*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

WAYNE: Good afternoon and welcome to the Urban Affairs Committee. My name is Senator Justin Wayne. I represent Legislative District 13, which is north Omaha and northeast Douglas County. I serve as the Chair of Urban Affairs. And I will start off by having committee members, I guess staff do self-introductions, starting with Trevor.

TREVOR FITZGERALD: Trevor Fitzgerald, committee legal counsel.

LOWE: John Lowe, District 37: Kearney, Gibbon, and Shelton.

ANGENITA PIERRE-LOUIS: Angenita Pierre-Louis, committee clerk.

WAYNE: Also assisting us is Noah Boger of Omaha, who is a political science major at UNL, and Samuel Sweeney from Omaha, who is a political science major at UNL. Due to the ongoing COVID pandemic, the Legislature has adopted additional safety protocols. We ask that you to keep social distancing. We ask that you wear a mask. We only have one bill. So I won't read all of that-- or one LR. Make sure you exit and enter the room at the designated locations. We request that if you're testifying, please wear a mask. You can uncover your mask so the transcribers and community-- and the committee can hear themselves-- hear yourself more clearly and make sure it's transcribed correctly. The pages will sanitize the table and chair in between. This afternoon we will be hearing LR49, a resolution to, to examine the impact of last month's cold snap on natural gas supply, natural gas prices, and the performance of natural gas utilities. On the table near the entrance, you'll find a blue testifier sheet. If you are planning on testifying, please fill out one of those and turn it into Angenita when you come up to make sure we keep our records accurate. Please note that for the purposes of today's hearing, we will only be taking invited testimony. I may change that depending on how I feel and depending on how late we go. But right now it looks like just indivi-- invited testimony, we tried to get a good sample of, of what happened across Nebraska. We still would like you to-- if you'd like to record your position on-- as it relates to the LR, you can do so on the gold sheet near the entrance. It is also a policy that at noon the day before the hearing, we get all letters. Any handouts, please make sure your handouts are given to the pages will distribute them. But they'll also be a part of the record as an exhibit. Again, the purpose of today's hearing is to gather information. We'll be not using the four-light system, but I will cut people off if they just start rambling and I'll tell you to wrap up and that includes myself. So at this point, we'll go ahead and cut myself off. Senator Blood, would you introduce yourself and Senator Hunt.

BLOOD: Senator Carol Blood, District 3, which is western Bellevue and southeastern Papillion, Nebraska.

HUNT: I'm Megan Hunt. I represent District 8 in midtown Omaha and I'm the Vice Chair of this committee.

WAYNE: Thank you. And I'll go ahead and start with the opening on LR49. I'm going to do it from up here. We can just keep it moving. So beginning of LR49. First of all, note for the record, it is hot in here and we're talking about heat. So I think it's some kind of oxymoron today that somebody wanted to play a trick on us. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent Legislative District 13, which is north Omaha and northeast Douglas County. Nearly a month ago to the day, Nebraska was one of those states which experienced a stretch, a stretch of extreme cold, referred to as a polar vortex or a cold snap. This sudden large and largely unexpected weather event wreaked havoc on public and private utilities throughout the region. While most, most of us have focused on the colder-- or how the colder temperatures affected our public power system, the cold snap also had significant impact on natural gas utilities. I introduced LR49 in order to facilitate a discussion in the committee over both the short, short and long-term impact of last month's cold weather. Many of the members of the Legislature may not be aware that since 1970, natural gas regulation has been one of the primary subjects of the Urban Affairs Committee jurisdiction. As detailed in our legislative council memo-- legal counsel memo, Nebraska has a unique mix of private, public utilities which provide natural gas. The Omaha metro area is primarily served by MUD, Metropolitan Utilities District, a political subdivision that provides natural gas and water service in Omaha and many of the surrounding communities. Fourteen municipalities own or operate their own natural gas. Investor-owned gas utilities are regulated by the Public Service Commission and are under the state Natural Gas Regulatory Act. The Act does not apply to municipally-owned utility providers, MUD, or smaller utilities. Municipalities also have the authority to negotiate natural gas rates directly with the natural gas company if they choose to. Black Hills Energy provides natural gas to most of the state outside of Omaha area, while northern-- NorthWestern Energy serves natural gas customers around the Grand Island, Kearney, and North Platte area. In order to get a full picture of the impact of the cold snap, my office has invited representatives of Black Hills, MUD, NorthWestern, as well as the PSC and other organizations representing municipal natural gas systems to testify this afternoon. Among the questions I hope this hearing can help answer is, how does natural gas, how does natural gas infrastructure both in Nebraska and other states impact not just our natural gas utilities, but also our public power system? What steps both before and in response to the cold snap, have natural gas utilities in Nebraska taken to hedge against dramatic price fluctuations like they experienced last month? How will prices spike or potential price gouging by natural gas suppliers impact natural gas utilities in Nebraska as well as their customers? Are there steps that the PC-- PSC can take or has already taken to protect natural gas customers served by investor-owned facilities from drastic rate hikes should the Legislature explore providing assistance to municipal, municipal-owned natural gas utilities, as our neighboring state of Kansas did last week, I believe, in a form of a loan. I remember-- member-- a number of invited testifiers can speak on these and other questions, and I'll be happy to answer any questions or thoughts from the committee at this time. Seeing none, this won't be like a regular bill, we'll invite people up, we'll have a conversation. We encourage people to ask questions on the committee. And if there are people in the audience who maybe have a different answer or a different perspective, please email me or my staff so we can get it out to the committee because we are trying to get a, a, a broader perspective and we are getting a lot of municipalities contacting us about prices. So this-- and there-- I know there are-- Revenue's going on. They're Execing. So I know Senator Briese is there. I almost forgot who's on our committee,--

