



WHO IS PATRIOTS ENERGY GROUP?

Patriots Energy Group (PEG) was created in April 2003, pursuant to the Joint Agency Act, Title 6, Chapter 24, Code of Law of South Carolina, 1976 and as amended by the “Joint Agency Act”. PEG was formed by the Chester County Natural Gas Authority (CCNGA), the Lancaster County Natural Gas Authority (LCNGA) and the York County Natural Gas Authority (YCNGA) and, collectively, the “Members” as a joint agency for the purpose of enabling the Members to jointly undertake the acquisition of natural gas supplies, natural gas capacity and the construction of facilities in order to achieve lower costs of operation and greater efficiencies in the competitive natural gas market.



Hello from Patriots Energy Group (PEG)

This quarterly newsletter is intended for the employees of the three Gas Authorities, Board Members and strategic partners. Each issue will provide timely information about PEG, the Patriots Energy Group Financing Agency (PEGFA), and the three Gas Authorities. We hope you enjoy learning more about the natural gas industry and keeping up with PEG in the issues to come.



Joint Action Agency

A Joint Action Agency is an entity usually consisting of utility companies, municipalities who own public utilities, and/or municipalities (natural gas authorities) who purchase energy from private utilities. These entities act jointly for making decisions regarding the acquisition and delivery of energy resources or related services. Joint Action Agencies

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”

are a resource that utilities can use to accomplish their goals of providing safe, and low-cost natural gas supply/capacity and services to their members in an efficient and effective manner. Shared costs and mutual support make the effort manageable and provide an effective interface to the ever-growing complexity of the US natural gas industry. Purchasing low-cost, natural gas supplies also helps protect the local utility’s margins.

PEG BOARD MEMBERS

James T. Sprouse, Jr. (York)

M. Brian Hall, III (York)

Jason P. Stewart (Chester)

Linda H. Short (Chester)

Rocky A. Hudson (Lancaster)

David Knight (Lancaster)

OFFICERS

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Jason P. Stewart, PE
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Rocky A. Hudson
Secretary/Treasurer

Jeffrey L. Deason
Chief Financial Officer

EXECUTIVE DIRECTOR

Michael E. Enoch

WHO IS PATRIOTS ENERGY FINANCING AGENCY?

Patriots Energy Group Financing Agency (PEGFA) was created in July 2018, pursuant to the Joint Agency Act, Title 6, Chapter 24, Code of Law of South Carolina, 1976 and as amended by the Joint Agency Act. PEGFA was formed by the Chester County Natural Gas Authority (CCNGA), the Lancaster County Natural Gas Authority (LCNGA) and the York County Natural Gas Authority (YCNGA) and, collectively, the “Members” as a joint agency for the purpose of enabling the Members to undertake the acquisition of long term natural gas supplies in order to achieve lower costs of natural gas in the competitive natural gas market.



Joint Action Agency

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SHARED COSTS

Do it once rather than multiple times and share the cost. Capacity and gas supply acquisition, intelligence gathering and continuous training efforts to maintain skills and knowledge are expensive undertakings. Joint Action Agencies provide the necessary products and services in a manner that is cost-effective for every member.

SIZE MATTERS

Small utilities have a difficult time getting the attention of suppliers because of the relatively small amount of energy they require. Aggregation of supply/capacity requirements through a Joint Action Agency results in larger capacity and gas supply required by the utility. This allows for efficient use of resources in purchasing capacity and gas supply from the market, and because of the size of an optimized energy portfolio.

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FOCUS

Municipalities (Authorities) have their staff and resources spread thinly over multiple areas of responsibility. Joint Action Agencies main focus is the safe, efficient, reliable, low cost capacity and gas supply to members. The focus created by dedicated Joint Action Agencies is even more important now as the complexity of the natural gas industry increases.

RESOURCES

The natural gas industry, now more than ever, requires talented and experienced people and tools. These resources are needed to capture data, observe, analyze, and prioritize trends and developments, and make informed decisions about which strategies to use and how to steer the gas utility. Because of existing day-to-day operations, most utilities typically cannot justify the cost of these resources. Joint Action Agencies are an ideal solution to gather and effectively use these resources in an efficient manner for all members.

REPUTATION AND COMMUNICATION

External entities, whether state and federal governments, regulators, or financial institutions, view a well-run central aggregated entity, such as a Joint Action Agency, with more credibility, respect, and relevance than they do a single natural gas utility. The ability of a Joint Action Agency to communicate, educate and articulate needs to external entities is strengthened by the single unified message from the members. Additionally, a well-run Joint Action Agency using economy of scale, efficient operations, and portfolio optimization will earn improved reputation and credit ratings.



