

City of Hogansville

Municipal Gas Authority of Georgia
Hedge Program

March 18, 2019



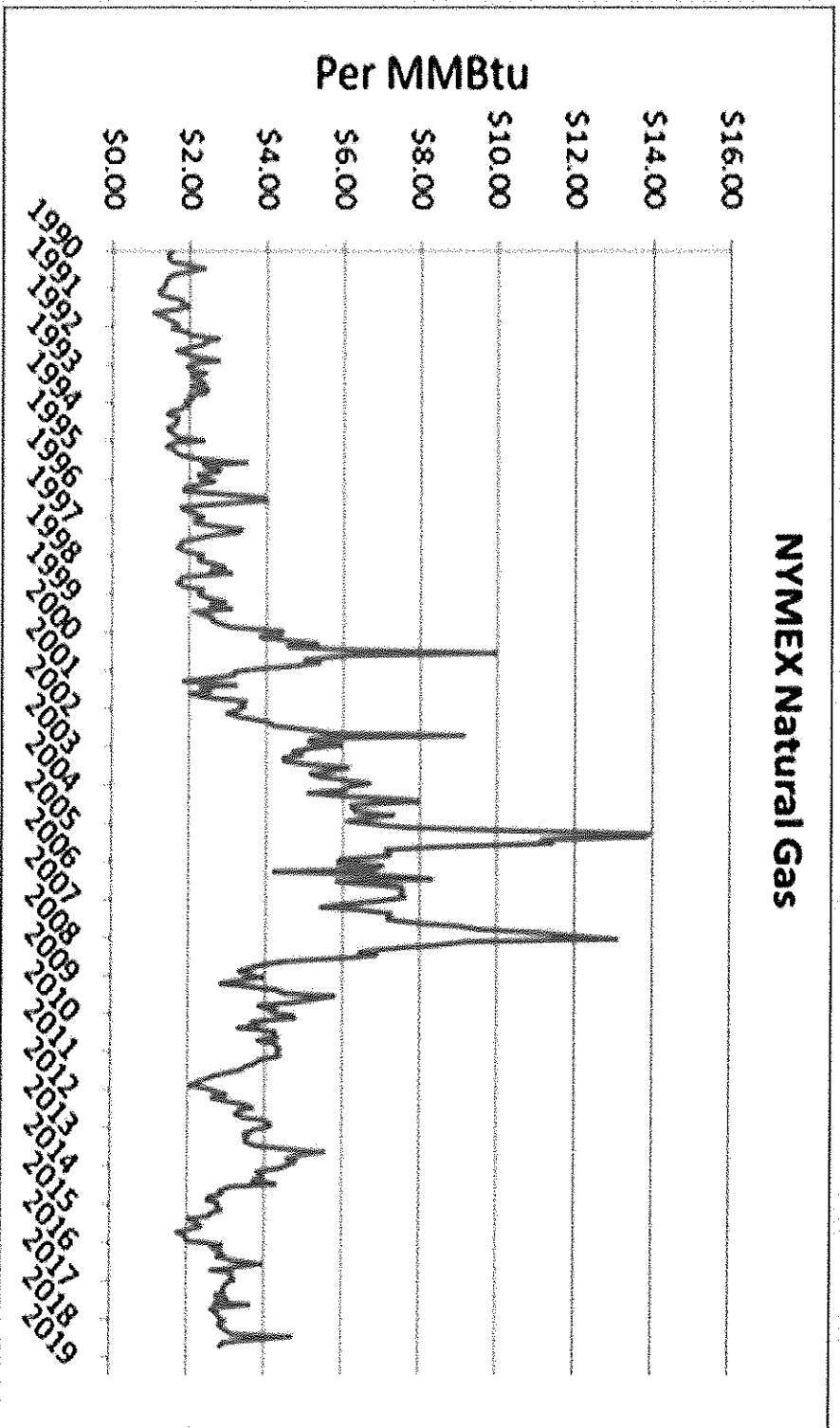
Municipal Gas Authority of Georgia

Program History/Goals

- Hedge Program Developed in Early 2000's
- Stabilize Member Pricing to Res/Com Customers
- Various hedging tools used to fix a portion of commodity cost



