

1 **Q. What are the objectives of DEF's hedging activities?**

2 **A.** The objectives of DEF's hedging program are to reduce fuel price volatility risk and
3 provide greater cost certainty for DEF's customers.
4

5 **Q. Describe the hedging activities that the Company will execute for 2022.**

6 **A.** DEF will hedge a percentage of its projected natural gas burns utilizing approved
7 financial agreements. With respect to hedging activity, natural gas represents the
8 largest component of DEF's overall hedging activity given it is the largest fuel cost
9 component. DEF's target hedging percentage ranges are between 40 to 60 percent
10 of its forecasted calendar annual burns. Hedging in the ranges provided allows DEF
11 to monitor actual fuel burns, updated fuel forecasts, and make any adjustments as
12 needed throughout the year. Since DEF is starting its hedging program in 2022
13 without existing hedges in place and as the hedging program begins to mature it will
14 take DEF all of 2022 and 2023 to execute the layered hedging strategy and reach the
15 minimum levels outlined.
16

17 DEF's hedging activities do not involve price speculation or trying to "out-guess"
18 the market. All hedging transactions are executed at the prevailing market price that
19 exists at the time the hedging transactions are executed. The results of hedging
20 activities may or may not result in net fuel cost savings due to differences between
21 the monthly settlement prices and the actual hedge price of the transactions that were
22 executed over time. The volumes hedged over time are based on periodic updated
23 fuel forecasts and the actual hedge percentages for any month, rolling period, or