

NEU Regulatory and Energy Price Update

Illinois Climate and Equitable Jobs Act Cost Impact Starting to Emerge

On September 15, 2021, Illinois Governor Pritzker signed the long-awaited energy bill referred to as the Climate and Equitable Jobs Act ("CEJA"). As part of this new law, over 15 new or expanded initiatives will increase costs for customers. Some new and increased surcharges will start showing up on ComEd distribution bills issued in February. The known 2022 surcharges as of late January are:

1. Energy Transition Assistance ("ETA") charge
2. Increased Renewable Portfolio Standard ("RPS") charge
3. Energy Efficiency charge for non-exempt over 10 MW size customers
4. Estimated Carbon Mitigation Credit ("CMC") for Exelon's nuclear plants

2022 CEJA Surcharges

	\$ per MWH	Effective
Energy Assistance Transition Charge	\$0.80	2/1/2022
Additional RPS	\$3.13	2/1/2022
Energy Efficiency	\$1.74	2/1/2022
Carbon Mitigation Credits (Exelon Nuclear)	<u>\$2.00</u>	6/1/2022 est.
Total	\$7.67	

The ETA charge is for \$181 Million/year funding under the Department of Commerce and Economic Opportunity (DCEO) Law to be remitted to the Illinois Department of Revenue. The additional RPS charge is an increase in the 2021 maximum renewable energy charge from \$1.89 per MWH to \$5.02 per MWH. The estimated CMC is about \$2.00 per MWH effective June 1, 2022. There several other workshops being held at the ICC to implement provisions within CEJA. It is unclear what the cost impact of these programs are at this time.

Other Workshops and CEJA Initiatives

The Illinois Commerce Commission ("ICC") and/or the Illinois Power Agency ("IPA") must oversee the development of the CEJA programs and the ICC must approve the tariffs. Some workshops have been held and completed and others are ongoing. Current workshops are:

- Beneficial Electrification - CEJA objective is to lower carbon dioxide emissions through increasing electric vehicles in the state.
- Intervenor Compensation Fund – This is a fund set up to allow consumer groups increased opportunity to participate in ICC proceedings; this fund pays for some of their costs.
- Interconnection Working Group – Stakeholder group of parties who have interest in interconnection rules and procedures.
- Electric Utility Performance and Tracking Metrics.
- Energy Storage Program.
- Multi-Year Integrated Grid Plan.
- IPA procurement of Exelon Carbon Mitigation Credits.

ComEd Files Performance and Tracking Metrics Plan with ICC

On January 20, 2022, ComEd filed its Performance Metrics Plan ("Plan") and proposed Rider PIM – Performance Incentive Metrics ("Rider PIM") with the Illinois Commerce Commission. As part of CEJA ComEd is allowed to implement performance-based rates that will determine its cost of equity included in delivery service rates. The higher the metrics achievement, the higher the basis points ComEd is allowed to use to set rates. The six broad performance metrics categories are:

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Performance Metrics Categories

1. Reliability and Resiliency
 - Overall reliability
 - Minimum service levels
 - System visibility index
2. Peak Load (Load Reduction)
3. Supplier Diversity
4. Affordability (Measured by customers in arrears)
5. Interconnection Timeliness
6. Customer Service (First contact resolution)

In order to implement performance-based rates ComEd must file a Multi-Year (4 year) Rate Plan with the ICC. Under this petition ComEd is seeking approval of the performance and tracking metrics and Rider PIM. Once the metrics and rider are approved by the ICC, ComEd may file the Multi-Year Plan and implement performance-based rates. Based on ComEd's filing it appears that ComEd has the option, but not the obligation to implement performance metrics and Rider PIM.

ComEd must file its initial Multi-Year Plan by January 20, 2023, for the billing periods January 1, 2024 to December 31, 2027. The Commission must issue a Final Order by September 30, 2022. A preliminary hearing has been scheduled for February 15, 2022.

ComEd's 2022 Delivery Service Rates

The ICC approved ComEd's 2022 revenue requirement granting an overall rate increase of \$45.8 Million. The actual revenue requirement increase is \$37.2 Million. New rates were filed and effective with January 2022 bills.

