

**Briefing on February 2021 Natural Gas Supply and Price Issues**  
**Jim Zakoura**  
**Before the Senate Utilities Committee**  
**January 18, 2022**

**The Natural Gas Transportation Customer Coalition**

The Natural Gas Transportation Customer Coalition (NGTCC) is an unincorporated coalition of more than 500 members – with more than 350 members located throughout Kansas, and more than 150 members located in metropolitan Kansas City, Missouri.

The largest number of NGTCC members – about 200 - are K-12 public, parochial, and private schools throughout Kansas. In addition, NGTCC members include churches, synagogues, residential and skilled nursing care facilities, hospitals, government and not-for-profit entities, public and private universities, and businesses of all types that range in size from businesses with a single employee, to businesses that employ several thousand.

All of the NGTCC members privately contract for needed natural gas supplies, and only use FERC or KCC regulated pipelines for delivery services. NGTCC members have conducted their natural gas business in this manner for over 20 years. The great majority of natural gas users - - other than residential users - - acquire natural gas in the open, non-regulated market for transport through the public utility pipelines. On the largest natural gas system in the state – Kansas Gas Service (KGS) – there are 6,205 natural gas transportation customers, that account for 54% of all natural gas delivered on the KGS system.

Historically, natural gas transport customers have saved in the range of 20% - 30% on their purchases of natural gas, as compared to the alternative of fully regulated sales. There is a competitive market for sales to NGTCC members – with suppliers competing on the basis of better service, more secure supply, and lower prices.

**The NGTCC Response to the February 2021 Natural Gas Crisis**

In February 2021, NGTCC Members responded to the supply and price crisis in multiple ways to help our State during the crisis:

- NGTCC Members shut down and / or reduced operations, or moved to alternate fuels, when possible, to conserve natural gas
- Most hospitals moved to alternate fuels to free up natural gas, for use for other users
- Conservation efforts by NGTCC members, and by the public generally, were very successful
- In any future natural gas supply crisis – conservation should be the focus of our State’s crisis response

**NGTCC Members Worked Successfully With Their Suppliers to Materially Reduce Natural Gas Costs**

- NGTCC members have resolved about 300 February 2021 natural gas price disputes, with many more likely to be resolved
- NGTCC expects that more than 90% of the total disputed February 2021 gas invoices (more than 400 of member invoices for February 2021 natural gas disputes) will be settled with material invoice reductions, and without litigation, through commercial negotiation

**Changes in Natural Gas Contracting Practices for a More Secure and Price Competitive Future Supply**

In the past, many contracts were priced at “First of Month, Gas Daily Index Prices” for historical or contract volumes, with market price exposure for excess volumes. This contract practice exposed suppliers and purchasers to extraordinary market price increases:

<b>February 2021 Natural Gas Prices (per MMBtu)</b>	
<b>Date</b>	<b>Unit Cost</b>
1-Feb	\$2.545
6-Feb	\$3.565
10-Feb	\$4.030
11-Feb	\$9.620
12-Feb	<b>\$44.780</b>
13-Feb	<b>\$329.595</b>
14-Feb	<b>\$329.595</b>
15-Feb	<b>\$329.595</b>
16-Feb	<b>\$329.595</b>
17-Feb	<b>\$622.785</b>
18-Feb	<b>\$44.530</b>
19-Feb	\$7.945
20-Feb	\$4.385
28-Feb	\$2.465
<i>Unit prices per MMBtu</i>	

## **Expanded Purchase Options to Assure Supply and Moderate or Eliminate Supply and Market Price Risk**

The K-12 schools have locked in a fixed, competitive price – for their full requirements – for the next 5 years.

Available, modernized contract terms.

- Full requirements, fixed price contracts for a term of 3 – 5 years
- Fixed price winter period contracts – November through March
- Negotiated price for a fixed percent of needed volume, and market price for remaining volume (i.e., 75% fixed and 25% market price)
- Market price, but with a price cap (for example, a price cap at \$10, \$25, or \$50 per unit)

I appreciate the committee's dedication to reviewing energy and utility matters that impact Kansans and our economy. I'm available at any time to visit about these issues.

