THE EnergyAuthority

CASE STUDY

NEUTRALIZING “POLAR VORTEX” VOLATILITY

The Energy Authority’s Expertise Insulated Clients from Winter Price Volatility

An extremely cold winter caused electric power and natural gas prices to skyrocket in parts of the country. As a result, many of our Clients were exposed to extreme price spikes for fuel and purchased power. Because Clients still had an obligation to serve their loads, quick, coordinated decisions needed to be made with millions of dollars at stake.

Solution:

• Client assets were pooled together and redispatched in house to other Clients paying market based rates so all operational flexibility stayed under the TEA service umbrella.

• Any allowed pipeline flexibility was accounted for in Client strategies to ensure our Clients were not paying for any inherent flexibility already afforded to them.

• Close coordination between Trading Desks at TEA ensured each Client’s asset mix was optimized to effect maximum profits, savings and/or operational flexibility.

• TEA’s Credit Group ensured that collateral was adequately secured to cover any power/fuel purchases that would have impeded procurement. All sales up to as much as $80.00 per MMBtu were collateralized to ensure no counterparty failed to pay.

Results:

• Re-forecasting of prices during a run up allowed for our clients to more accurately predict their unit costs and dispatches were executed with up to the minute pricing for a savings of $45,000

• TEA recommended alternate fuel strategies particularly natural gas to fuel oil and natural gas to coal. These recommendations led to a savings of $3,400,000 for the participants.

• TEA optimized Clients’ portfolios in real time. By recommending when Clients should sell gas and buy power, or burn gas and sell power, TEA was able to realize over $1,000,000 in value for its Clients.

• Idle units were recommended to run on alternate fuel (#2 fuel oil) for power sales based off natural gas prices which improved the profitability of these transactions by $2,000,000

• TEA worked closely with clients in order to identify potential sales opportunities in the natural gas market. By purchasing power or dispatching alternate units, gas capacity was made available to sell at margins that covered the incremental costs of dispatch and made incremental profits for the participants, resulting in over $13,000,000 in client benefits.