

Winter Storm Uri

Did sales agreements withstand the deep freeze?

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Winter Storm Uri



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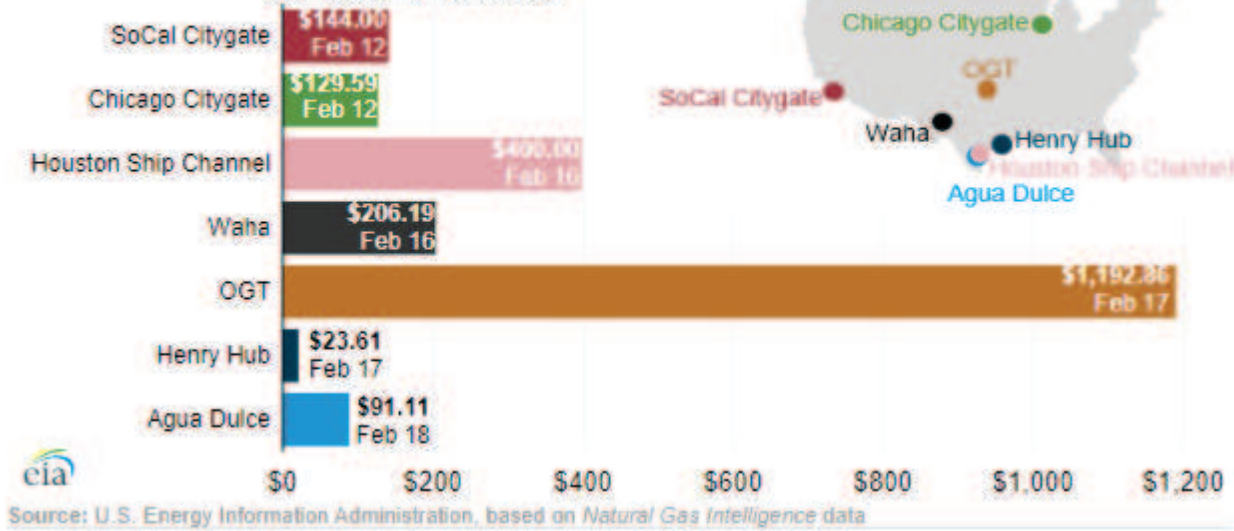
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Winter Storm Uri

Natural gas price ranges at selected trading hubs (Feb 2021)

dollars per million British thermal units

daily record high (\$/MMBtu)



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Winter Storm Uri

General Terms and Conditions Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on an interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The parties shall be bound by the Contract as defined in Section 2.9.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale shall be effectuated in an ECS transmission or telephone conversation with the offer and acceptance constituting the agreement. The parties shall be legally bound from the time they so agree to transaction terms and may each rely on the transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, if that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by ECS, within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Confirmation), which modify or supplement the Base Contract or General Terms and Conditions of this agreement, such provisions shall not be deemed to be accepted pursuant to this Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction confirmed by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement on a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party shall, confirm such agreement on a Transaction Confirmation and communicate such Transaction Confirmation by ECS, to the other party, by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be deemed to be accepted pursuant to this Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction confirmed by the parties.



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Risks of Base Contract Exposed

- Price fluctuations impacting first-of-month pricing index
- Gas allocation with competing firm commitments
- Alternate delivery points
- Cover damages
- Offset



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First of Month Pricing Index

Transaction confirmation determines price:

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, **as agreed to by the parties in a transaction.**

Example of 80-20 first-of-month pricing during Winter Storm Uri:

	February 1, 2021	February 15, 2021	Total (per Mcf)
Revenue (Gas)	\$2.53(.8)	\$149.49(.2)	\$31.92
Cost (Electricity)	N/A	(\$48.60)	(\$48.60)
			(\$16.68)

Net benefit for purchaser!

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