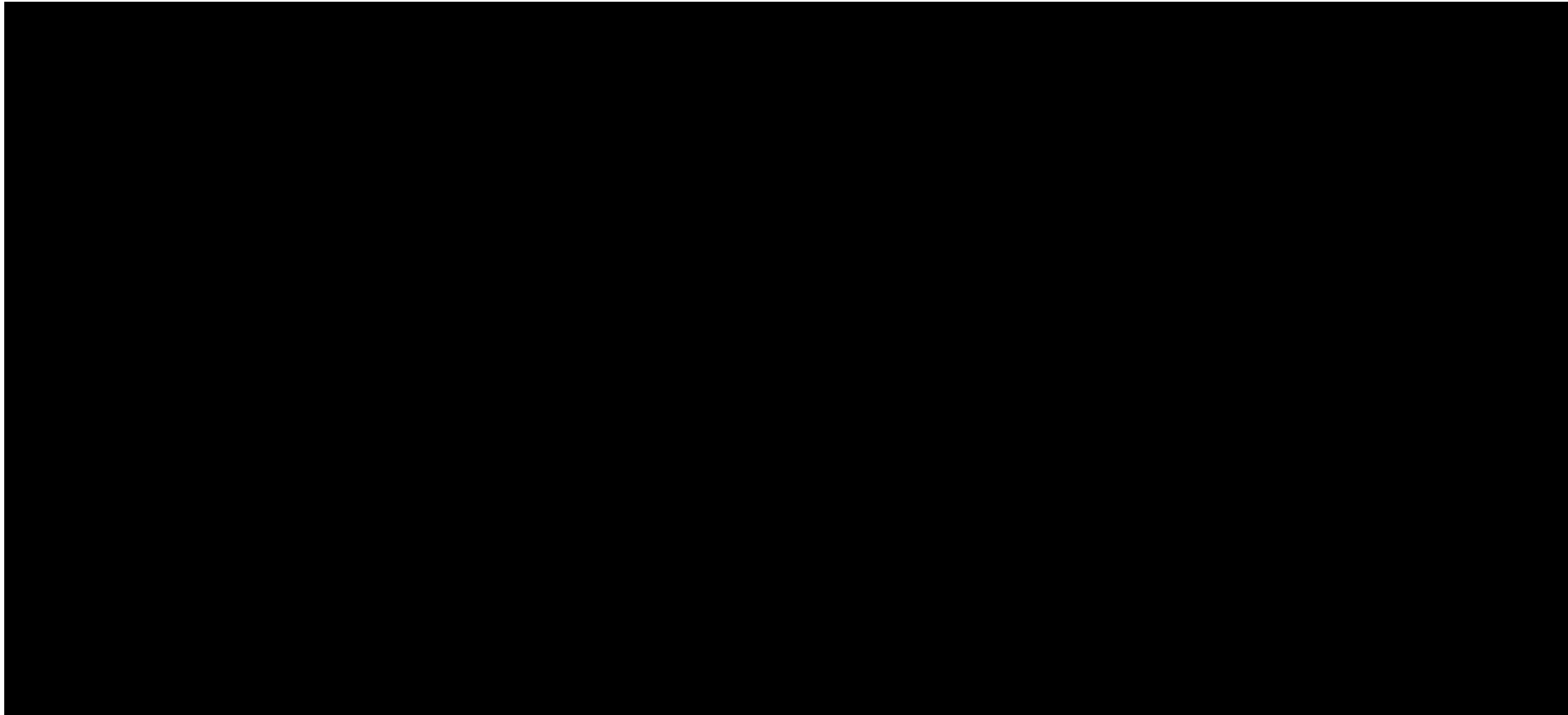
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# Proposals Received

