



New Tools to Help Fuel Marketers Grow Their Businesses

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Then...



Now

- The fuel marketing business continues to move from the paper world to the digital world
- Innovative marketers are meeting their customers' unique demands using cloud-based hedging tools
- These new tools allow companies to manage customized risks in order to protect their profit margins and grow their businesses

A Fuel Marketer's Challenge

A good customer wants a fixed price for 7,000 gallons/month of ULSD for the next six months. They will need to repeat this transaction many more times but they can't tell you exactly when.

What do you do?

1. Call your supplier and ask for a quote on a fixed forward?
2. Create a 'dirty' hedge by using a single futures contract positioned in one month of the deal?
3. Wait until you can aggregate enough additional volume to use a futures contract for each month of the deal?

Another Challenge

You are launching your winter heating oil price cap marketing campaign. Your sales team tells you that sign-up rates are slow this year. What do you do?

1. Buy your options now and risk being significantly over-hedged?
2. Wait to hedge but add a lot of cushion to your price quotes to cover possible market price movement between now and the time you buy your options?

Now you can do something more effective!

Your customers can always look somewhere else.
Don't give them a reason to do so!

New Technology for Customized Price Protection



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Powerhouse CustomQuotes allows you to **compare**, **quote** and **execute** a variety of energy and weather hedge products. Our platform provides transaction capabilities not available with traditional OTC or exchange-listed products.

Compare: All structures and shape profiles automatically saved in your account for custom quoting. No need for repeated data entry. You can even build and save custom heat curves.

Quote: Fully configurable trade volumes with your customized shaping profiles. .

Execute: Trade multiple instruments with varying volumes and strikes easily.

Powerhouse CustomQuotes is a one-of-a-kind solution focused on your risk management needs. It is not just another trading platform. Contact Powerhouse to get started today!

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Source: The Redwood Group, LLC

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What Are Over-the-Counter (OTC) Markets

Financial, cash settled deals between two parties (bilateral deals) – known as swaps

Offered by a wide range of energy market participants
(banks, large energy companies, reinsurance companies)

Can be highly tailored by quality, quantity, location, type of settlement

Tend to be either large or very small transaction size

Requires an ISDA (International Swaps and Derivatives Association) agreement

Credit flexibility. Square-up between counterparties may be set as a time interval or dollar amount

**Counterparties must evaluate each other's balance sheets
– this is what backs each deal**

Dodd-Frank Reforms Now Apply to Swaps

The Dodd-Frank Wall Street Reform and Consumer Protection Act brings comprehensive reform to the regulation of swaps. These products, which have not previously been regulated in the United States, were at the center of the 2008 financial crisis.

The Dodd-Frank bill authorizes:

- CFTC regulatory authority to oversee the more than \$400 trillion swaps market
- Swap dealers are subject to capital and margin requirements to lower risk in the system
- Most swaps are required to be reported to a swap data repository (SDR) and are subject to recordkeeping requirements.
- That both parties of a swap qualify as Eligible Contract Participant (ECP)

Entities with a net worth of at least \$1 million that are hedging commercial risk OR

Corporations, partnerships, proprietorships, organizations, trusts, or other entities with more than \$10 million in assets, or any entity guaranteed by such entity

Custom Quotes: NY Harbor ULSD Swaps

ALLOCATE

Account Demo Customer TL

Name Average NYH Heating Oil Monthly Swap

Calendar Month
 Jan 2021 to Jun 2021

Volume 42,000

Volume Shape - None -

STRUCTURE

Position I am buying

Type

Common Strike

QUOTE SUMMARY

Get Quote

Month	Bus Days Remaining	Daily Volume	Monthly Volume	Price
Jan 2021	19	368	7,000	\$1.4203
Feb 2021	19	368	7,000	\$1.4203
Mar 2021	23	304	7,000	\$1.4203
Apr 2021	21	333	7,000	\$1.4203
May 2021	20	350	7,000	\$1.4203
Jun 2021	22	318	7,000	\$1.4203

MOST RECENT QUOTE

From The Redwood Group, LLC

Quoted 11/30/2020 12:44:03 PM

By David Demo

Expires 11/30/2020 12:46:03 PM

Demo Customer TL

\$1.4203

Payment Demo Customer TL Long

Submit

Source: The Redwood Group, LLC

Custom Quotes: NY Harbor ULSD Swaptions

ALLOCATE

Account Demo Customer TL

Name Average NYH Heating Oil Monthly Relative Str

Calendar Month
Dec 2020 to Apr 2021

Volume 800

Volume Shape Harrisburg, PA

QUOTE SUMMARY

Get Quote

Month	Bus Days Remaining	Daily Volume	Monthly Volume	Strike	Adder	Price
Dec 2020	22	9	187	1.3702	0	\$0.0745
Jan 2021	19	11	208	1.3702	0	\$0.1168
Feb 2021	19	9	177	1.3702	0	\$0.1415
Mar 2021	23	6	145	1.3702	0	\$0.1638
Apr 2021	21	4	83	1.3702	0	\$0.1860