LOWE: Arch.

WAYNE: --but most of them-- Arch just left here. He had a long hearing. They're Execing. So a lot of people are Execing. But this is going to be recorded. It is-- will be transcribed. So we will look forward to this conversation. And with that, we will start with the Public Service Commission director of Natural Gas Department, Nichole Mulcahy. Welcome to your Urban Affairs Committee.

NICHOLE MULCAHY: Thank you, Senator Wayne. Prepared a little bit of a handout for you just to follow along with me. Good afternoon, my name is Nichole Mulcahy, N-i-c-h-o-l-e M-u-l-c-a-h-y, and I'm director of the Natural Gas Department for the Nebraska Public Service Commission here to provide you some just general information about regulation of, of jurisdictional utilities in the state of Nebraska. The PSC has authority to regulate the rates and the service quality of investor-owned natural gas, natural gas and public utilities in the state of Nebraska. The State Natural Gas Regulation Act was enacted in 2003, giving us that authority. Investor-owned natural gas public utilities subject to our jurisdiction we call jurisdictional utilities. Just for clarification. As Senator Wayne said in his opening, there are exemptions to our jurisdiction, includes cities and villages that own and operate their own natural gas utilities such as Fremont and Hastings, MUD. Interstate pipelines are not subject to our jurisdiction, as well as high volume ratepayers who use 500 or more therms a day.

WAYNE: What are, what are those-- sorry, and anybody can jump in, we're going--

NICHOLE MULCAHY: Yeah, please.

WAYNE: --I'm just trying figure out what are interstate pipelines and therms? I just want to make sure we get all the basic definitions.

NICHOLE MULCAHY: Interstate pipelines, for example, are the transportation system that runs through the state. So Northern Natural Gas is a large provider of the-- so our local distribution companies, LDCs, get their gas from interstate pipelines and those are under the jurisdiction of FERC.

WAYNE: OK.

NICHOLE MULCAHY: And a therm is just a measure of unit. That's how natural gas is determined and when they measure it and how you're billed. So it's a British thermal unit, and I'm not an engineer, but that's how they do it. Like kilowatt hour, this is the gas version of that. We have two, like you said, two jurisdictional utilities in Nebraska, Black Hills Nebraska Gas and NorthWestern Energy. Black Hills is the largest natural gas utility in the state of Nebraska. They serve a little under 300,000 meters. NorthWestern serves approximately 42,500 natural gas customers in Nebraska, and their service is limited to the communities of Grand Island, Kearney, North

