

# **Public Service Company of Oklahoma (“PSO”)**

Natural Gas Procurement  
Price Volatility Mitigation Update  
August 9, 2022

# PSO Natural Gas-Fired Units

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- PSO owns 6 natural gas-fired power plants, which include 16 individual units
- In 2021, the combined capacity factor of the 16 units was **13.3%**
  - Northeastern U1.....53.6%
  - Southwestern U3.....15.3%
  - Comanche.....10.1%

*It should be noted that average PSO natural gas consumption is 2-3 times higher in the summer months, as compared to the winter months*

# Winter 2021-2022 Strategy Adjustment

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- Fixed Price Physical Hedging Strategy
  - Determined target hedge percentage per month, based on potential volatility (i.e., weather and natural gas prices)
  - Issued two fixed price request for proposals, to secure physical winter natural gas supply
    - October 12, 2021
      - 15k MMBtu per day, Nov. 1, 2021 – Mar. 31, 2022
    - November 11, 2021
      - 15k MMBtu per day, Jan. 1, 2021 – Feb. 28, 2022
  - The balance of desired baseload requirements was purchased during Bidweek at first of month index pricing (*which is not subject to daily spot market price volatility*)

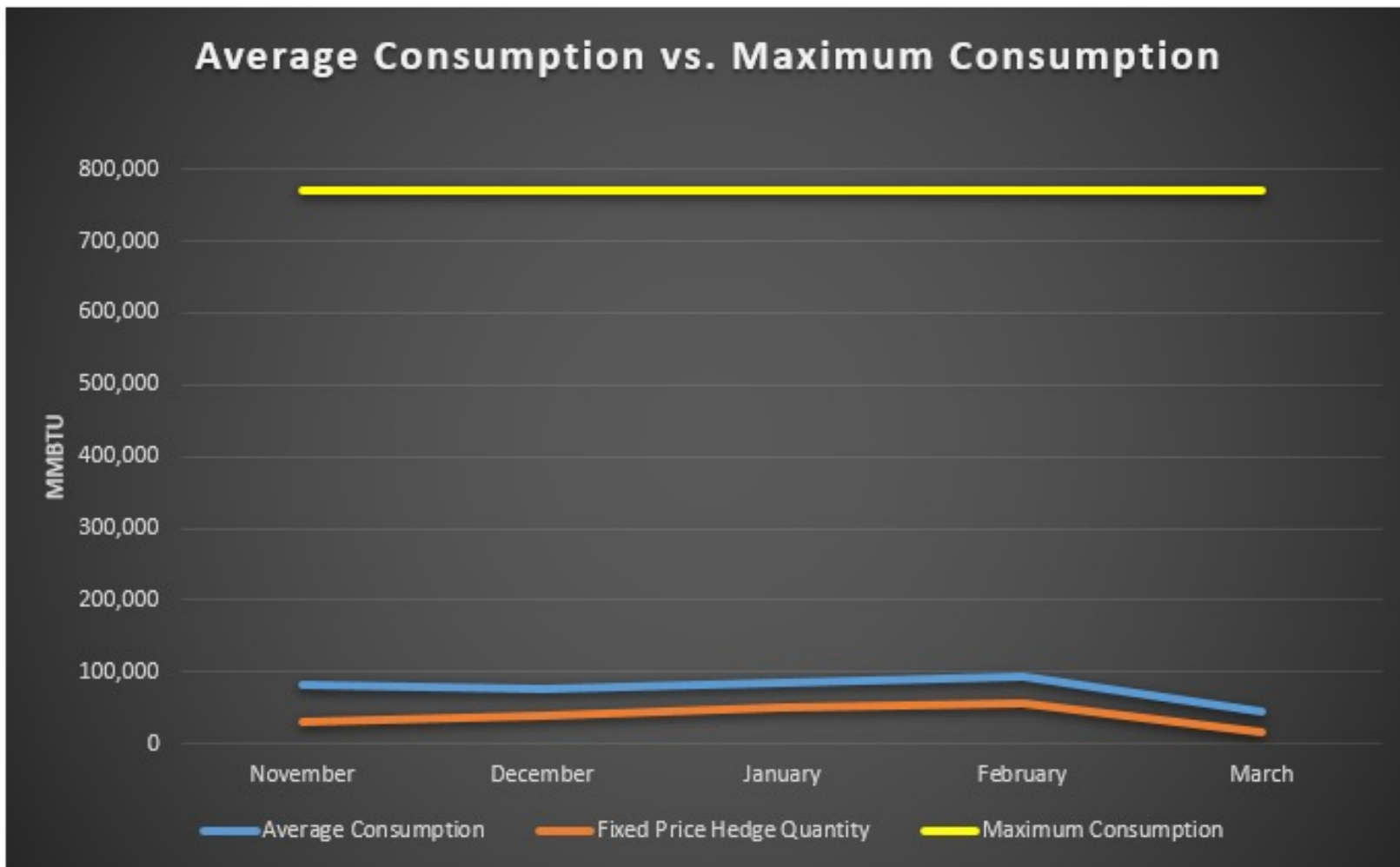
# Winter 2021-2022 Hedging Strategy



- November, March: ~ 35% hedged
- December, January, February: ~ 50% to 60% hedged

*"Average Consumption" reflects the corresponding month in the three previous years*

# Average Consumption vs. Maximum Consumption



# Future Strategy

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- PSO will pursue a similar fixed price, physical hedging strategy prior to the 2022-2023 winter
- PSO has engaged Enterprise Risk Consulting, LLC to better understand if there are additional strategies that can be utilized to mitigate price risk

**QUESTIONS?**