STRUCTURE

Position I am buying

Type Call

Adder 0.000

Month

Lock Strike

Common Strike

MOST RECENT QUOTE

From The Redwood Group, LLC

Quoted 11/30/2020 12:57:19 PM

By David Demo

Expires 11/30/2020 12:59:19 PM

Demo Customer TL

\$0.1281

Payment Demo Customer TL Pays

Submit

Source: The Redwood Group, LLC

Custom Quotes: Mont Belvieu Propane Swaps

ALLOCATE

Account Demo Customer TL

Name Mont Belvieu Propane Monthly Swap

Calendar Month
 Nov 2021 to Mar 2022

Volume 75,000

Volume Shape - None -

STRUCTURE

Position I am buying

Type

Common Strike

QUOTE SUMMARY

Get Quote

Month	Bus Days Remaining	Daily Volume	Monthly Volume	Price
Nov 2021	21	714	15,000	\$0.5700
Dec 2021	22	682	15,000	\$0.5725
Jan 2022	20	750	15,000	\$0.5775
Feb 2022	19	790	15,000	\$0.5750
Mar 2022	23	652	15,000	\$0.5500

MOST RECENT QUOTE

From The Redwood Group, LLC

Quoted 11/30/2020 1:13:36 PM

By David Demo

Expires 11/30/2020 1:15:36 PM

Demo Customer TL

\$0.5690

Payment Demo Customer TL Long

Submit

Source: The Redwood Group, LLC

Managing the Financial Impacts of Weather

You've hedged your price risk effectively but what happens if winter weather fails to materialize and heating degree days (HDDs) come in significantly below your expectations?

How can you offset the financial impact of volume loss?

Weather Index Locations

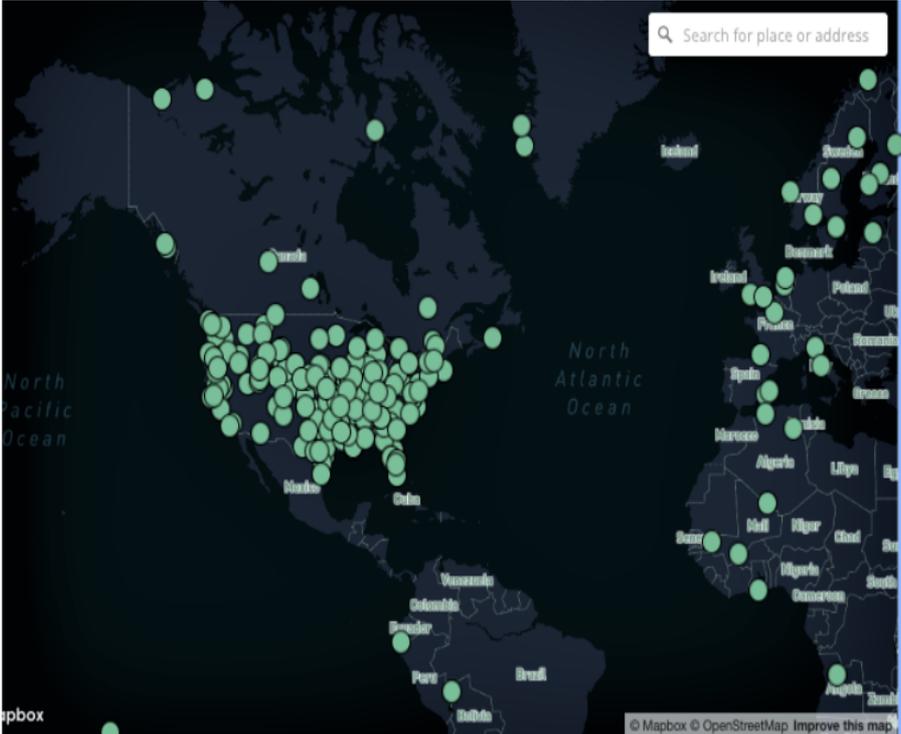
LOCATIONS

Markers show the top 200 stations of 16,848 available in the map region.