Platte, and the village of Alda that's outside of Grand Island. I have a map there that kind of gives you the general idea of where natural gas service by Black Hills is located and then NorthWestern's are located in the yellow boxes. Now there are communities within that area that have their own, but this is just a general area where they're at. Jurisdictional utilities are fully rate regulated in Nebraska. The PSC sets the customer charges and the distribution rates. And the customer charges are that fixed charge you have every single month on your bill, doesn't change. And the distribution rates are a usage charge that is calculated on a per therm of usage basis. So that's going to be-- there-- it's a set rate, but it depends on how much gas you use. What we do not set, however, is the cost of the gas commodity, that is a market-based price. And we'll get to that a little bit later on here. So a jurisdiction utility that seeks to increase its rates has to apply to the PSC for approval to do that. And those, those applications and proceedings are governed under the Act in Nebraska. And we are responsible for weighing the interests of the public and the utility in determining just and reasonable rates for natural gas service in-- by the jurisdictional utilities. We have under the Act, eight months to make a decision on a rate case with a possible additional two. The customers in Nebraska are represented by a state-appointed public advocate in these cases, who is an attorney with experience and natural gas matters is Mr. Bill Austin at this time. The PSC and the PA each retain experts to assist us in examining all the revenues, expenses, and the costs of the utility and the issues related to setting rates. Under the Act, like Senator Wayne mentioned earlier, the utility does have an option to negotiate directly with the municipalities that it serves. And if the cities and the utility reach agreement, they file that with the PSC. And as long as it's not clearly contrary to the provision of the Act, we approve that. NorthWestern typically does that as they serve three major communities. So they choose that option under the Act. So in 2020, Black Hills filed a rate case with the Commission. And January 26 of this year, the PSC entered an order in docket 109 and we approved new rates that went into effect on March 1 of this year. And this next slide just gives you an idea of the rates that were just recently approved by the Commission. And I would call your attention to the fact that we have what we call a declining block rate structure for the distribution charges. And so for residential, the first 20 therms are billed at a little different rate than anything above 20 every month. And the same for commercial at a 40-therm level. OK, so when it comes to the cost of the actual gas commodity itself, that is not regulated by the Public Service Commission and it is a market-based rate and the cost of the gas is a direct pass through from the utility to the consumer. And the utilities do not make any money off of the gas that they, that they purchase then provide to their customers. And each utility purchases gas for its system using a combination of different techniques to limit their exposure to market volatility and to control their cost. They have a gas purchasing program. And at the Commission, the utilities use a tariff mechanism to calculate and collect the gas costs from their customers. That's been their approved tariff. And that mechanism allows them to true-up what they actually paid for gas that they purchased and what they collected in revenues from their customers. They true that up and that is an ongoing thing that happens every month. And at annually they set that rate. So they recover that. And it's filed with the Commission in their official tariff. And this, this mechanism on your bill, you may see it, it's called either the Purchased Gas Adjustment or the Gas Cost Adjustment. And that's what that is. It's truing-up the difference between what they actually paid and what they collected from customers as they went along. So I did want to make a note of the Choice Program in Nebraska. And customers in Rate Area 5 of Black Hills, which is the western two-thirds of the state. They participate in what we call a supplier Choice Program. And the Choice Program allows customers to choose their own third-party gas supplier so they-- then the suppliers compete with each other to try to get customers to select them in the program. So the suppliers to participate in that program have to be certificated by the PSC as a Certified Natural Gas Provider, or CNGP, before they can operate. And Black Hills still continues to operate the gas infrastructure and to deliver the gas and read the meter and bill. But the prices that are charged for the gas commodity are determined by the supplier, and the price of the CNGP charge is not regulated by the Commission either. It depends upon the customer's choice of supplier and the type of contract that they select. You will be hearing, I believe, from some suppliers today that are in-- participate in that program. OK, and the 2021 extreme weather event obviously occurred over a huge swath of the, of the country. I think you're going to get some more information about that. And that's part of the reason it was so-- the effects were so widespread and far reaching. And it's roughly February 13 through 17, although we're still trying to wrap her head exactly around there where higher prices and market volatility lingered around that. But that was really the kind of the core of when it occurred. And there was unprecedented demand across the country. Issues with supply down, especially in Texas and Oklahoma, all added up to soaring market prices for natural gas during the event. Everybody was out on the spot market trying to purchase gas at the same time. So we were concerned, the PSC was, about the extraordinary cost of gas during this extreme weather event because we knew it was going to be large. We've been notified that there was going to be some big bills coming due and we did not want the entire cost of that gas to, to hit customer bills all at one time. That was definitely something that we wanted to protect customers from. We wanted to cushion that impact. And based on information we've seen so far, we're not going to see-- we don't expect any kind of extremely high bills like you've been hearing it, like some of the electric customers in Texas saw, these massive bills. We're not expecting anything like that. But we still had significant concerns about what those gas costs were going to look like for customers. We didn't want family budgets to be derailed because of this event. So last Tuesday, we opened docket NG-111/PI-237, seeking some strategies from our jurisdictional utilities to soften the impact of that. And in that order, we extended what we call the, the cold weather rule. It usually expires March 1. We extended that to May 31. That gives some extra protection for low-income households and it also gives every ratepayer additional time to pay their natural gas bill. We suspended the inclusion of the extraordinary gas costs that we saw during that period in February from the Gas Cost Adjustment mechanism for this point-- at this point. We asked them to capture those extraordinary costs and hold them, and we ordered them to file proposals with the PSC on how they intended to try to cushion the impact of that and how they wanted to collect that. They're going to spread it out over a longer period of time, exactly what their strategies were for us to consider. We're going to have a workshop in the beginning of April with our utilities to go over all these proposals, talk about the implications of all of them, and then the PSC will approve some kind of a mechanism to recover those costs in a way that hopefully impacts customers in the least amount. And so that is my presentation for you this afternoon, Chairman Wayne. Be happy to try to answer any questions.

