

Sanborn Municipal Gas Utility effected by February winter storm

Starting on February 12, 2021, freezing temperatures and winter storms swept across the Midwest into Texas. The temperatures in Texas led to natural gas wellheads and pipeline freeze-offs, severely constricting supply. Wind turbines and power plants also experienced weather-related failures. As a result, on February 12, 2021, natural gas spot prices on the market jumped from \$3.00 per Mcf to \$240.00 per Mcf. Prices remained extremely high over the next four days reaching \$300.00 dollars per Mcf.

Sanborn Municipal Gas Utility is subject to market conditions, and typically passes along the direct costs of wholesale natural gas to the customer.

If passed on to you, our valued customers, the five-day disaster alone would raise an average residential customer's natural gas bill a *minimum* of four-seven times the amount which they paid for their entire January 2021 bill. Some communities are facing an impact closer to 10-15 times the amount of last month's bill.

In May of 2019, the Sanborn Municipal Gas Utility partnered with 83 additional small to mid-size gas utilities across the Midwest in a twenty-year \$653 million-dollar Natural Gas prepay program. By participating in this prepay program, the utility was able to lock in a price for approximately 70% of Sanborn's gas needs. The amount secured in prepay natural gas was based on our ten-year average usage.

This recent Polar Vortex resulted in Sanborn Municipal Gas paying \$215,000.00 to fulfill our customer's needs just for this five-day period of the month. This is *four to five times* the average amount needed for the entire month of February during a typical year. Many cities and communities are experiencing these same circumstances due to this drastic situation.

We are very fortunate that the Sanborn City Council agreed to be a part of this prepay program in 2019. Without the amount of prepay natural gas in our reserves it would have cost an additional \$700,000.00 to fulfill our needs to serve our customers for February.

The Council has agreed to forego immediately passing along the impact of the price spike to our customers with a rate increase. We will continue to assess the impact and are looking at alternative methods to absorb and recover with a much more feasible solution.