Reset Filters

- By Continent
- By Country
- By Geography
- By Location

Search for place or address



© Mapbox © OpenStreetMap Improve this map

% Weight

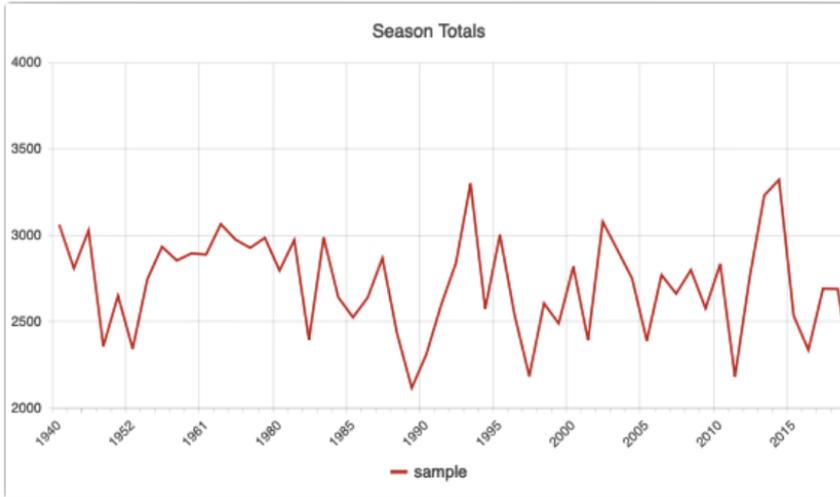
Name

Confirm

Source: Demex

Harrisburg, PA Season Detrend Data & Visualizations

Seasonal Totals Data



Historical Details

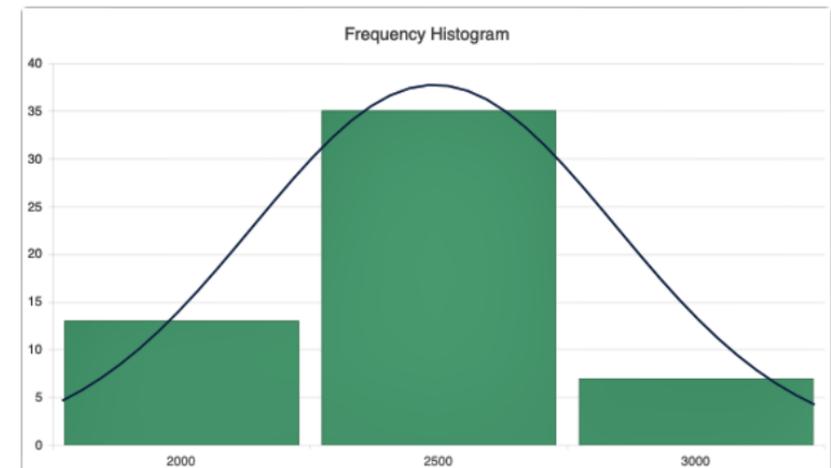
Export to Excel

Season	sample
2019	2,136.33
2018	2,684.88
2017	2,687.40
2016	2,331.72
2015	2,530.56
2014	3,317.40
2013	3,226.77
2012	2,749.86
2011	2,178.03
2010	2,829.24
2009	2,572.92

Historical Data

Measure	sample
Count	55.00
Max	3,317.40
Mean	2,708.45
Min	2,112.15
SD	290.89

Payout Frequency



Source: Demex

Customizing Options



Edit Weather Leg Put Option ✕

Are you looking to buy or sell?

Buy ▼

When would you like this to start and end?

01/01/2021 → 03/31/2021

Please set a Strike/Attach

2,269 ▲▼

Choose an input to compute

Limit Tick Size Exhaust

Limit

1,000,000 ▲▼

Tick

500 ▲▼

Exhaust *(Computed Value)*

269 ▲▼

Update Leg

Source: Demex

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Harrisburg, PA Heating Degree Day Put Quote

% Weight	Name	Remove
100	Middletown Harrisburg International Airport	

From	Demex Markets
Quoted	11/23/2020 12:38:15 PM
By	mike@demexclient
Expires	11/23/2020 12:40:15 PM
Demex Client	27,300.00
Payment	Demex Client Pays
Receipt	Demex Markets Receives

HDD put strike is 398 degree days out-of-the \$ or 15% warmer than the 10-year average

Leg #	Start Date	End Date	Type	Buy / Sell	Strike / Attach	Tick Size	Exhaust	Limit
1	2021-01-01	2021-03-31	Put	Buy	2269	500	4269	1000000



Leg #	Start Year	# Of Seasons	Min	Mean	Max	St.Dev.	Ptile
1	2010	10	2,136.33	2,667.22	3,317.40	397.49	3,317.40

Source: Demex

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Benefits of Customized Hedging

- Protect budgets
- Protect inventories
- Protect profit margins
- Control volatile energy prices
- Take advantage of marketing opportunities

- Grow your business

Once you understand the tools of hedging, you will look at your business differently. The best way to learn it is to do it.

Disclaimer

Futures Disclaimer

Futures and swaps trading involves significant risk and is not suitable for everyone. Transactions in securities futures, commodity and index futures, options on futures markets and swaps carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract, meaning that transactions are heavily “leveraged”. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit: this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with the clearing firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.

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