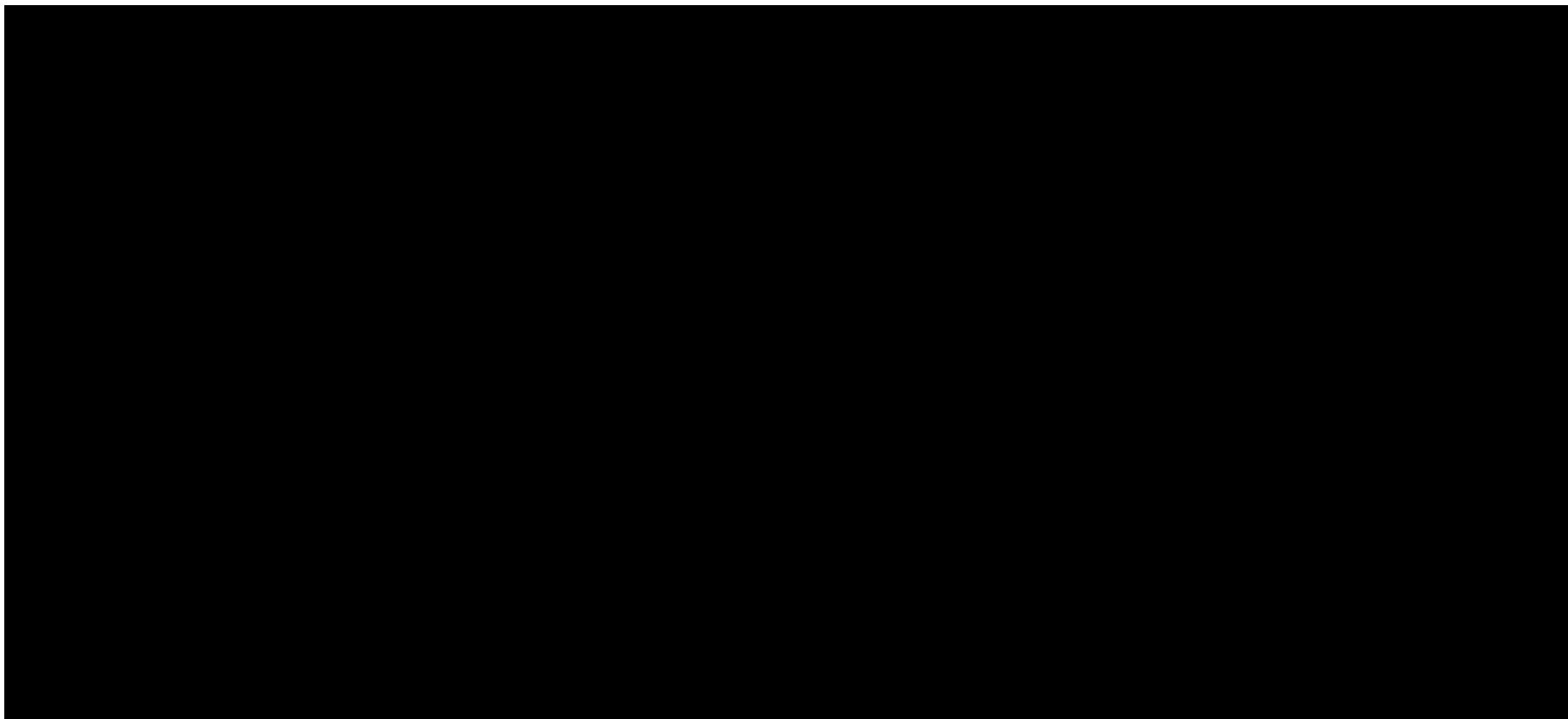




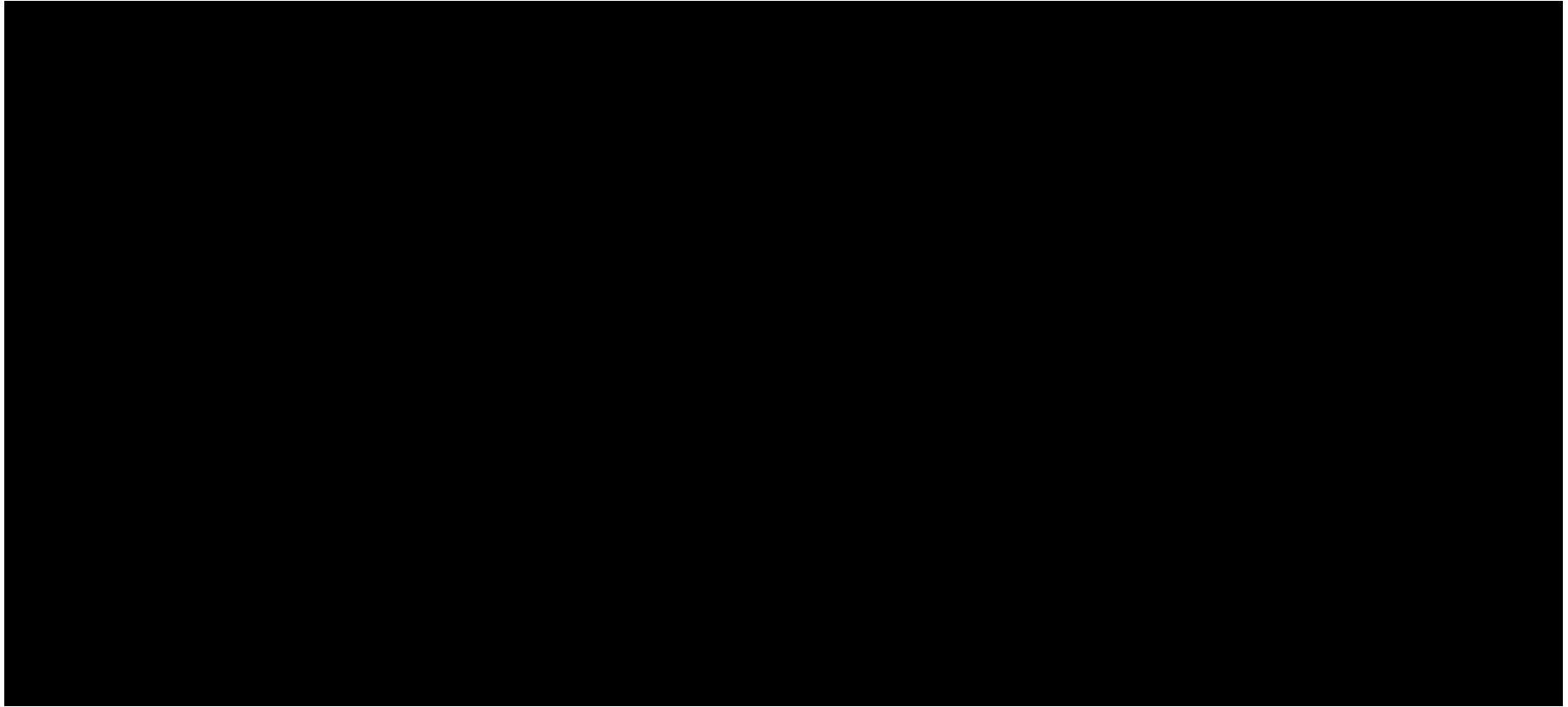
# Current Pricing Forecast



