



Garnett, Kansas
131 West Main Street
(785) 448-5496
www.simplygarnett.com

February 14th, 2021

As you know, the Midwest is being hit with extreme cold weather. It appears as if the last comparable stretch of days where the weather never reached twenty (20) degrees for at least eleven (11) days (what the current forecast calls for) was in 1979. This extended stretch of cold weather has caused various problems for the producers of natural gas; including, wellhead freeze-offs, increased demand for all consumers in the region, as well as taxing the gas pipelines.

Our gas purchasing partner, the Kansas Municipal Gas Agency (KMGA), has secured gas supply for all of its member cities, Garnett included, over this extended weekend. Unfortunately, the gas price is at unprecedented levels.

As experts in the natural gas and electricity purchasing markets, KMGA (and their parent agency, the Kansas Municipal Energy Agency [KMEA]) have provided excellent service and protected their member cities from price volatility by obtaining reliable, competitively priced natural gas and electricity for over forty (40) years. The City of Garnett has had an excellent partnership with KMGA which has benefitted the City well since 1993. We are joined in this current situation by everyone in the entire region, including our thirty (30) KMGA partner cities such as Humboldt, Louisburg, Osage City, Burlingame, and Winfield.

Our gas supply portfolio, managed by KMGA, is purchased in a few different ways. Approximately a third of the anticipated gas to be used during the winter is purchased at low prices over the summer and then stored for the winter months. Another third is purchased at the monthly index, where KMGA secures supply for the upcoming month based on weather forecasts and anticipated need. The remaining gas, normally around a third, is purchased on the daily index, where KMGA secures supply for all member cities based upon the anticipated daily need each prior business day. The daily price index for this weekend and through Tuesday is over \$300 per MMBtu (or unit of gas the City sells). In other words, a large percentage of our gas supply over the next few days will be purchased at this index price (over \$300 per unit).

As such, KMGA has asked each member City to do everything we can to reduce gas usage in our communities to try and help mitigate the financial impact. The monthly gas supply cost for our community is expected to be over \$1.5 million for just the month of February. This is the remainder of our year's budget for the gas utility in just February. Obviously, the financial implications of this are severe. Both KMGA and City leadership are pursuing all possible avenues to deal with this extreme event (regulatory, legislative, legal). KMGA has issued a statement further addressing this issue, as well as Governor Kelly has declared a State of Emergency for Kansas which I've included both below.

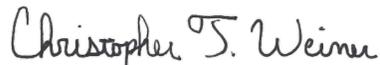
As we posted a few days ago, please conserve as much natural gas as possible to mitigate the impact of these high natural gas prices to our customers. Obviously, our top priority is ensuring gas supply for your homes and businesses and we expect to maintain that supply without disruption as always. We just need to do everything we can to reduce our exposure to these massive price swings. Over the past few days, we've reached out to our large users of natural gas and asked them to take steps to reduce usage however they feasibly can. We certainly appreciate everyone in our community who have taken steps to assist in this effort.

On a separate but related issue, with the extreme cold and expected snowfall over the next few days, traveling becomes extremely dangerous. When traveling anywhere at all, please make sure to take extra care as a clear road may become covered with snow in a matter of seconds with blowing snow. The temperatures are expected to be too cold for de-icing efforts to be effective. If you become stranded, the extreme cold will put you and anyone with you in danger. Please check or make a winter travel kit if you can. As in all cold weather, please bring any pets indoors and take efforts to try and keep your water pipes from freezing. If they do unfortunately freeze, see the attached flyer for tips on how to restore your water service.

As this extreme cold weather can also wreck havoc on heating systems, if you are faced with the unfortunate circumstance that your heater fails or you just need to warm up someplace, the City's recreation center, at the intersection of Park Road and the North Lake Road, is available for you to warm up at. As our recreation center is not staffed 24/7 (we are normally open business days between 2 pm – 7 pm), if you arrive while the doors are locked, please call Anderson County Dispatch at 448-5428 to have a City staff member meet you at the recreation center to allow you in and to warm up.

We appreciate your assistance and we will all get through this extreme weather event together. We will continue to provide updates as they develop. Please give us a call on Tuesday if you have any questions or in the event of an emergency call Anderson County Dispatch.

Sincerely,

A handwritten signature in cursive script that reads "Christopher T. Weiner".

Christopher T. Weiner, City Manager



KMGA Gas Supply Situation Outline

As we all are experiencing, the Midwest is being hit with extreme cold weather. Kansas is enduring an unprecedented, prolonged period of extreme cold. Due to extensive increases in natural gas demand across the Midwest and other parts of the country, the nation's natural gas supply is being tested. The extended cold stretch impacting the central part of the United States down into Texas, has spurred many problems for natural gas producers. Chiefly, wellhead freeze-offs and rapid and sustained increased demand for all consumers in the region is taxing the gas pipeline system as well. As such, natural gas prices have skyrocketed to unprecedented levels. Spot gas prices were reported to reach a high of \$600/MMBtu in the Mid-Continent area on Friday (over 200 times normal pricing for natural gas).

KMGA's fuel purchase strategy has served the needs of our member communities well. It is balanced and relatively conservative approach and is based on a four-prong approach.

- Optimization of storage assets for those members that hold storage
- A portion of the anticipated load utilizing fixed price contracts
- Another portion purchased at the monthly index, where KMGA secures supply for the upcoming month based on weather forecasts and anticipated need.
- The remaining gas, is purchased on the daily index, where KMGA secures supply for all member cities based upon the anticipated daily need each prior business day. KMGA has secured gas supply for all of its member cities over this extended weekend. Unfortunately, the gas price is at unprecedented levels (\$200-\$375/MMBtu).

