

NPGA’s hedging strategy provides savings during volatile natural gas market

The current natural gas market price in the U.S. remains volatile compared to previous years, impacting heating bills of natural gas customers this winter.

The wholesale market price for natural gas has risen significantly since 2020. Currently, the wholesale market spot price for natural gas is in the \$5-7 per MMBtu range, compared to the low \$2 per MMBtu range in 2020.

NPGA Level Purchasing Plan Hedging Strategy

The National Public Gas Agency’s Level Purchasing Plan hedging strategy is used to partially shield NPGA member communities from the full impact of the current higher spot market pricing environment.

The program, implemented and operated by the NPGA Board of Directors, hedges a portion (approximately 50 percent) of NPGA members’ anticipated natural gas use more than a year in advance. This serves to levelize the cost of natural gas, mitigates forward-exposure to commodity risk and provides savings to NPGA members during times of a rising spot market.

The chart below shows the savings benefit from the past year for the City of Lyons through NPGA’s hedging strategy compared to purchasing all its natural gas at wholesale spot market prices:

City of Lyons, Nebraska				
Natural Gas Commodity Analysis				
For the Period: September 2021 - October 2022				
	MMBtu	Total Amount		\$/MMBtu
Cost at Market Price	51,078	\$ 251,856	\$	4.93
Actual Cost Billed	51,078	\$ 200,502	\$	3.93
Benefit of Level Purchase Plan Program		\$ 51,354	\$	1.01

Natural gas winter pricing continues to be very volatile. As of mid-December, the average natural gas NYMEX spot market price for November 2022 through March 2023 was in the \$6 range. Based on continued market price volatility, savings through NPGA’s hedging program is expected to continue through the winter at approximately the same dollar value per unit as this past year.

While overall higher natural gas market prices impact end-use customers, this purchasing strategy smooths out some of the price volatility of the current market environment, directly benefitting residents.

As always, proactively implementing energy efficiency measures can help reduce monthly natural gas bills:

- Adjusting thermostats down a few degrees.
- Ensure adequate insulation levels in your home.
- Check for air leaks around walls, windows, doors, light and plumbing fixtures, switches and electrical outlets.
- Turn down the temperature on your hot water heater to 125 degrees (or warm setting) and insulate it.
- Wash only full loads of clothing and use cold water as much as possible.