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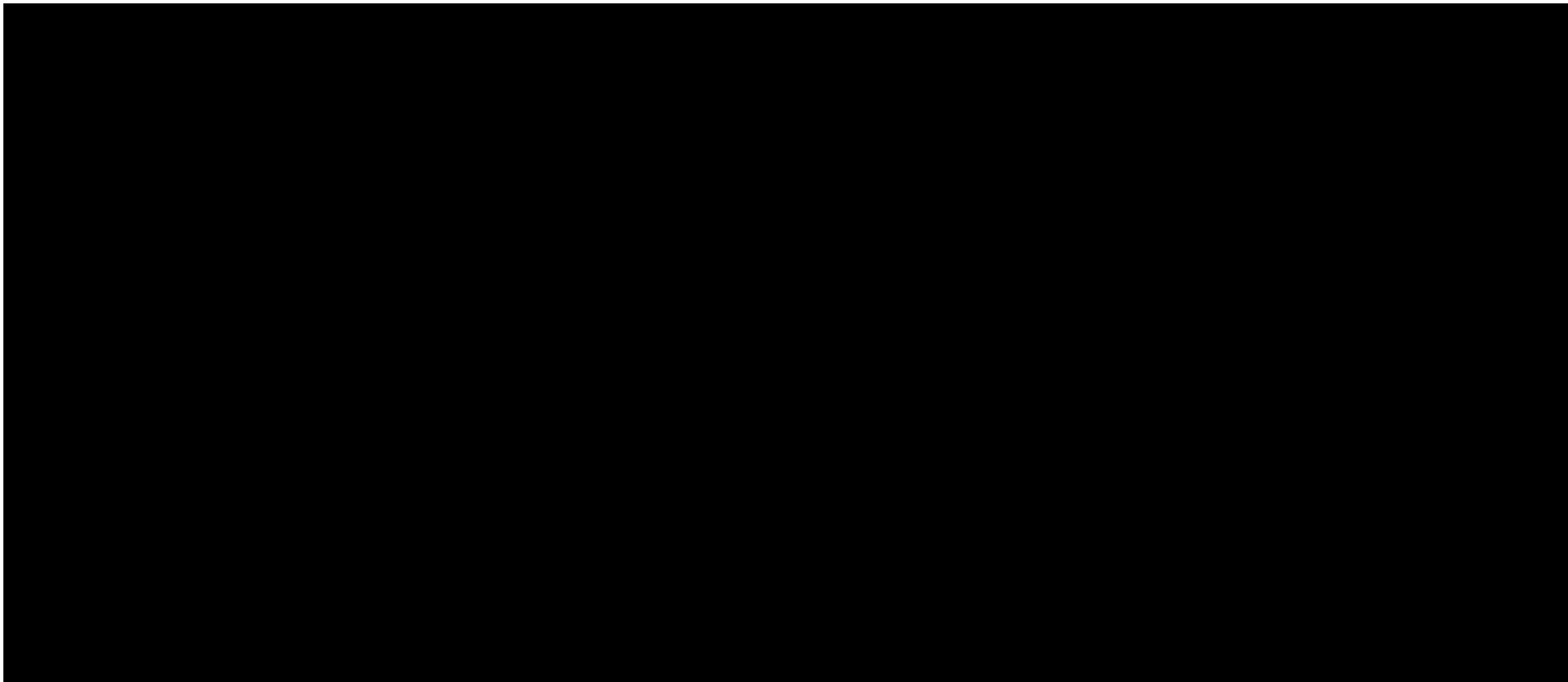
# Pricing Commentary