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Executive Director: Natural Gas Transportation Customer Coalition

### **About Smithyman & Zakoura**

Smithyman & Zakoura provides legal representation in the energy area, including the following: contracts, asset purchase and sale, forward pricing / hedging, marketing, state and federal regulatory, and litigation. The firm has represented clients in the natural gas, electric, and pipeline business segments on a continuous basis for more than 30 years. The Firm is recognized as a Tier I firm in Kansas for legal representation in energy matters, and Mr. Zakoura has been listed for 27 consecutive years in the Energy Journal, Best Lawyers – Energy, since that Journal's inception. Mr. Zakoura is President of the Kansas Industrial Consumers Group, Inc. (KIC) and Kansans for Lower Electric Rates, Inc. (KLER).

### Gas Daily Postings

	ANR OK	ANR LA	Chicago Citygate	ENABLE East	Henry Hub	Lebanon Hub	NGPL Midcon	NGPL Texok	NGPL Amarillo	PEPL TX-OK	SO STAR TX-OK-KS	TETCO ETX	TETCO KOSI	Trunkline ELA
	Gas Daily	Gas Daily	Gas Daily	Gas Daily	Gas Daily	Gas Daily	Gas Daily	Gas Daily	Gas Daily	Gas Daily	Gas Daily	Gas Daily	Gas Daily	Gas Daily
2/1/2021	\$2.570	\$2.630	\$2.620	\$2.570	\$2.670	\$2.615	\$2.555	\$2.555	\$2.580	\$2.550	\$2.545	\$2.605	\$2.625	\$2.600
2/2/2021	\$2.650	\$2.820	\$2.765	\$2.695	\$2.860	\$2.765	\$2.670	\$2.690	\$2.705	\$2.665	\$2.680	\$2.715	\$2.775	\$2.710
2/3/2021	\$2.845	\$2.985	\$2.960	\$2.860	\$3.175	\$3.000	\$2.835	\$2.850	\$2.905	\$2.825	\$2.820	\$2.880	\$3.005	\$3.100
2/4/2021	\$2.800	\$2.830	\$2.845	\$2.765	\$2.905	\$2.815	\$2.775	\$2.790	\$2.820	\$2.760	\$2.790	\$2.700	\$2.810	\$2.800
2/5/2021	\$2.860	\$2.900	\$2.945	\$2.815	\$2.915	\$2.850	\$2.870	\$2.810	\$2.895	\$2.905	\$2.850	\$2.750	\$2.900	\$2.780
2/6/2021	\$3.555	\$3.325	\$3.500	\$3.430	\$3.390	\$3.350	\$3.335	\$3.220	\$3.525	\$3.515	\$3.560	\$3.215	\$3.350	\$3.260
2/7/2021	\$3.555	\$3.325	\$3.500	\$3.430	\$3.390	\$3.350	\$3.335	\$3.220	\$3.525	\$3.515	\$3.560	\$3.215	\$3.350	\$3.260
2/8/2021	\$3.555	\$3.325	\$3.500	\$3.430	\$3.390	\$3.350	\$3.335	\$3.220	\$3.525	\$3.515	\$3.560	\$3.215	\$3.350	\$3.260
2/9/2021	\$3.545	\$3.135	\$3.175	\$3.355	\$3.175	\$3.260	\$3.330	\$3.200	\$3.400	\$3.525	\$3.655	\$3.200	\$3.150	\$3.090
2/10/2021	\$3.665	\$3.120	\$3.275	\$3.500	\$3.195	\$3.205	\$3.345	\$3.190	\$3.525	\$3.675	\$4.030	\$3.160	\$3.095	\$3.090
