

# *Hastings Utilities Department is by your side*

## **February Cold Snap**

The entire Midwest saw unprecedented subzero temperatures during the month of February, forcing heating systems to work overtime to keep families warm. While the Hastings Utilities Department can use its generation power to ease spikes in electric costs, we purchase our natural gas from the market and provide it to our customers for use in homes and businesses. This includes a mix of fixed-cost, pre-paid, and gas in storage, as well as supplemental gas bought daily to adjust for demand.

## **The Cost of Natural Gas**

The Hastings Utilities Department buys natural gas on behalf of our customers. Before the cold snap, prices were steady at around \$2.50 per MMBtu. During the peak of the cold weather, prices skyrocketed to \$187.69 per MMBtu. These costs rose when gas generating facilities across the Midwest became inoperable in the freezing temperatures, causing a shortage in supply.

The Hastings Utilities Department does not generate natural gas; thus, we are at the mercy of these prices when we need to supplement our fixed-cost, pre-paid, and natural gas storage volumes.

Over the course of the cold snap, the Hastings Utilities Department incurred approximately \$6.8 million in natural gas costs, exceeding the purchased gas cost budget for the entire year in just one month. The Utilities Department was able to utilize its peak shaving plant to help reduce the amount of purchased natural gas needed at that time.

## **Help is on the Way**

While customers collectively owe that \$6.8 million for the natural gas that was used, we're not going to let you go at it alone.

Without any assistance, residential customers could expect an average one-time increase of \$313 on their current natural gas bills. This is not due to any long-term rate increase, but strictly due to the cold-snap pricing that was placed upon the Hastings Utilities Department paired with high demand. The billing mechanism to pay for the increase of natural gas is called the Purchase Gas Adjustment and you've always seen it on your bill, but it has not risen to such extremes since 2006.

We're working to soften that blow.

## **Easing the Burden**

We're using \$3.75 million of the natural gas Rate Stabilization Fund to help offset the costs of the Purchase Gas Adjustment. While that will bring costs down for customers, we didn't think that was enough.

To further ease the burden, we're spreading the remaining PGA costs out on bills over the next 12 months.

With these two strategies paired together (Utilization of Rate Stabilization Funds and spreading the costs over an additional 12 months), customers will still see an increase on their next bill, followed by smaller PGA fees over the following 12 months.

We want to thank you for your understanding during this unprecedented time.