ComEd Approved 2022 Revenue Requirement (\$Millions)

	Final 1/1/2021	2022 Proposed Rates		Final Inc. vs. 2021
		ComEd	Approved	
Annual Revenue Requirement	\$2,679.2	\$2,717.0	\$2,716.4	\$37.2
Reconciliation Adjustment	-\$22.3	-\$35.4	-\$38.2	-\$15.9
ROE Collar Adjustment	<u>\$8.9</u>	<u>\$33.6</u>	\$33.6	\$24.6
Net Revenue Requirement	\$2,665.9	\$2,715.2	\$2,711.7	\$45.8
Percent Change from Prior Year				1.72%

Short-Term Energy Price Outlook

In its January Short-Term Outlook the Energy Information Agency ("EIA") reported that Henry Hub natural gas prices averaged \$3.91 per MMBtu in 2021. The 2021 monthly average price peaked in October at \$5.51 per MMBtu. The EIA is predicting that prices in the first quarter of 2022 will average \$3.82 per MMBtu and \$3.79 per MMBtu for the remainder of 2022. Prices in 2023 are expected to average \$3.63 per MMBtu.

The February NYMEX natural gas futures contract went out like a lion. During the last 30 minutes of trading the February contract increased by \$1.50 per MMBtu to close at \$6.264 per MMBtu. This increase was likely a result of technical trading as buyers and sellers had to liquidate their positions. The prior day closing price was \$4.277 per MMBtu meaning the contract price increased by \$1.977 per MMBtu on the final day of trading. The Chicago citygate price for February deliveries will be about \$7.00 per MMBtu.

Natural gas inventory levels on January 21, 2022 were 2,591 Bcf which was 308 Bcf (10.6%) lower than last year and 25 Bcf (1.0%) lower than the five-year average. The EIA in its January outlook forecasted that inventories at the end of March 2022 will be 1,800 Bcf which would be 8% higher than the five year average. Colder weather in January could lower this ending level.

The EIA continued to predict large increases in LNG exports. Exports in 2022 averaged 9.8 Bcf/day compared to 6.5 Bcf/day in 2020. Exports are expected to increase to 11.5 Bcf/day in 2022 and 12.1 Bcf/day in 2023. Much of the increase in exports is tied to the higher prices in Europe and Asia. Those prices have been trading in the \$25 to \$30 per MMBtu range.

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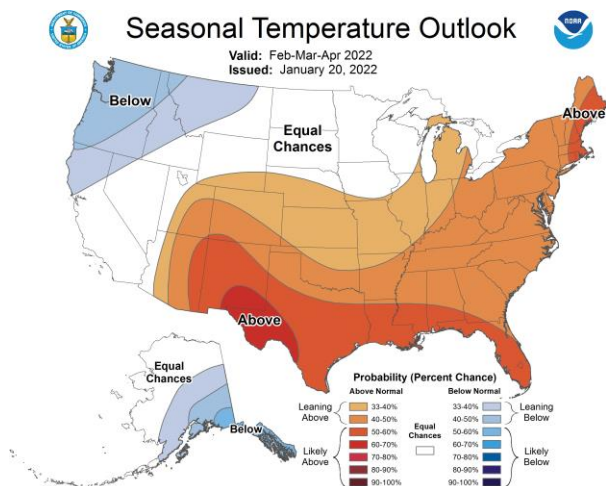
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February 2022 Heating Oil and Propane Prices

The February 2022 NYMEX No. 2 heating oil contract price settled at \$2.76 per gallon on January 31, 2022, compared to \$2.33 per gallon in January. The equivalent February natural gas cost is \$19.88 per MMBtu assuming 138,800 Btus per gallon. Propane settled at \$1.296 per gallon (NYMEX - Conway, KS) for February compared to \$1.135 in January. The equivalent February natural gas price is \$14.24 per MMBtu assuming 91,000 Btus per gallon.

NOAA's Winter Temperature Outlook

NOAA's February 2022 through April 2022 temperature outlook favors above-normal seasonal mean temperatures for the majority of the U.S. La Niña conditions over the Tropical Pacific Ocean continue to play a role in predicted climate conditions for North America. La Niña conditions tend to bring above-average normal temperatures and precipitation across the northern Midwest.



Price Summary - Electric

Day-Ahead prices in January, averaged \$43.91 per MWH and Real-Time prices averaged \$39.97 per MWH. Day-Ahead peak period prices averaged \$49.13 per MWH and off-peak prices averaged \$34.11 per MWH. Most end-use customers who contract for hourly prices select Day-Ahead pricing because of additional balancing operating reserve costs for Real-Time prices.