Historical Natural Gas Commodity Cost



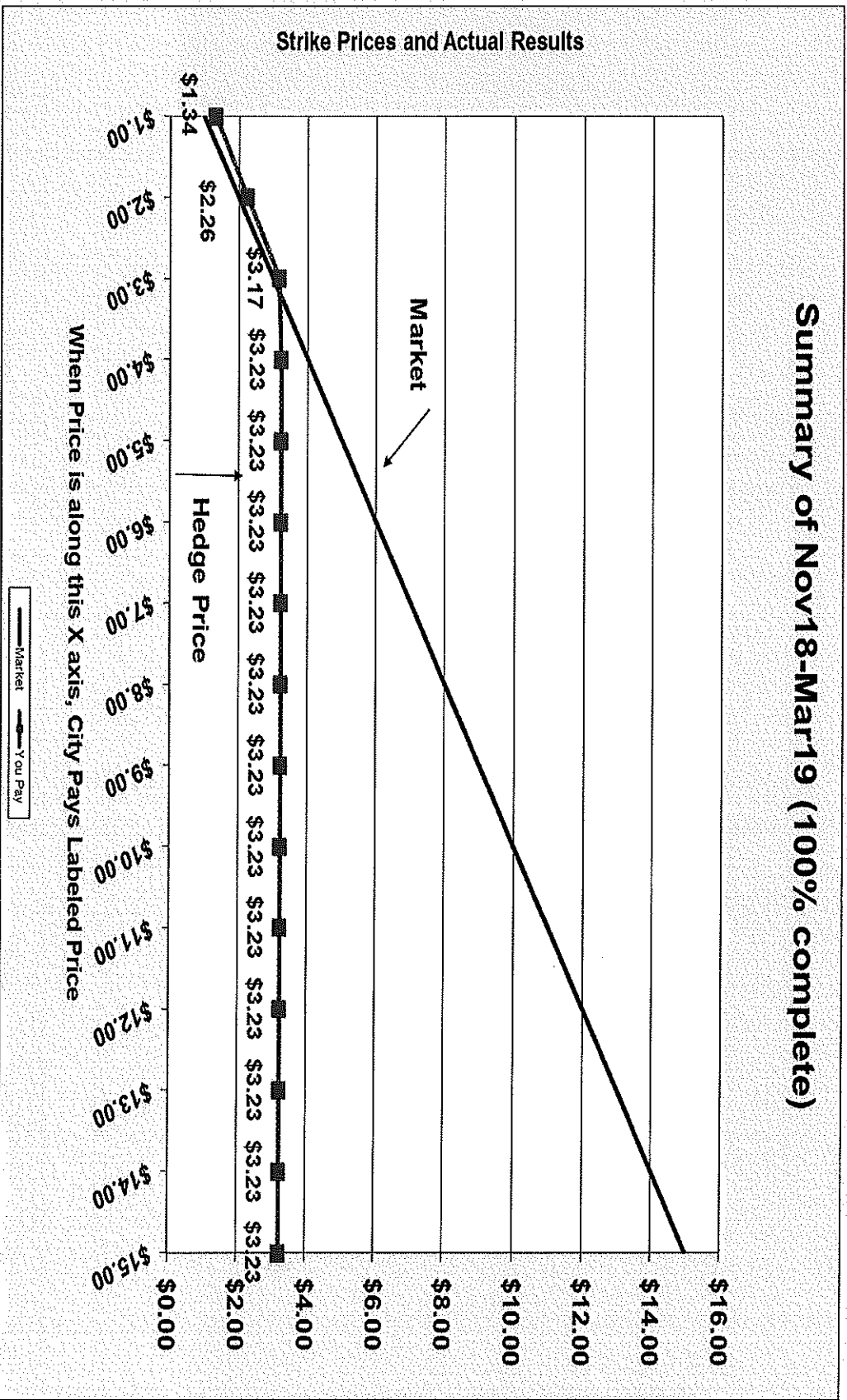
Program Details

- Members typically request to fix the price on 25% to 50% of their firm load during winter (Nov-Mar)
- Members set volumes and months in which to hedge
- Gas Authority Hedge Committee determines when to hedge, what price, and executes transactions on behalf of Members
- Rates to customers are set based on weighted market price/fixed price



Current Program - Winter Hedge 18-19

Summary of Nov18-Mar19 (100% complete)

