TeamEnergy

Glossary

Energy Equivalents

1 Cubic foot of natural gas = approximately 1,000 Btu 1 Ccf (100 Cu. Ft.) of natural gas = approximately 100,000 Btu
1 Therm = 100,000 Btu
10 Therms = 1 Dekatherm
1 Dekatherm = 1,000,000 Btu = 1 MMBtu
1 Mcf (1,000 cu. Ft.) of natural gas = 1,000,000 Btu
1 Mcf = 1 Dekatherm
1BCF - 1 billion cubic feet of natural gas
1 Gallon of #2 fuel oil = approximately 140,000 Btu
1 Gallon of Propane = approximately 91,5000 Btu
1 Kilowatt-hour (kWh) of electricity = 3,413 Btu
293 kWh of electricity = 1,000,000 Btu

Energy Terms

Agency Agreement - Arrangement in which a gas buyer gives an agent the right to act on its behalf to arrange or administer pipeline transportation service held by the buyer.

Aggregator - A consolidator of individual users into a collective group to provide negotiating power for pricing and services.

Ampere - The unit of measure of electrical current produced in a circuit by 1 volt through a resistance of 1 ohm. The measure of current flow.

Arbitrage - The simultaneous purchase of one commodity against the sale of another in order to profit from fluctuations in the usual price relationship between the two.

Ask **-** In the futures market, an ask is a motion to sell. Also called offer.

At the Market - A futures order placed at the market is executed immediately at the price available when the order reaches the trading floor.

At the Money Price - An option whose exercise, or strike, price is closest to the futures price.

Balancing - Equalizing the volumes of energy withdrawn from a system with the volumes of energy input into the system. Typically refers to gas used by a customer versus gas supplied into the system by a marketer. Balancing may be accomplished daily, monthly or seasonally with penalties assessed for excessive transportation imbalance.

Balancing Base Load - A volume of energy that serves as a constant load over a period of time.

Basis (Delivery) - The financial cost to move natural gas from the Henry Hub to the final delivers point on the pipeline. Basis is defined at the price difference between the cost of a futures contract at Henry Hub and the cash price at the delivery point.

Basis Quote - Offer or sale of a cash commodity in terms of the differential above or below the futures price.

Bear - One who anticipates a price decrease.

Bidweek - The time period at the end of a month when the bulk of the baseload trading on the spot market occurs for the following month. This trading typically occurs in the few days preceeding the pipeline transportation nomination deadlines.

Booking the Basis - A forward pricing sale arrangement in which the cash price is determined by the buyer or seller within a specified time.

British Thermal Unit (Btu) - The quantity of heat required to raise one pound of water (about one pint) one degree Fahrenheit at or near its point of maximum density. A common unit of measure for natural gas use and heat output.

Bull - One who anticipates a price increase.

Bundling - Combining products and services into a one nonnegotiable package, with no consumer choice to accept less than the entire package.

Burnertip - The point at which natural gas is used as a fuel. Typically the end point and past the meter inside a facility.

Busbar - The point where power is available for transmission.

Call Option - An option that gives the buyer the right, but not the obligation, to buy a futures contract for a specified price within a specified period of time in exchange for a one time premium payment.

Cash Settlement - A method of delivering a futures contract by calculating the worth of the physical commodity represented by the contract and meeting both buyer's and seller's obligations by an exchange of money instead of the physical commodity.

City Gate - The location where a local distribution company connects with an interstate pipeline.

Collar - A supply contract between a buyer and seller of a commodity in which the buyer is assured that he will not have to pay more than some maximum price, and the seller is assured of receiving some minimum price.

Cubic Foot - The most common unit of measurement of gas volume.

aacmout of gas

Delivery Point - For a pipeline, the delivery point is where sales or transportation of gas exists the system. For a gas producer, it is the point where the gas enters the pipeline.

Demand - The measure of total energy load at a specified point in time.

Deregulation - The process for ending government control over who can sell natural gas supplies and for how much.

Derivative - Any financial instrument that derives its value from the from the value of the underlying security.

Distribution System - Pipes and service equipment that carry or control the supply of natural gas from the point of local supply (or city gate) to the customer’s meter.

Financial Gas Contract - Contracts in which the primary underlying purpose is to manage price risk.

Firm Service - Natural gas supplies and/or transportation service not subject to interruption during the year.

Firm Local Transportation Service - The transportation of natural gas from a city gate station to a customer’s facility not subject to interruption during the term of the contract.

Forwards - Purchase or sale transaction where delivery is delayed to a specified future date. Forward contracts set a price or pricing formula: fixed (firm) or with floors, ceiling, and/or inflation escalators.

Front Month - This is the most current month in which the futures contract is being traded. Also called the near or spot month. Trading of the front month expires 5 business days prior to the end of the first calendar day of the delivery month for the NYMEX Henry Hub.