PJM Day-Ahead and Real-Time Prices – ComEd Zone

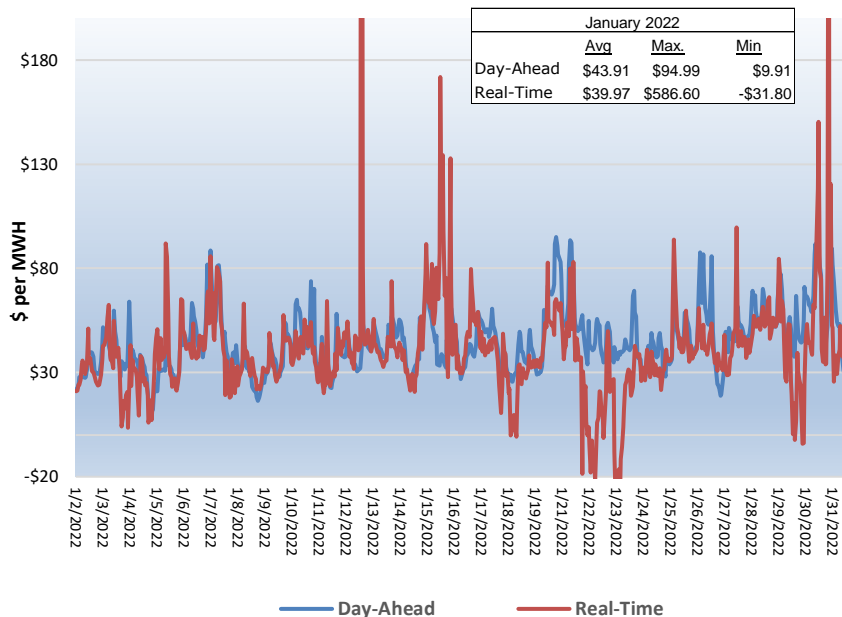
	ComEd Zonal Price - \$/ MWH						ComEd
	Day-Ahead LMP			Real-Time LMP			BES-H
	Mo. Avg	Peak (a)	Off-Peak	Mo. Avg	Peak (a)	Off-Peak	Mo.Avg
Jan-21	\$23.18	\$26.13	\$20.75	\$23.03	\$25.31	\$21.15	\$24.32
Feb-21	\$42.20	\$51.51	\$33.74	\$39.90	\$48.23	\$32.32	\$42.13
Mar-21	\$21.53	\$24.08	\$19.03	\$22.98	\$28.10	\$17.96	\$24.27
Apr-21	\$25.17	\$29.77	\$20.76	\$23.72	\$27.14	\$20.45	\$25.05
May-21	\$25.02	\$30.15	\$20.81	\$24.91	\$30.50	\$20.31	\$26.31
Jun-21	\$30.82	\$35.80	\$26.06	\$31.94	\$37.72	\$26.41	\$33.76
Jul-21	\$35.80	\$43.07	\$29.26	\$34.73	\$40.98	\$29.11	\$36.70
Aug-21	\$41.26	\$50.09	\$33.34	\$41.75	\$50.41	\$33.97	\$44.14
Sep-21	\$42.10	\$50.45	\$34.79	\$45.06	\$55.18	\$36.20	\$47.72
Oct-21	\$52.73	\$62.77	\$44.46	\$52.76	\$63.24	\$44.13	\$55.88
Nov-21	\$47.38	\$54.88	\$40.23	\$46.45	\$56.79	\$36.58	\$49.20
Dec-21	\$31.05	\$36.67	\$25.55	\$33.80	\$38.94	\$28.78	\$35.80
Jan-22	\$43.91	\$49.73	\$39.11	\$39.97	\$46.89	\$34.27	\$42.47
Cal '20	\$18.98	\$22.52	\$15.83	\$19.05	\$22.71	\$15.81	\$20.06
Cal '21	\$34.78	\$41.11	\$29.06	\$35.03	\$41.75	\$28.96	\$37.05

a) Peak Prices are NERC Hours (6 AM TO 10 PM, M-F)

PJM balancing operating reserve ("BOR") costs for the ComEd Zone in January 2022 averaged \$0.009 per MWH for Day-Ahead energy and \$0.256 per MWH for Real-Time energy. If a ComEd customer contracts for Real-Time prices, suppliers generally add Real-Time BOR deviation costs for both the RTO and West zones to the Real-Time energy purchases because Real-Time deviation costs can be extremely volatile. Day-Ahead BOR costs are less volatile and are generally included in a supplier's ancillary service charge, assuming the customer contracts for a fixed ancillary service charge.