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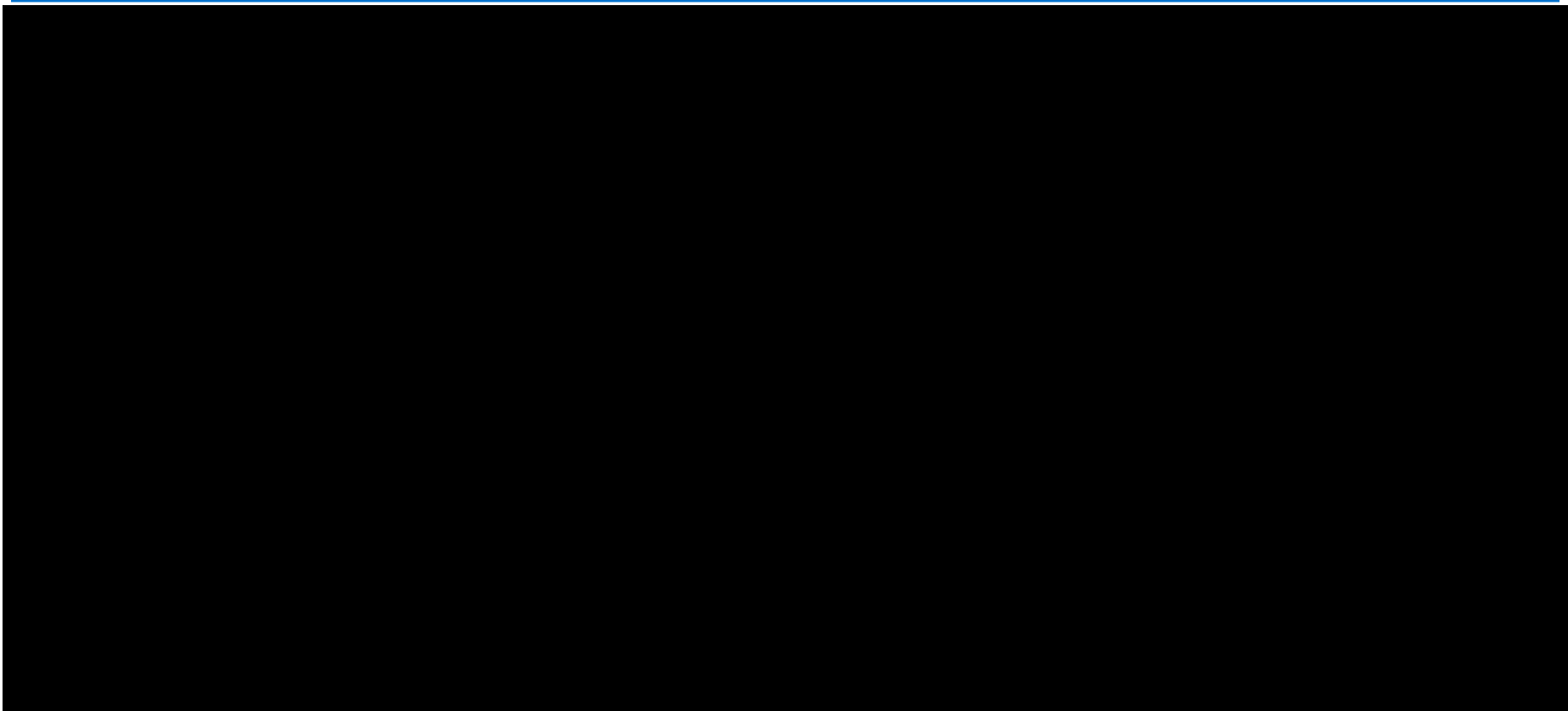
- Storage inventories are low in both the United States and Europe.
- European gas prices are high as a result of low storage and a long, colder winter in 2020-2021. Additionally, Europe experienced reduced supply flow from Russia
- With global gas prices high, there is increased demand on U.S. LNG, keeping LNG production high. This is expected to persist through the winter.
- Natural gas demand for power generation remains high.
- There has been lower capital spending on development of hydrocarbon fuels, including natural gas, coal, and oil. Current rig count levels do not show an increase in drilling.
- Without additional spending on drilling and infrastructure, production will not keep up with demand.
- The opportunities for gas-to-coal switching are reduced as a result of facility retirements and high coal prices.
- Without these opportunities to reduce demand and with current low storage inventories, increased demand due to cold weather may result in high prices.
- Recent hurricanes have reduced production temporarily and added to the ongoing concerns.