Financial Natural Gas Transactions

Patriots Energy Group (PEG) has participated in many financed natural gas transactions as a customer since 2006, providing PEG and its members with significant discounted natural gas supplies.

- Tennessee Energy Acquisition Corporation (TEAC) in 2006, 2007 and 2018
- Main Street Natural Gas, Inc (Main St) in 2007
- Blackbelt Energy (Blackbelt) in 2018
- Public Energy Authority of Kentucky (PEAK) in 2018
- Public Gas Partners Pool #4 (PGP Pool #4) in 2018

In August 2018, Patriots Energy Group Financing Agency (PEGFA) issued 30-year Gas Revenue Bonds totaling \$832,350,000. These proceeds have been used to prepay PEGFA's first long-term gas supply agreement with the Royal Bank of Canada.

Over a 30-year period, the members of PEGFA will obtain some 216,865,600 MMBtus of natural gas supplies at a discount to the market price that is created by this structured transaction. The rest of the gas acquired will be sold to the Municipal Gas Authority of Georgia for resell to their members at a discount.

If the transaction goes to the full 30-year term, PEGFA members will save approximately \$90,216,090. That represents a per unit savings of 10-15% of the cost of natural gas. The gas supply will make up approximately 50.85% of the gas required for the three Authorities until 2048, based on the last 12 months of usage.

The bonds are structured to be put back into the market in 2024, which will create a different unit discount. But Authorities are big winners even if their discount is less. Even if we obtain only the minimum discount provided for under our transaction, PEGFA will still see savings after 2023 of \$95,953,228.

The Gas Revenue Bonds are not general obligations of the state, PEGFA, or its members, but are secured solely by a lien on the Trust Estate that is funded by the revenues from the sale of gas purchased with the bond proceeds. On August 2, 2018, Moody's Investors Service has assigned an Aa2 rating to the Gas Supply Revenue Bonds.

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MORE ABOUT PEG

In accordance with PEG's strategic plan, PEG will implement a lunch & learn program for employees at each Gas Authority. You will receive an email soon with a link to a survey to determine what are the most important items you want to hear about or discuss.

This Lunch & Learn program will consist of two types of programs:

— PROGRAM 1 —

A hosted lunch for employees from each Gas Authority to share their best practices and, alternatively, things that need improvement. This will be a round table discussion to allow each gas system to improve and become more efficient and effective in their operations, by implementing something new that is done differently by another Gas Authority. Topics will include customer service, regulatory compliance, meter sets, appliance sales and operator qualification, to name a few.

— PROGRAM 2 —

A hosted lunch for employees from each Gas Authority to listen to prepared remarks from a speaker or panel of speakers that will share information on the subject matter. There will also be a question and answer session. This program will focus on educating employees about items such as joint action, prepaid gas, capacity rights and compression.

PEG Engineering Study

The area served by Patriot's Energy Group (PEG) is located in one of the fastest growing metro regions in the United States - Charlotte, NC. Due to the robust growth outlook, PEG commissioned AECOM to conduct an engineering study to provide a long term load outlook, system growth plan, a prioritized list of system enhancement projects and associated cost estimates for calendar years 2019 through 2033.

Key conclusions of the Engineering Study are as follows:

- Transco pressures (475 psig) at the Interconnect are insufficient to meet PEG load projections in year 2021;
- Pipe alone will not resolve the lack of the pressure required to meet future demand;
- PEG transmission mainline is not experiencing excessive pressure drop;
- System pressures sufficient to meet future loads can be provided by two methods: 1) compression or 2) LNG plus compression;
- Compressor station at the Transco Interconnect is the most cost-effective means to meet forecasted pressure requirements;
- In all cases considered, four new delivery stations, upgrades of the Interconnect and PEG delivery stations, and replacement of 4.4 miles of 6" HP distribution piping with 12" (Van Wyck lateral upgrade) will be required;
- Additional upstream capacity, to fill the downstream capacity will be required to meet future demand.

Considering the recommendations of AECOM and several meetings with our suppliers, the PEG Executive Committee has decided the following:

1. Extend a temporary capacity release contract of 9,500 DTs contract (to March 2026) with Dominion Energy Carolina Gas Transmission (DECGT). Add 11,400 DTs of a DECGT contract from Shell on a permanent release. This delays completion of the compressor station to November 2025.
2. Assuming the November 2025 date as our plan, the compressor station needs to be operational by November 2024. We need one year of compressor operations prior to when we need the station online in 2025. This translates to a construction start date of November 2021.



Natural Gas Futures Market Closing Price

JANUARY 2017 - PRESENT