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January 2022 PJM Hourly Prices



PJM Balancing Operating Reserve Costs

Average BORs	(a) (b) (c = b-c) Balancing Operating Reserve Costs			(d) (e) (f = e-d) PJM Index Prices - ComEd Zone			(g = c+f) Net Increase in RT Costs
	Day-Ahead	Real-Time	RT less DA	DA	RT	RT less DA	
Jun-21	\$0.017	\$0.471	\$0.453	\$30.82	\$31.94	\$1.12	\$1.58
Jul-21	\$0.007	\$0.645	\$0.638	\$35.80	\$34.73	-\$1.07	-\$0.43
Aug-21	\$0.012	\$0.701	\$0.689	\$41.26	\$41.75	\$0.49	\$1.17
Sep-21	\$0.027	\$0.286	\$0.259	\$42.10	\$45.06	\$2.96	\$3.22
Oct-21	\$0.006	\$0.510	\$0.504	\$52.73	\$52.76	\$0.03	\$0.54
Nov-21	\$0.012	\$0.786	\$0.774	\$47.38	\$46.45	-\$0.93	-\$0.15
Dec-21	\$0.022	\$0.267	\$0.244	\$31.05	\$33.80	\$2.75	\$3.00
Jan-22	\$0.009	\$0.256	\$0.247	\$43.91	\$39.97	-\$3.94	-\$3.69
2020 Average	\$0.01	\$0.26	\$0.25	\$18.96	\$19.03	\$0.07	\$0.32
2021 Average	\$0.01	\$0.40	\$0.38	\$35.55	\$35.46	-\$0.09	\$0.30

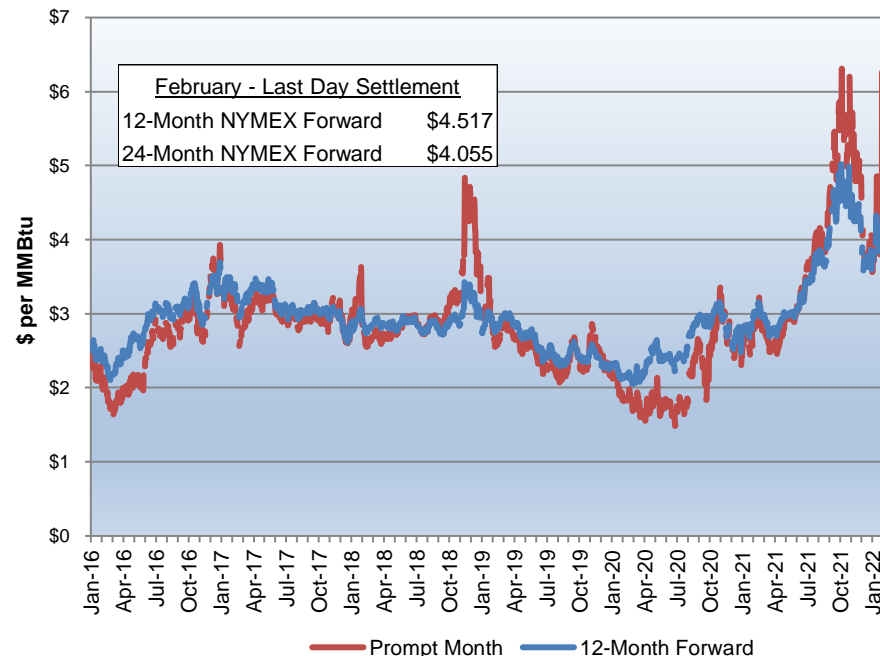
a) BORs through 1/25/22

Price Summary - Natural Gas

The 12-month forward Henry Hub NYMEX price for the February 2022 to January 2023 period was \$4.517 per MMBtu on January 27, 2022, which was the last trade date for the February 2022 contract. The February 2022 NYMEX Henry Hub futures contract settled at \$6.265 per MMBtu compared to \$4.024 in January. Assuming a Chicago basis of \$0.725 per MMBtu, the Chicago Citygate price in February is \$6.990 per MMBtu.