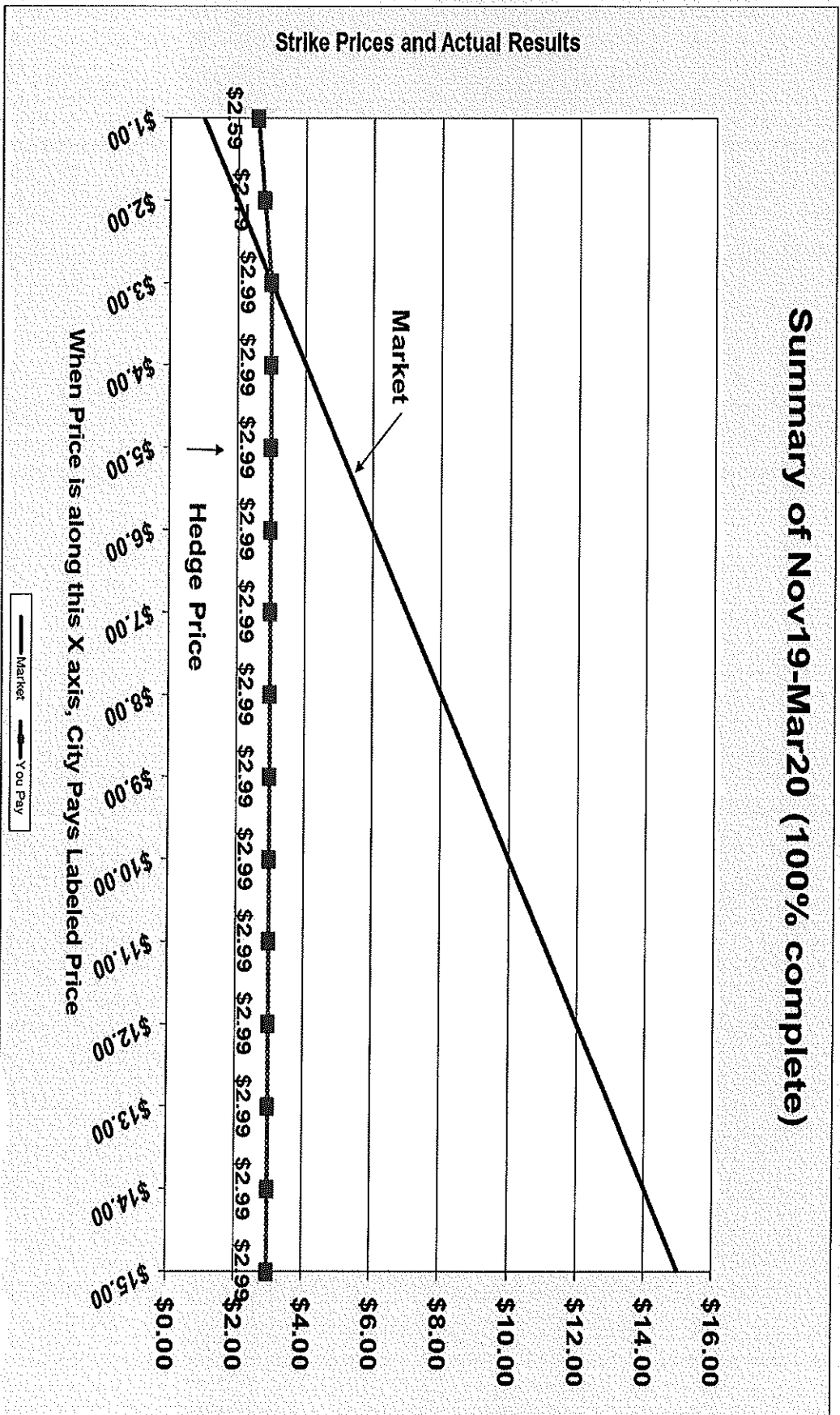


Municipal Gas Authority
of Georgia



Current Program Winter Hedge 19-20

Summary of Nov19-Mar20 (100% complete)



Municipal Gas Authority
of Georgia



Joining the Hedge Program

- Council Approves Hedge Resolution
- Resolution designates position (example "City Manager") to make all hedge decisions for City
- Resolution allows up to 3 Year hedge program participation
- Hedge Form – designated position will select months/volumes and sign form
- Participation will be for the two-winter period 20-21 and 21-22
- Members can opt out prior to 22-23
- Questions?