# Recommendations/Actions

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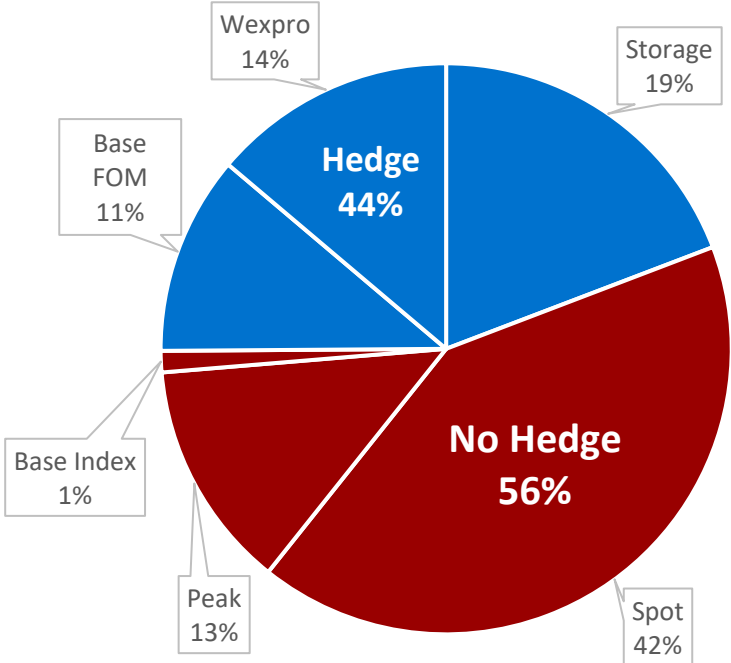
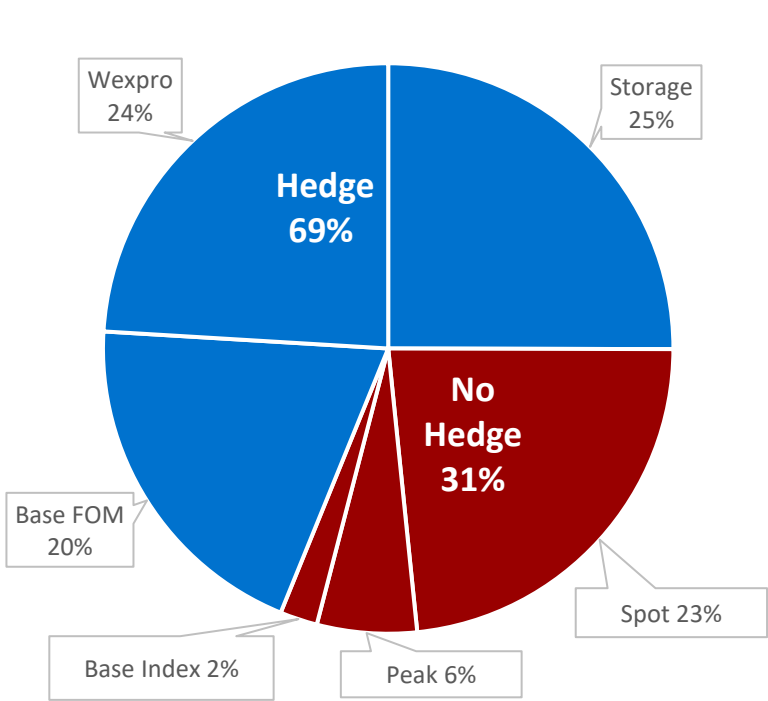
# September 20, 2021 Price Curves