WAYNE: Any questions from the committee? Nope.

NICHOLE MULCAHY: All right.

WAYNE: Thank you.

NICHOLE MULCAHY: Thank you very much. Put my mask on.

WAYNE: Next is Lash. Next we'll have Lash Chaffin from the League. Welcome.

LASH CHAFFIN: Good afternoon, Senator Wayne, members of the Urban Affairs Committee, my name is Lash L-a-s-h, Chaffin, C-h-a-f-f-i-n, and I'm a staff member at the League of Nebraska Municipalities. And what I'm going to provide for you, hopefully shortly, is a, a history of how Nebraska's landscape came to be and why regulation-- well, the obvious question probably they're all wondering, why is the Urban Affairs Committee in charge of natural gas regulation? And, and I can answer that question. Before my hair was gray, I, I, I sat, sat through a lot of meetings that got it here. The history of natural gas in Nebraska did not involve the same way electricity did. What happened is there were in the '30s, '40s, and the '50s, dozens of little companies started burying underground pipe and then they would just find a gas source for the year and they would just sort of sell natural gas. But there were alternative fuels at the time. People had coal, coal chutes. There were propane. If you grew up in a small town, you remember propane tanks everywhere. So there were alternatives. So it wasn't, it wasn't a infrastructure that expen-- extended all across the state. So at the time, basically, cities and villages were designated in statute to regulate those utilities, the, the natural gas utilities. And interestingly, it was more-- it wasn't that they're supposed to regulate utilities. It was more along the lines of they're supposed to regulate things under the ground. The statute was actually buried in the kind of the general authorization to, to regulate stuff under the sidewalk. And so, so this kind of-- this, this went along for decades. And, and then-- and there were dozens of companies and they're small companies often. And there were a couple of bigger companies. And then over that time, a couple cities built their own systems. And then as some, some smaller companies sort of fell into financial-- they had some financial problems, they ended up-- the cities ended up taking over those. So they ended up around a dozen cities that own-- cities and villages that own their systems as well. And if you really look back at the history, it's three or four companies that kind of went under that, that those cities came from. Then there were a couple of big disasters that, that put a couple of cities in the business, the hotel in Fremont and a hotel in Hastings both exploded. And shortly thereafter, the cities got involved and condemned those systems and tried to bring those up to, what they viewed as at the time, code, code. So and people died. It was, it was very sad. It was the Pawnee Hotel in, in Hastings. It was the Pathfinder Hotel in, in Fremont. And these were big tragedies. So that's kind of how the landscape evolved. Although, I will say at the time it doesn't appear rate making was particularly complex. The companies would go out. They might even own a well. They, they would talk to somebody. They would supply a gas source and they would sell it for the year. But then as pipelines became bigger business, and things like this, rate making became a little more complex. And in 1970, the city of Sidney refused a-- to pass on a rate increase that the company asked for. And this went to the Nebraska Supreme Court and Nebraska Supreme Court for the first time, said, although to be honest, probably you could have assumed this at the time that the rates had to be reasonable and they ruled in Sidney's favor. But they said that clearly the city has the authority to set rates. And if you're going to operate in Sidney, Nebraska, you have to acquiesce to that, but your rates have to be reasonable. And they said the city of Sidney rates were reasonable. So then we go along and the, the industry becomes far more complex and, you know, pipelines become bigger business. And, you know, things like coal are kind of going away as, as, as a alternative heat source and things like this. And then in 1986, and this is really what kicked off the whole series of events over the next couple of decades that, that the whole time legislative staff were referred to as gas wars. What kicked it off was the case called Reimer v. City of O'Neill [SIC] and a retired judge in O'Neill, Nebraska, sued over a rate increase that the, that the gas company at the time adopted. And so-- and, and the Nebraska Supreme Court had a whole-- it decided a whole bunch of things. But one of it was it said that basically cities were under the confiscation standard, just like other rate-making bodies would be. And it also sort of set up the precedent that ratepayers could sue as well, and that cities thus are ratepayer advocates