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Board Reduces Impact of Historic High Gas Prices

AUSTIN, Minn. April 19, 2021. At a special meeting held March 25, the Austin Utilities Board of Commissioners approved a plan to smooth out the impact and recoup increased natural gas costs from a historic price spike that occurred in February. The spike was caused by a major winter storm that had widespread impacts on natural gas supply and demand across the country from February 13 to 17. To reduce the burden on customers, Austin Utilities board approved using reserves to pay a portion of the additional cost and spreading the cost recovery out over time.

Customers can expect to see the cost impact on their May bill as a line item in the natural gas detail area of their bill. Each customer will be given seven months to pay their fair and equitable share which is based on ccf of natural gas used on the bill that includes the February 13-17 time period.

Austin Utilities uses a Purchased Gas Adjustment (PGA) mechanism on their bill to recover changes to budgeted gas costs. Over the past 12 months, the PGA averaged a negative \$0.123 per ccf, which resulted in AU customers receiving a credit on their gas costs. The PGA required to cover additional costs in February is \$1.828. Using approved reserves will bring the required PGA down to \$1.1586. At this rate, the average customer will see the following impact:

Average Residential Impact - \$191 (based on 165 ccf) or \$27.29 for 7 months (May-Nov) - Rate 110/111
Average Small Comm Impact - \$671 (based on 579 ccf) or \$95.86 for 7 months (May- Nov) - Rate 210/211
Average Large Comm Impact - \$6467 (based on 5582 ccf) or \$808 for 7 months (May- Nov) - Rate 410/411

Austin Utilities customers benefited from tools in place to smooth out the impact of the price spikes caused by events like this. Because of the planning and response from Austin Utilities staff, customer impact from these unprecedented prices was greatly minimized compared to others across the nation.

- Through our Natural Gas Hedge strategy, 65-75% of our anticipated usage is pre-purchased, at an average cost in February of \$3.21.
- We ran our Propane Air Plant daily during the event to displace natural gas load and avoid purchasing high-priced gas.
- Commercial gas interruptible rate customers switched to alternate fuel.
- For the first time ever, a Natural Gas Peak Alert was announced on Social Media asking customers to conserve natural gas.
 - Within 6 hours post reached 8,002 with 21 shares and ultimately reached 16,910 people.

Austin Utilities operations staff reported the system operated flawlessly during the coldest days of the year and was able to meet demand to keep all customers warm. System reliability is a result of our intentional planning and investment in our infrastructure.

Natural gas, which was selling for around \$3 per MMBtu where it is traded on the NYMEX (New York Mercantile Exchange) skyrocketed to over \$188 and \$231 per MMBtu, at Austin Utilities natural gas purchasing points. Like most gas systems, Austin Utilities had no choice but to purchase a portion of their gas load at the inflated prices to ensure that their customers could continue to heat their homes.

Multiple factors led to these unprecedented increases in natural gas prices.

- The large region impacted by the winter storm across the United States, Northern Mexico, and parts of Canada.
- Increases in natural gas demand for both heating and generation of electricity due to severe cold weather.
- Forced shutdowns in natural gas production supply in areas not typically accustomed to severe cold weather.
- Unprecedented natural gas price increases created by the increase in demand coupled with a decrease in supply.

Customers who are having difficulty paying their statement, can reach out to our customer service department at 507-433-8886. They are ready to assist in setting up payment arrangements and pointing customers in the right direction to receive any available financial heating assistance.

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Austin Utilities is a municipal utility serving approximately 12,300 electric customers, 10,300 natural gas customers, and 9,000 water customers. Their mission is to offer utility products and services in a safe, reliable and responsible manner in order to enhance the quality of life in our community. Austin Utilities' Board of Commissioners are elected by the consumer-owners of Austin to represent their best interest. For more information on Austin Utilities visit their website at www.austinutilities.com.