# Supply Exposure – 2021-2022 IRP

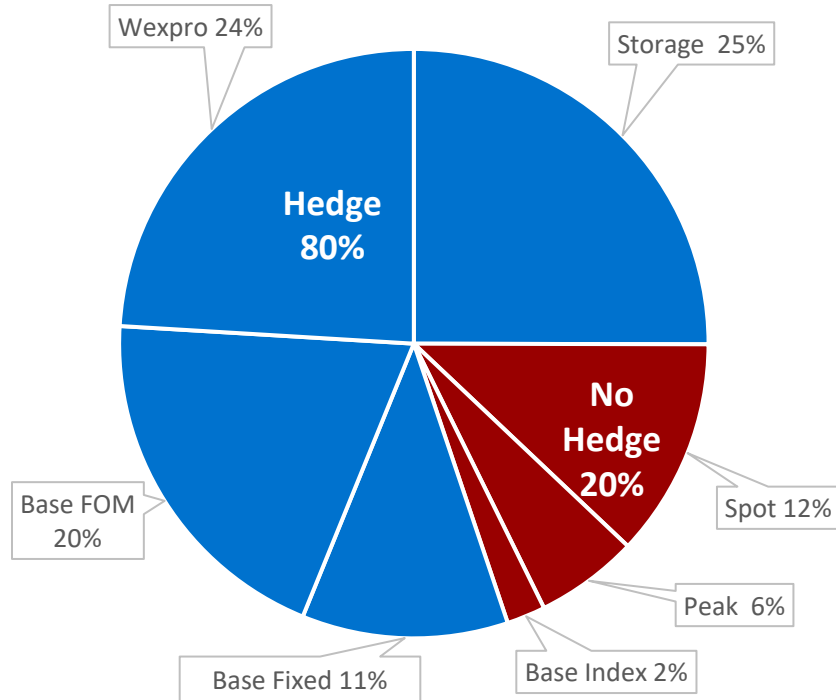
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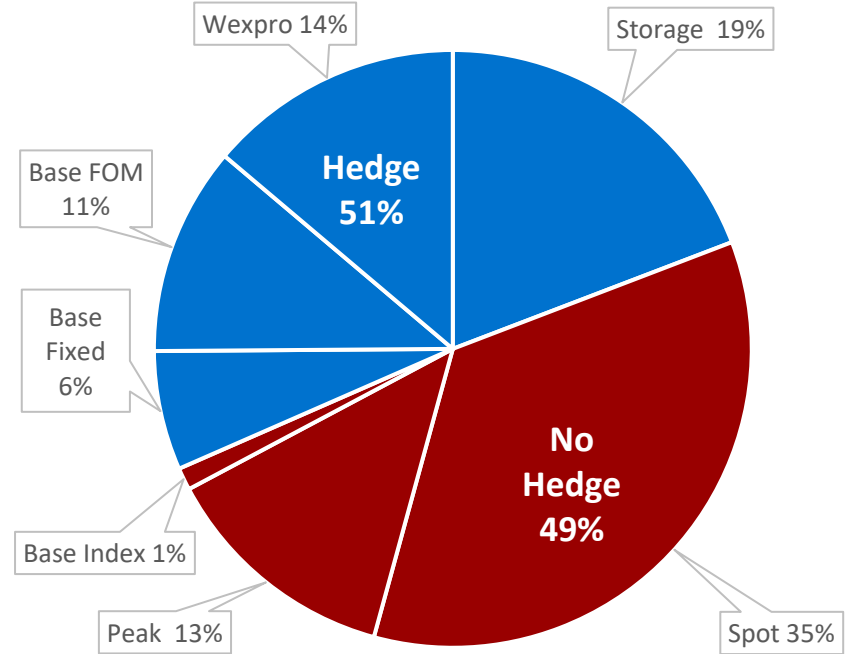


# Supply Exposure - Current with Additional 80,000 Dth/day of Fixed Price Baseload

Typical Winter Day (34 Deg/707 MDT Demand)



Peak Day





# Going Forward

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- Continue to evaluate expanding Wexpro production
- Review current contracts after heating season
- Evaluate future fixed price opportunities
  - Gas Supply to act on opportunities when they arise
  - Timing is critical (i.e., pricing difference between May and Aug 2021)
- Continue to evaluate storage opportunities
  - Include discussions in future IRPs when applicable

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Questions?