RESOLUTION
OF
CITY of Hogansville

RE: AUTHORIZATION FOR HEDGING NATURAL GAS THROUGH
MUNICIPAL GAS AUTHORITY OF GEORGIA

WHEREAS, the City of [CITY] is a Member (the "Member") of the Municipal Gas Authority of Georgia (the "Gas Authority") and has entered into a Gas Supply Contract, dated as of [DATE] (the "Gas Supply Contract"), with the Gas Authority; and

WHEREAS, the Member acknowledges that natural gas prices have historically been very volatile, and the use of hedging as provided for in the Gas Supply Contract can help mitigate price risk to the Member; and

WHEREAS, the Gas Authority's staff has studied the use of hedging strategies to mitigate price risk associated with market conditions for residential and commercial customers ("R&C Customers"), poultry growers ("Poultry Growers") and for industrial and other large end-users ("Industrial Customers"), and the staff has heretofore determined that it was feasible and desirable from a competitive standpoint to offer such hedging strategies to Members; and

WHEREAS, the Gas Authority has developed elective hedging programs under the provisions of the Gas Supply Contract to offer to Members to manage price risk associated with service to R&C Customers, Poultry Growers, Industrial Customers and other end-users; and

WHEREAS, under the Pricing Policy approved by the Board, Members are billed based on spot market prices adjusted for any hedges elected by the Members;

NOW, THEREFORE, BE IT RESOLVED as follows:

Section 1. Approval of Hedging. The governing body of the Member hereby approves the use of the Gas Authority Member elective hedging programs under the Gas Supply Contract that enable the Member to offer hedged prices to its R&C Customers, Poultry Growers, Industrial Customers and other end-users ("Member Elective Price Hedging"). [The Member hereby elects to limit its Member Elective Price Hedging authority under the Gas Supply Contract to hedges of 36 months or less].

Section 2. Hedging Elections and Transaction Confirmations. The governing body of the Member hereby authorizes [the City Manager/Gas Utility Director and _____] of the Member (the "Authorized Member Representatives") to complete the election forms and/or transaction confirmations to enter into Member Elective Price Hedging and to deliver such election forms and/or transaction confirmations on behalf of the Member as its authorized act. The election forms and transaction confirmations shall

be in substantially the form attached hereto as Exhibit "A" and incorporated herein by this reference.

Section 3. General Authorizations, Incorporation of Recitals and Ratification of Actions. The Authorized Member Representatives are hereby authorized and directed to take such further actions and execute and deliver such certificates or other documents, agreements or instruments as shall be necessary or convenient to effect any Member Elective Price Hedging contemplated by this Resolution. The preambles hereto are hereby incorporated herein by this reference and approved, and all actions of the Authorized Member Representatives in the review and finalization of election forms and transaction confirmations under Member Elective Price Hedging are hereby ratified and approved.

Exhibit A (Election Form Examples)

HEDGE PROGRAM Option 2 (R&C Gas Authority Pool) Participation with Gas Authority Decisions

Member: _____ Contact Person: _____

A Member's election to participate in Option 2 of the hedge program is pursuant to the Gas Supply Contract between the Municipal Gas Authority of Georgia ("Gas Authority") and the Member and does not in any way alter the terms or supersede the Gas Supply Contract.

Please hedge the following monthly volumes (in MMBtu) on an ongoing basis at the Gas Authority's discretion. This is a rolling 24 month program. Future requests to change Option 2 hedge volumes must be made in writing and are subject to limitation based on hedges already placed by the Gas Authority on behalf of the Member. Member may be obligated to pay for natural gas based on hedges already in place for as long as 24 months following written election to exit the Option 2 program or reduce hedged volumes. This election form supersedes all prior hedge elections or agreements.

Signed: _____ as its: _____ Date: _____

Gas Authority Accepted: _____ as its: _____ Date: _____

| Month (do not specify year) | Monthly Volume (MMBtu) |
|-----------------------------|------------------------|
| April | |
| May | |
| June | |
| July | |
| August | |
| September | |
| October | |
| November | |
| December | |
| January | |
| February | |
| March | |
| | |

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