



American Public Gas Association

The Honorable Joe Manchin
Chairman
Committee on Energy and Natural
Resources
304 Dirksen Senate Building
Washington, DC 20510

The Honorable John Barrasso
Ranking Member
Senate Committee on Energy and
Natural Resources
304 Dirksen Senate Building
Washington, DC 20510

Dear Chairman Manchin and Ranking Member Barrasso:

On behalf of the American Public Gas Association (APGA), I am writing to request that the Energy & Natural Resources Committee hold a hearing to examine the unimaginable natural gas prices experienced in large regions of the country from February 11th to the 18th.

APGA is the national association of publicly owned natural gas distribution systems. There are approximately 1,000 public gas systems in 38 states and more than 740 of these systems are APGA members. Publicly owned gas systems are not-for-profit, retail distribution entities owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities.

As is typical of the market, cold weather caused higher natural gas prices across the United States. But during President's Day weekend, some regions experienced abnormal price increases, which is leading to a financial crisis in several states, in addition to Texas. Wholesale natural gas prices increased within one week by 100 to 300 times in some places. For example, first-of-the-month price for natural gas in the interstate Panhandle Pipeline system that serves Illinois and other states was around \$2.54 per dekatherm (Dth). Then, the daily price hit \$224/Dth for President's Day Weekend, only to decline to \$4.01/Dth on February 22nd. One location in Oklahoma significantly exceeded all-time records, with an unbelievable \$1,193.15/Dth on February 18th. Further to this point, in southern Kansas, APGA member Winfield, a city of 12,300, normally pays \$1.6 million a year for natural gas but is looking at a February bill of nearly \$10 million. The city estimates a residential utility bill of \$133 a month would soar to \$1,731. In another instance, a state joint action agency expended three times its annual gas purchasing budget just to buy gas for its customers for four days. These are real dollars, that will be billed to real households.

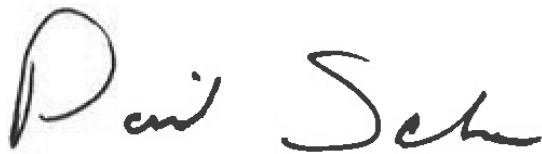
Throughout the extreme cold, APGA members were serving their communities by purchasing increased quantities for deliveries on those same days that experienced the historic daily spot prices. Unfortunately, these price increases, along with the large demand, forced public natural gas systems to purchase the gas at the inflated prices or pay even steeper pipeline penalties, all to ensure that their friends and neighbors continue to heat their homes. This crisis has hit public gas systems particularly hard

when they have limited supply and storage options. Most public gas systems are captive to one pipeline, with access to limited gas production, than if they were in a large urban area connected to multiple pipelines. Smaller systems also often lack access to storage, which was heavily used by other utilities during the cold snap.

For these reasons, public gas systems across the country are now struggling to pay the bills they incurred, while trying to minimize the impacts upon their customers. Some are receiving demands for collateral and margin calls from sellers who are threatening to cut off further supplies. One example of the extreme measures some states have taken to remedy the price impacts is the Kansas Legislature approving an emergency \$100 million loan fund to keep municipalities in that state solvent and able to pay their natural gas suppliers. Other states are looking at similar measures.

Natural gas infrastructure, once again, demonstrated its reliability and resilience during this crisis, but I believe a congressional focus on the market is needed. An investigation from Congress is in the public interest and will further help to determine whether the market operated in a manner consistent with the public good, whether laws were broken, and what, if any, measures could be put in place to prevent this from happening in the future. I thank you in advance for your consideration.

Sincerely,

A handwritten signature in black ink, reading "Dave Schryver". The signature is fluid and cursive, with the first name "Dave" and last name "Schryver" clearly distinguishable.

Dave Schryver
President & CEO
American Public Gas Association