

2022 YEAR IN REVIEW

A Year of Ups and Downs

The year of 2022 will probably go down as one of the wildest years ever for energy markets. The prompt-month February 2022 contract started the year at \$3.73. One year later, the prompt-month February 2023 contract began at \$3.98. Despite the nearly identical starting and ending points, the path we took was wildly unexpected and unpredictable.



We almost reached \$10 on the prompt-month twice. The first five months of the year saw prices more than double. The extended closure of an LNG processing plant was unplanned and led prices to fall in June, but they rose again throughout the summer. A fall sell-off was unexpected, but increasing production was viewed as bearish for prices. Finally, the lack of winter weather was the last domino to fall, and energy prices fell alongside it.

Even these high-level events don't do the 2022 market volatility justice. In 2022, the average change in settlement prices from one day to the next, higher or lower, for the prompt month over the course of the entire year was 28.8 cents. You can see the volatility by looking at the numbers from previous years. For instance, in 2021 that average daily price change was just 10.4 cents, and in 2020 it was 6.6 cents. Essentially, 2022 was about three times more volatile than 2021, and more than four times as volatile as 2020.

Looking to the Future

So what does this mean for the market going forward? Will the volatility of 2022 continue or was it a fluke? None of us truly know the answer to that question, but many in the industry believe that market volatility is here to stay. Ever-rising energy demand, increasing LNG exports, and electrification of vehicles are among the reasons why. (On a side note, while electric vehicles may mean less dependence on foreign oil, they also mean an increased reliance on electricity and, in turn, natural gas.)

Another reason to expect continuing market volatility is due to the price movement of outer months over the same time period. Looking at 2022, while the prompt-month eventually returned to its starting range, winter 2023-2024 did not. The average prices for winter 2023-2024 at the start of 2022 were just under \$3.50. At the end of 2022, winter 2023-2024 was trading north of \$4.50. Next winter is trading \$1 higher at the end of 2022 than it was at the beginning of the year. The market clearly sees risk to future prices.

Volatility Across Regions

It's also worth pointing out when we talk about these numbers, we're almost always talking about the national index for energy via the New York Mercantile Exchange (NYMEX) at the Henry Hub, located in Louisiana. In actuality, there are hundreds of regional price points around the country for both natural gas and electricity, and we've seen extensive volatility in many of them. California gas prices were five times higher than usual last month, and Massachusetts power prices have been four times higher for the majority of the winter. These are just two examples of dozens across the country that show extreme regional price volatility.

Even in just the past few weeks at the start of 2023, abnormalities and volatility continue to take center stage. For the eastern two-thirds of the country, January has felt more like March. Typical weather has moved in since January 22, but the first three weeks of 2023 were as spring-like as they come. It even led to an extremely rare mid-winter injection into storage. The January 12 report

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Chester, Illinois
Cobden, Illinois
Corning, Iowa
Divernon, Illinois
Enfield, Illinois
Findlay, Illinois
Franklin, Illinois
Fulton, Missouri
Grayville, Illinois
Karnak, Illinois
Lamoni, Iowa
Louisville, Illinois
Milford, Illinois
New Boston, Illinois
Perryville, Missouri
Pinckneyville, Illinois
Pittsfield, Illinois
Plattsburg, Missouri
Pleasant Hill, Illinois
Riverton, Illinois
Rossville, Illinois
Thebes, Illinois
Vienna, Illinois
Waverly, Illinois
Westville, Illinois
White Hall, Illinois
Winchester, Illinois

IMGA Eligible Utility

Aerofil Technology
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Eastern Illinois University
Graceland University
Illinois State University
Southern Illinois University-
Carbondale
Southern Illinois University-
Edwardsville
Western Illinois University

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revealed we injected 11 BCF between December 30, 2022, and January 6, 2023. This is the first time we injected gas in January since 2006, though we also saw a February injection week in 2017. Each of those injections were 1 BCF and 7 BCF respectively, making the 11 BCF even more noteworthy.

It seems the only predictable thing about the current energy market is that it will remain unpredictable.

Courtesy of IGS Energy

AEROFIL TECHNOLOGY SEEKS NATURAL GAS SERVICES

Aerofil Technology began purchasing natural gas on January 1st from IMGA. Located in Sullivan, MO, Aerofil is served by the Spire Missouri East natural gas distribution pipeline. Aerofil's energy manager, DNE Resources, partnered with IMGA to create a solution for providing natural gas risk management and transportation services to this niche market in southeast Missouri.

Aerofil's state-of-the-art facility has grown exponentially since its founding in 1988. With 14 packaging lines that support high speed aerosol, liquid, and three stage filling, the facility spans more than 520,000 square feet. To support the packaging and assembly requirements, teams work 24/7 in the areas of warehousing and distribution, shipping and receiving, regulatory compliance, analytical laboratory testing, and packaging quality assurance.

IMGA welcomes Aerofil Technology to our family.



2023 IMGA ANNUAL MEETING

The IMGA Annual Meeting will be held on March 28, 2023 at Northfield Center in Springfield, IL.

Come and talk to other municipal leaders. Share solutions and problems for natural gas within your community.

Listen to knowledgeable speakers on today's natural gas topics

Enjoy a great breakfast buffet and a delicious prime rib and shrimp buffet for lunch.

More information will be distributed in the future.

Interstate Municipal Gas Agency

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