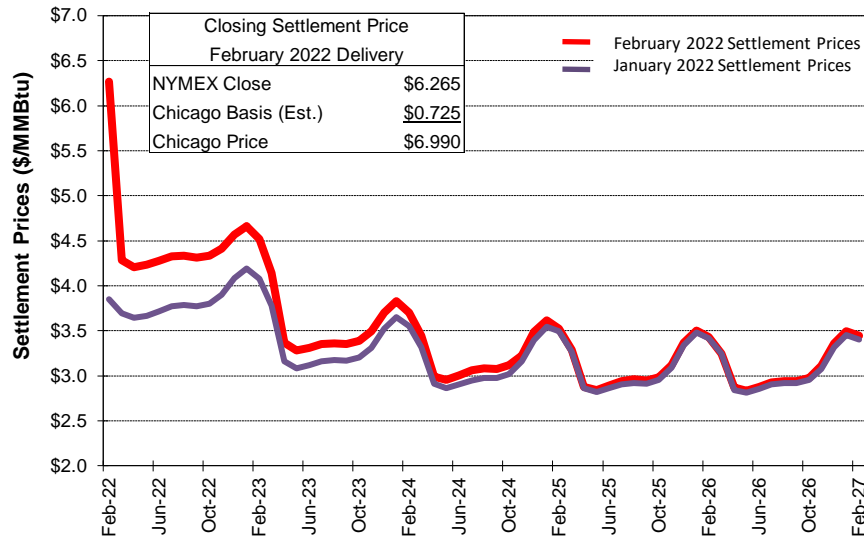
NYMEX futures prices, local distribution company gas costs, storage volumes and rig counts are summarized in the following graphs and tables.

NYMEX Natural Gas 12-Month Forward Price Trend Through January 31, 2022



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NYMEX Natural Gas Monthly Settlement Price Comparison



Utility Natural Gas Supply Costs February 2022 (\$/Therm)

Gas Supply Costs:	Peoples Gas	North Shore	NICOR
Bundled Gas Supply Cost	\$0.5958	\$0.5931	\$0.5971
Commodity Gas Charge	\$0.5457	\$0.4693	\$0.5357
Non-Commodity Charge	\$0.0515	\$0.1238	\$0.0606
Standby Demand Charge	\$0.2747	\$0.6660	\$0.5365
Storage Gas Charge	\$0.0076	\$0.0148	
Environmental Surcharges			
Rider 11, Peoples and North Shore	\$0.0091	\$0.0133	
Rider 12, NICOR - Small C&I			\$0.0022
Rider 12, NICOR - Large C&I			\$0.0080
Rider VBA - Balancing Adjustment	\$0.0000	\$0.0000	
Hub Service Credit - Sales	(\$0.0014)		
Hub Service Credit - Transportation	(\$0.0006)		
NICOR Transportation Service Adj.			(\$0.0001)
NICOR, Rider 5 Storage Adj. Factor			\$0.0008
Qualifying Infrastructure Surcharge	18.05%	n/a	0.00%

Natural Gas Price Summary Comparison February 2022 (\$ per MMBtu)

	Burner-Tip \$/MMBtu	Local Distribution \$ (a)
NYMEX Final Settlement Price	\$6.265	
Chicago Basis	\$0.725	
Chicago City-gate Price (b)	\$6.990	
<u>Peoples Gas Burner-Tip Price</u>		
Rate 2 - Utility Supply Service, 3,500 MMBtu	\$8.326	\$1.336
Rate 4 - Utility Supply Service, 15,000 MMBtu	\$8.339	\$1.349
Rate 4 - Utility Supply Service, 60,000 MMBtu	\$8.167	\$1.177
Rate 2, SST, 28 Days Storage, 3,500 MMBtu	\$9.671	\$2.681
Rate 4, LST, 28 Days Storage, 15,000 MMBtu	\$9.492	\$2.502
Rate 4, LST, 28 Days Storage, 60,000 MMBtu	\$9.303	\$2.313
<u>North Shore Burner-Tip Price</u>		
Rate 2 - Utility Supply Service, 3,500 MMBtu	\$7.022	\$0.032
Rate 3 - Utility Supply Service, 60,000 MMBtu	\$6.849	(\$0.141)
Rate 2, SST, 31 Days Storage, 3,500 MMBtu	\$8.279	\$1.289
Rate 3, LST, 31 Days Storage, 60,000 MMBtu	\$7.975	\$0.985
<u>NICOR Burner-Tip Price</u>		
Rate 6 - Utility Supply Service, 15,000 MMBtu	\$6.532	(\$0.458)
Rate 7 - Utility Supply Service, 60,000 MMBtu	\$6.629	(\$0.361)
Rate 76, 0% Standby, 15,000 MMBtu (c)	\$7.771	\$0.781
Rate 77, 0% Standby, 60,000 MMBtu (c)	\$7.884	\$0.894

(a) Local distribution charge = burner-tip less city-gate price.

Includes all taxes, city fees and gas loss costs.

(b) NYMEX last day settlement price plus indicative Chicago basis swap.