Futures Contract - Standardized contract for the purchase or sale of a commodity that is traded for future delivery under the provisions of exchange regulations. The standard contract for natural gas at Henry Hub is 10,000 MMBtu. The contract specifies the unit of sale, how it is quoted in dollars, minimum and maximum price fluctuations, when and how it is traded, how delivery is made and what the penalties are for failure to delivery.

Futures Options - The holder of futures options is given the right but not the obligation to buy or sell a specified futures contract at a specified price.

GISB Contract - Gas Industry Standards Board standardized contract for gas marketing activities.

Hedging - A purchaser or producer of energy uses a derivative position to protect against adverse price movements in the cash market by securing a price for future delivery.

Henry Hub - A pipeline interchange near Erath, LA, where several pipelines interconnect through a header system operated by Sabine Pipeline. Henry Hub is the standard delivery point for the New York Mercantile Exchange natural gas futures contracts.

Interruptible Service - Contractual arrangements that allow some portion of energy delivery to be interrupted during specified conditions.

Kilowatt-Hour - A unit of electrical energy equivalent to 1 kilowatt of power used for 1 hour. 1 kWh is equivalent to 3,412 Btu.

Limit Order - A contingent order for a futures or options trade specifying a certain maximum (or minimum) price.

Liquidation - The closing out of futures and options positions.

Liquidity - A measure of the level of trading activity. A liquid market has a high level of activity.

Load Factor - The ratio of the amount of gas a customer actually takes compared to the maximum amount to which the customer is entitled under full load conditions.

Long Position - A buyer obligated to accept delivery unless the contract is liquidated with an offsetting sale.

Market Clearing Price - Price determined by buyers and sellers in a free market.

Marketer/Broker - A non-regulated buyer and seller of energy. Marketers also may provide a variety of related services, including transportation arrangement, delivery monitoring and supply balancing.

Mcf - 1 thousand cubic feet.

MMBtu - 1 million British Thermal Units (BTU's). The letter M typically denotes 1,000.

MMcf - 1 million cubic feet.

NYMEX - New York Mercantile Exchange, the commodity exchange based in New York City.

Offer - A motion to sell a futures or options contract at a specified price. Also called an Ask.

Opening Price - The price for a given futures commodity that is generated by trading through open outcry at the opening of trading on a commodity exchange.

Options - A contract that gives the buyer the right to buy (call option) or sell (put option) at a specified price (the “strike” price) over a specified period of time. Types of options include: straight puts or calls, caps and floors, costless and participating collars.

Order - When buying or selling a futures contract, the broker will ask for specific instructions.

Out of the Money - An option that has no intrinsic value. For calls, an option priced above the market price and for puts, an option priced below the market price.

Pipeline - Transportation system through which gas supplies are moved.

Pricing Systems - Natural gas prices are generally quoted at the wellhead, delivered into a pipeline, at a citygate or at the burnertip.

Put Option - An option that gives the buyer or holder the right, but not the obligation to sell a futures contract at a specific price within a specified period of time in exchange for a one-time premium payment.

Reservation Fee - A charge paid to reserve firm transportation capacity on a pipeline.

Settlement Price - The price established by the NYMEX at the close of each trading session as the official price to be used by the Clearinghouse in determining net gains or losses, margin requirements and the next day's price limits.

Short Position - A seller obligated to deliver a commodity unless the contract is liquidated with an offsetting sale.

Shoulder Months - Normally defined as spring and fall months when energy demand is lowest.

Spot Month - The futures contract closest to maturity - the nearby delivery month.

Spread - The simultaneous purchase of 1 futures contract and the sale of another futures contract. Spreads may occur between different exchanges or different commodities.

Stop Order - Used to limit a loss on an existing futures position or protect a profit. Once the Stop Order is reached, it becomes a market order and is executed.

Swaps - A way to fix the price of energy to be purchased or sold in the future, swaps are exchanges between two parties where one agrees to exchange a fixed price for a floating price.

Swing Supply - Energy supply taken as needed to meet peaking demand above base load requirements.

Tariff - Terms, conditions and rate information applied to various types of gas service filed and approved by the Federal Energy Regulatory Commission and/or a state public utility commission.

Term of Contract - According to Connecticut state regulations, the term of contract between a third party supplier and a customer may not exceed one year without renewal.

Therm - Unit of heating value equivalent ot 100,00 BTU's.

Throughput - Amount of gas delivered and/or sold, usually on a 12-month basis.

Trigger Price - A contract provision that allows choice of when to execute a pricing mechanism based on futures price.

Unbundling - The separation of total gas service into different components. Traditionally, the commodity cost of gas supplies, transportation and storage had been packaged as a single service. Unbundling provides the opportunity to shop for the best prices for each component.

Volatility - The markets price range and movement over a period of time.

Volt - The unit of measure of electromotive force equivalent to produce a current of 1 ampere through a resistance of 1 ohm.

Watt - A measure of real power production equivalent to 1 ampere flowing under a pressure of 1 volt. A measure of a rate of doing work.

Wellhead - Gas supply point of origin.