

# Case Study: Natural Gas Physical Supply

## LEADING FOOD MANUFACTURER

INDUSTRY: MANUFACTURING

LOCATION: USA

## CUSTOMER OVERVIEW

The customer is one of the leading global food manufacturers, employing thousands of people worldwide and operating several dozen factories in the US alone. Its US facilities consume over 1.5 billion cubic feet of natural gas every year, sourced by the company's centralized energy procurement team.

## CHALLENGE

Operating multiple factories scattered across the country, the customers' procurement team was looking for a 3<sup>rd</sup>-party natural gas physical supply partner in deregulated states to help determine whether switching its procurement from utilities to this supplier could help reduce natural gas costs.



## WORLD KINECT SOLUTION

World Kinect identified over 20 of the customer's operating facilities in deregulated states where the manufacturer was buying directly from the utility and where additional cost-savings could be generated by switching supply delivery to World Kinect instead and to other 3<sup>rd</sup>-party physical suppliers, who will also be managed by World Kinect.



Source energy and fuel



Minimize price and operational risk

## BUSINESS IMPACT

- The customer gained the expected savings on natural gas costs and more predictable energy budgets through switching its purchases from the utilities to the competitive supply market, by adding hedging, and auditing all utility bills nationwide, including water and sewer
- As the customer describes it, World Kinect "took a lot of work off our plate and delivered better data capture" by executing simplified billing arrangements and in-depth monthly analysis on savings vs. costs.



REDUCED  
NATURAL GAS  
COSTS



NATIONWIDE  
SUPPLY &  
HEDGING



CENTRALIZED  
REPORTING &  
COST VIEW

- World Kinect provided physical natural gas supply directly to the customer in some geographies; in others – World Kinect identified and managed additional 3<sup>rd</sup> party suppliers, helping to ensure customer's facilities operate without interruptions and on budget.
- Supply cannot be hedged with utilities, so for additional savings, World Kinect added hedging programs for the customer's deregulated operations, taking opportunistic (rather than fixed-price) approach per the customer's risk preferences. World Kinect processes all trading paperwork, providing simplification by breaking apart local deliveries from NYMEX hedges.
- Given our nationwide expertise, World Kinect presented tariff rates for pipelines nationally, along with other market data and insights, with modular reports the customer can utilize for further site, regional, or national analysis.
- Since some of the customer sites are in flux and could be unpredictably relocated, World Kinect helps to get various commodities turned on and off and utility/supply contracts adjusted.
- Over the years, the manufacturer continued to expand its services with World Kinect, such as handling of invoicing and billing for all utilities nationwide, allowing the customer to make a single payment vs. hundreds.

*"The World Kinect's staff is fantastic! There are lots of other suppliers who would like to do this work for us. The decision came down to the fit with people working on the World Kinect team since this is a very personal relationship. The trust we have built over the years enables us to put more and more on their plate. The most challenging thing of all is 'picking the bottom' of the natural gas price market, requiring to be completely unemotional, and this is something World Kinect helps us with very well."*

- DIRECTOR OF PROCUREMENT, LARGE FOOD MANUFACTURER, USA