2/11/2021	\$6.055	\$3.660	\$3.985	\$6.105	\$3.675	\$3.750	\$4.920	\$3.745	\$5.740	\$6.310	\$9.620	\$3.720	\$3.595	\$3.540
2/12/2021	\$16.390	\$5.630	\$8.055	\$34.385	\$5.880	\$6.540	\$11.830	\$6.895	\$15.935	\$14.550	\$44.780	\$7.000	\$5.300	\$5.500
2/13/2021	\$213.895	\$5.805	\$129.835	\$375.810	\$6.000	\$52.060	\$206.110	\$13.610	\$180.195	\$224.560	\$329.595	\$15.455	\$5.500	\$5.500
2/14/2021	\$213.895	\$5.805	\$129.835	\$375.810	\$6.000	\$52.060	\$206.110	\$13.610	\$180.195	\$224.560	\$329.595	\$15.455	\$5.500	\$5.500
2/15/2021	\$213.895	\$5.805	\$129.835	\$375.810	\$6.000	\$52.060	\$206.110	\$13.610	\$180.195	\$224.560	\$329.595	\$15.455	\$5.500	\$5.500
2/16/2021	\$213.895	\$5.805	\$129.835	\$375.810	\$6.000	\$52.060	\$206.110	\$13.610	\$180.195	\$224.560	\$329.595	\$15.455	\$5.500	\$5.500
2/17/2021	\$100.260	\$15.570	\$22.075	\$300.000	\$16.955	\$18.900	\$381.480	\$24.125	\$117.095	\$129.385	\$622.785	\$14.130	\$15.000	\$9.500
2/18/2021	\$24.770	\$15.900	\$18.770	\$428.640	\$23.605	\$16.655	\$22.595	\$23.465	\$25.615	\$23.390	\$44.530	\$14.235	\$16.125	\$10.000
2/19/2021	\$6.220	\$6.895	\$6.215	\$34.450	\$7.495	\$6.085	\$6.345	\$6.700	\$5.970	\$6.265	\$7.945	\$5.870	\$6.105	\$6.000
2/20/2021	\$4.135	\$4.415	\$3.935	\$4.550	\$4.985	\$4.020	\$4.045	\$3.990	\$3.935	\$4.010	\$4.385	\$4.175	\$4.650	\$4.500
2/21/2021	\$4.135	\$4.415	\$3.935	\$4.550	\$4.985	\$4.020	\$4.045	\$3.990	\$3.935	\$4.010	\$4.385	\$4.175	\$4.650	\$4.500
2/22/2021	\$4.135	\$4.415	\$3.935	\$4.550	\$4.985	\$4.020	\$4.045	\$3.990	\$3.935	\$4.010	\$4.385	\$4.175	\$4.650	\$4.500
2/23/2021	\$2.675	\$2.715	\$2.720	\$2.695	\$2.840	\$2.665	\$2.660	\$2.660	\$2.650	\$2.590	\$2.690	\$2.500		\$2.730
2/24/2021	\$2.680	\$2.785	\$2.720	\$2.650	\$2.790	\$2.670	\$2.645	\$2.665	\$2.715	\$2.645	\$2.700	\$2.515	\$2.615	\$2.680
2/25/2021	\$2.605	\$2.620	\$2.675	\$2.530	\$2.560	\$2.585	\$2.605	\$2.620	\$2.615	\$2.540	\$2.665	\$2.560	\$2.580	\$2.620
2/26/2021	\$2.455	\$2.540	\$2.530	\$2.360	\$2.690	\$2.480	\$2.440	\$2.475	\$2.455	\$2.340	\$2.465	\$2.495	\$2.525	\$2.600
2/27/2021	\$2.455	\$2.540	\$2.530	\$2.360	\$2.690	\$2.480	\$2.440	\$2.475	\$2.455	\$2.340	\$2.465	\$2.495	\$2.525	\$2.600
2/28/2021	\$2.455	\$2.540	\$2.530	\$2.360	\$2.690	\$2.480	\$2.440	\$2.475	\$2.455	\$2.340	\$2.465	\$2.495	\$2.525	\$2.600