

NOTICE TO GILMORE CITY MUNICIPAL GAS CUSTOMERS

FEBRUARY 2021 "PRICE VORTEX" EVENT

Natural gas pipelines throughout the Midwest began issuing operational flow orders with most to become effective February 13th forward. Those flow orders required us to buy gas to cover your daily gas needs under the strict limits of those flow orders or receive penalties from the pipelines for not providing the amount of gas consumed within those strict limits. The temperatures for the time frame of Feb. 13th to approximately Feb. 21st on which date most pipelines lifted the operational flow orders, were at/near record lows for both the high temperature and the low temperatures for many of those days. Since temperatures were extremely low, significantly more gas was required to be put on the pipeline not only for anticipated needs, but to prevent costly penalties being assessed by the pipelines. In many cases these penalties can be multiples of the daily price. Polar vortex events have happened in the past, most recently in 2019 and before that in 2014. These events are not uncommon and have not had a significant impact on gas prices until this event. This polar vortex was extreme both in the amount of land covered and the duration of the polar vortex...potentially very similar to one that occurred in winter 1983.

The key difference between ALL prior polar vortex events and this one is **the price of gas for this event**. This is where it gets interesting. Most "day ahead" market trades are made via ICE which is a trading platform for natural gas. The city's suppliers may obtain some, if not all, incremental gas via this trading platform and are therefore at the benefit or in this case the mercy of the pricing on the platform. The traders pushed prices to record highs on multiple pipelines throughout the Midwest...in the past a polar vortex price for a given day may double or some price close to that. In this instance some of the prices for our customers gas purchases went to **100 times the first of the month price of approximately \$3.00 per dth!** This is purely and simply **price gouging at its very worst**. Luckily these prices only apply to the incremental gas quantities needed to cover the gas needs for vortex temperatures and the pipeline operational flow orders which limits the damage significantly. Unfortunately, until this can be corrected via legal and legislative means those incremental costs will be passed on to the customers at some point. We will do our best to minimize the impact and defer costs where possible. Investigations are already under way from legislators from all levels of government from local to the federal level and potentially multiple agencies. There are also anti-profiteering laws in many states to prevent consumers from being taken advantage of, but as you know this will take time. There is absolutely no justification for a cost increase of this magnitude. It is appalling and **all efforts will be exhausted to make sure those who are responsible are not only brought to justice, but pay for damages along with any other potential civil or criminal penalties that can be assessed.**