The weekend natural gas purchase made on Friday mornings before 7:00a is typically for three days, however due to the federal holiday, Friday's purchase had to span four days. This purchase coincided with the extreme weather and natural gas prices that were hyperinflating through the day.

KMGA is pursuing all possible avenues to address with this extreme event including action at the Federal Energy Regulatory Commission as well engagement with Governor Kelly and her Administration including the Kansas Corporation Commission, Division of Emergency Management and other federal entities.

KMGA asks each member City to strongly encourage all residents to reduce gas usage in your communities, including reaching out to your large users such as schools and businesses, and limiting natural gas uses wherever possible for the next several days.

Attached is the Governor's State of Disaster Emergency declaration that was issued late this afternoon.

Governor Laura Kelly Issues State of Disaster Emergency Due to Wind Chill Warnings and Stress on Utility and Natural Gas Providers

Feb 14, 2021

TOPEKA – At 4:40 p.m. today, Governor Laura Kelly issued a State of Disaster Emergency due to wind chill warnings and stress on utility and natural gas providers.

The state has experienced bitter winter temperatures and below zero wind chills for more than a week, which has put stress on utility and natural gas providers across the state. The declaration authorizes the use of state resources and personnel to assist with response and recovery operations in affected counties that meet certain criteria.

“As the extreme cold temperatures continue to affect the region, we are urging Kansans to conserve energy in order to help ensure a continued supply of natural gas and electricity and keep their own personal costs down,” **Governor Kelly said.**

Because of the sub-zero temperatures which causes an increased energy demand and natural gas supply constraints, utilities are currently experiencing wholesale natural gas prices anywhere from 10 to 100 times higher than normal. Those costs will eventually flow through to consumers, and increase monthly natural gas and electric bills.

Customers can keep these costs down by reducing their natural gas and electric usage at this critical time.

Here are some things each household can do to help in the conservation effort and slow down the increases in energy bills due to high usage:

- **Keep warm, not hot.** When possible wear additional layers of clothing, consider turning down your thermostat and check your programmable settings.
- **Seal leaks around doors and windows.** Apply weather stripping or caulk to seal gaps and cracks around windows and doors to stop air leaks and prevent energy loss. If that is not an option, you can also cover windows with towels, sheets or plastic to help keep the warm air in your house.
- **Reduce the temperature on your water heater.** Set the temperature on your water heater to 120 degrees Fahrenheit or put it on the “warm” setting. If your home will be vacant for two days or more, set the dial to the pilot position for even more savings.
- **Close blinds and curtains.** This helps keep warm air inside, especially if the sun is not shining.
- **Change or clean filters.** A clean filter on your furnace can lower your energy consumption by 5 to 15 percent. Dirty filters cost more to use and overwork the equipment.
- **Hold off on doing chores.** Doing laundry and washing dishes can both use natural gas to heat the water and your dryer. If you can, wait until the extreme cold weather passes to complete these activities. If you cannot wait, use the cold setting where possible.
- **Install foam gaskets on electrical switches and outlets.** Electrical switches and outlets can account for up to 10 percent of your home’s energy loss.

WAYS TO CONSERVE NATURAL GAS USAGE DURING COLD WEATHER

CUSTOMERS CAN REDUCE THEIR NATURAL GAS USAGE AND SAVE MONEY ON THEIR HEATING BILLS BY FOLLOWING THESE TIPS:

- **REDUCE YOUR THERMOSTAT SETTING TO 68 DEGREES, OR LOWER**
- **PROGRAM THERMOSTATS TO HELP CONSERVE ENERGY**
- **WASH USING COLD WATER, WHEN POSSIBLE**
- **KEEP DOORS AND WINDOWS CLOSED AS MUCH AS POSSIBLE, INCLUDING OVERHEAD GARAGE DOORS**
- **MAKE SURE DOORS HAVE WEATHER STRIPPING AND DOOR SWEEPS**
- **INSTALL INDOOR WINDOW INSULATION KITS ON LEAKY WINDOWS**
- **SEAL OFF UNHEATED, UNUSED ROOMS**
- **IF IT'S SUNNY, OPEN YOUR BLINDS DURING THE DAY.**
- **DRESS IN LAYERS**
- **REPLACE YOUR HVAC FILTERS. DIRTY FILTERS OVERWORK THE EQUIPMENT**
- **WRAP OLD WATER HEATERS WITH PROPER INSULATING JACKETS AND SET THE TEMPERATURE TO 120 F(OR LOWER). INSULATE YOUR PLUMBING.**

WHEN TEMPERATURES STAY BELOW FREEZING:



Give pipes a helping hand

If pipes run through cabinets or vanities, open the doors to let warmer room temperatures flow in.



Keep water working

Keep water moving through the pipes by allowing a small trickle of water to run. The cost of the extra water is typically lower than the cost of repairing a broken pipe.

BUT IF YOUR PIPES DO FREEZE:



Shut off the water immediately

Don't attempt to thaw pipes without turning off the main shut-off valve.



Thaw pipes with warm air

You can melt the frozen water in the pipe by warming the air around it with a hair dryer or space heater. Be sure not to leave space heaters unattended and avoid the use of kerosene heaters or open flames.



Be careful turning water back on

Once pipes are thawed, slowly turn the water back on and check pipes and joints for any cracks or leaks that might have been caused by freezing.

Be PREPARED.

**EXTREME cold and snow
will impact travel:**

**Blowing snow means roadways
could be clear at one time and
covered the next.**

**Temps are expected to be too
cold for de-icing efforts to work
effectively.**

**Extreme cold temps mean any
stranded travelers will be in
danger. Check winter travel kits.**



Kansas
Department of Transportation



**KDOT encourages the public to limit travel.
Check www.kandrive.org for road conditions.**