as, as-- and I'm not sure that concept followed through. But at the time, that was a concept sort of adopted in this case. So shortly thereafter, because there was no uniform rate-making standard across the state at this point. And this, this court case kind of said, oh, you need to have that. So and then also at the time, the companies were starting to-- because they had been purchasing each other, there weren't near as many companies as there had been ten years ago. Ten years prior to that. They wanted-- they were starting to say, look, we don't want to have a different rate in every one of our cities. We'd like some more uniformity to the rates. So in 1987, the Urban Affairs Committee, because this was-- all of this was under a, essentially a city statute that authorized the city to regulate stuff under the ground. The Urban Affairs Committee, under at the time Senator Ron Withem, had extensive negotiations between the cities and at the time a couple of the gas companies, the bigger ones, to come up with some scheme of rate regulation. And, and at that point, LB663 was adopted. And what it did is it, it allowed the companies to set up these rate areas which are still memorialized, which is sort of interesting. And each rate area, each city still retained their individual rate-making authority. But each rate area was supposed to work together to come up with a study and hired expert accountants and lawyers and stuff to come up with a rate that met the proper rate-making standards. And then each city could go back and do whatever they wanted with that study. So and then at the time, there was something called oil-- Exxon Oil Overcharge Funds. And the, the Nebraska Energy Office ceded the Natural Gas Regulation Act with money that the cities could borrow from to go hire hotshot rate experts. So they could be like a real regulatory body rather than just going, oh, 2 percent's good, 3 percent's good. So and then, then the Energy Office would be paid back with the surcharge on the bill once the rates were adopted. So, so we set all this, this into motion and every city official across the state was given one of these fine handbooks that had all the principles of how to regulate rate that-- probably, Senator Wayne, you probably still have one of these in your office. I know the-- Senator Hartnett at the time was, was very active in sort of editing this, this document I know and his, and his staff. So, so they were given one of these documents and everybody went off. And then very shortly thereafter, a company called Kansas-Nebraska Energy Company asked for a rate increase across the state. And I think they had 15 rate areas. So quickly what the cities all did is they all signed-- each, each city in a rate area, they all signed interlocal agreements to work together. So one city just couldn't get all the loan money and they-- so they worked together. And that, you know, so there were hundreds of meetings between cities getting together to all sign these interlocal agreements. And everybody was ready to do their job to regulate the rates. And so they had rate hearings in every rate area. And the consultants at the time were from Minnesota. And they, they drove around primarily western Nebraska. And they had these-- they, Kansas-Nebraska would make their case. The cities would make their case. And so they did. And then the cities adopted a rate, you know, based on these rate hearings. And, and then somewhere along the line, Kansas-Nebraska didn't like the rate the cities adopted. And so this was in '87, '88, sort of in that, that time frame. And so Kansas-Nebraska sued and they went up to the Supreme Court. And in a case called Scottsbluff, et al., it was Scottsbluff, Kimball, Sidney. Basically, it was everybody in the Panhandle. They, they said, no, no, no, we're going to defend the rate we, we, we went with. And so the Scottsbluff case threw a, threw a little wrinkle in rate regulation that I don't think anybody at the time understood how complex it was. The-- I'm oversimplifying it a lot, but KN Energy had a new labor contract that wasn't there when the cities set the rate. So but they entered it, tried to get it introduced into evidence as part of their lawsuit. The district court kicked it out. The Supreme Court said, no, no, no, no, you have to consider it because it's part of their cost base. And if the rate is not going to be confiscatory and, and it has to be reasonable, you have to consider that even though it was never in front of the cities. So at the time, everybody kind of glossed over that as a problem, although in retrospect it was probably a much bigger harbin-- harbin-- harbinger of what was to come that this-- that rate making was becoming extremely complicated and probably at the time required ongoing regulation rather than once every couple years. And, and at the same time, the entire natural