A quick primer on Hub Pricing a.k.a. Index Pricing

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What is an index price?

• Determined by an external party
• Not determined by the government
• Mutually agreeable reference price (think of LIBOR or Prime Rate)
• Geographically limited
• Apply to a specific time frame
Why use an Index Price?

• Simplifies transactions
• Reflects the market for which it applies
• Facilitates long term contracting
• Allows parties to independently convert a floating price to a fixed price
“Index” language is common in contracts

The price per MMBtu for all gas delivered during a Month shall be equal to the Index Price for Colorado Interstate Gas – Rocky Mountains as published in *Inside FERC’s Gas Market Report*, published by Platts, a division of McGraw-Hill Companies, as that price appears in the issue of that publication that is applicable to the Month of delivery, plus (minus) $\_\_\_\_\_\_\_\_\_\_\_ per MMBtu.
What are the names for the Index Prices common in WY?
- For prices that reset daily in SW Wyoming
For prices that reset daily in SE Wyoming

Platt’s Gas Daily
Northwest Pipeline, Wyoming Pool

Platt’s Gas Daily
Cheyenne Hub
- For prices that reset daily elsewhere in Wyoming

- Platt’s Gas Daily
  Northwest Pipeline, Wyoming Pool

- Platt’s Gas Daily
  Cheyenne Hub

- Platt’s Gas Daily
  Colorado Interstate Gas – Rocky Mountains
- For prices that reset monthly in SW Wyoming

*Inside FERC’s Gas Market Report*
Northwest Pipeline, Rocky Mountains
- For prices that reset monthly elsewhere in Wyoming
Monthly and Daily Prices Can Differ Dramatically

≈ 80% of gas in Wyoming sold on monthly price
≈ 20% of gas in Wyoming sold on daily price