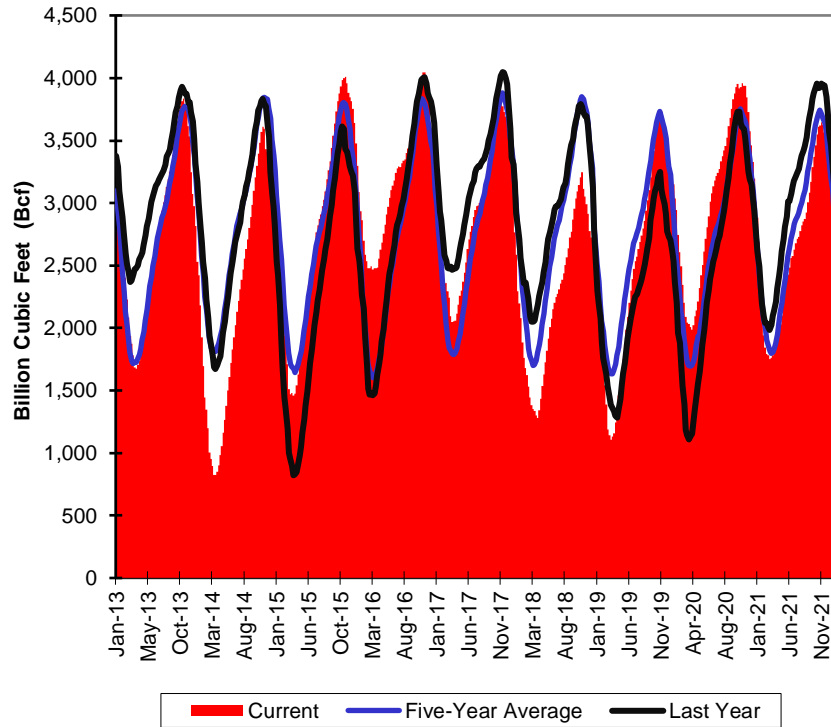
(c) Assumes 31 days storage in place of standby service.

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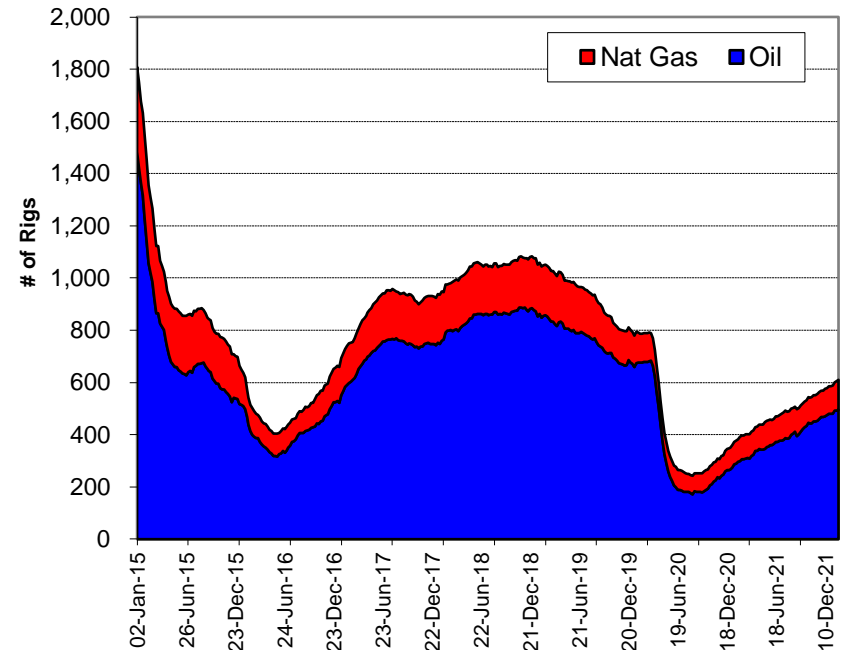
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EIA Weekly Storage Report January 2013 through January 2022



January 21, 2022		Difference	
	<u>BCF</u>	<u>BCF</u>	<u>% Change</u>
Current Total	2,591		
Last Week	2,810	(219)	-7.8%
Last Year	2,899	(308)	-10.6%
5-Year Average	2,616	(25)	-1.0%

Natural Gas Rig Count January 2015 to January 2022



January 28, 2022			
	Rig Count on		Annual % Change
	<u>1/28/22</u>	<u>2/5/21</u>	
Gas	115	88	31%
Oil	495	295	68%
<u>Misc.</u>	<u>0</u>	<u>0</u>	
Total	610	383	59%

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