gas industry was changing, the federal government was decoupling pipelines, energy sources and retail businesses. There were-- a whole lot was going on. They were trying to create open access to the pipelines. There was just a whole lot of complexity that changed the rates. Essentially, a lot of the rates became daily rather than yearly. So it was becoming more and more complex. And, and this was creating a lot of frustration between the cities and, and the gas companies. And there was a side issue that has nothing to do really with regulation, but as Omaha was growing and, and the Sarpy County cities were growing into-- onto the interstate, they were overlapping gas systems with, with there. So the Legislature got involved to kind of lay out some of the service territories within the Omaha area and between the MUD and at the time, Peoples Natural Gas. So that was a big legislative issue as well. And then, then as, as-- it didn't used to be, but then as, as rate, rate, as rate cases came forward, cities were starting to realize that gas cost was a much bigger portion and much bigger variable than they had ever-- then it used to be. And, and at the time, the cities could regulate the cost of gas in theory. And that was part of-- everybody passed a PGA ordinance at the time. And, and, and if you notice that the PSC said that's really something they don't regulate now. And in part because of what I'm going to tell you here, the, the cities-- there was one big issue. There was multiple issues but there was one big one. Kansas-Nebraska, at the time it was called Kinder Morgan. I mean, these were becoming-- from being-- they used to be kind of small local companies with local offices. Now these were becoming a worldwide conglomerate companies. And they had a contract called their P0802 contract. And the P0802 contract, a lot of the cities, not all of them, but a lot of the cities felt they were dumping high cost gas into Nebraska as opposed to Wyoming and Colorado. They were they were shoving-- it was, it was some stored gas that was above market price. So a series-- a group of cities-- again, it was this western Nebraska group. They, they said-- cowboys out there were-- they, they weren't going to have this. Oh, you know, and they, they could drive to a gas well. You know, they, they understood it quite well. They, they, they started to create litigation on this P0802 contract and said, no, we don't-- the cities don't want that. We want a different-- we, we want you to buy different gas for Nebraska. And, and this just got very, very, very complex. And, and everybody was getting frustrated. And then, oh, probably at the time, a dozen cities actually began studies to whether they should just outright condemn the gas system and take it over themselves. It was a mentality that, look, we can do this better. We've got a local office, we can do it cheaper. And most of those didn't pan out. But a couple, a couple of cities did condemn their systems. Wahoo, who's going to speak later and Scribner at the time did, did get into the gas game as well to bring a couple more city systems into it. And a lot of it was just based on the frustration they were feeling with these large companies that used to have a local office that went away at some point. And to be honest, they didn't even have a regional office. It was just getting farther and farther from the source. So at that point, the frustration was getting so high, the, the Legislature did step in. In 2002, they adopted through hundreds of hours of negotiation the Municipal Natural Gas Condemnation Act, which made it much more difficult for a city to-- it used to be you condemned it under the regular condemnation. You get three, three appraisers, you have the, the same, same sort of setup. It required some hearings, but the new law required some hearings and things like that. Then in 2003, we moved to the current law, the State Natural Gas Regulation Act. And, and as part of that, you know, some of the, some of the stuff that did change was that the PGA concept, the purchased gas concept, became a more unregulated. And, and that, that-- to be honest, I'm not saying that in a bad way because it did follow what FERC and what the federal government was trying to push at the time, this concept of just a commodity that, that was out there for anybody to access. And what was important to the cities at the time, because the cities had become very vigorous consumer advocates. You know, what a lot of this tension had caused is they wanted cheap rates for their businesses, they wanted cheap rates for their citizens. And so as part of this, what the cities really wanted was this concept of a consumer advocate at the Public Service Commission. And, and that, that did come to, to pass. And so that is the history of how we got where we are today. It was-- it's been an interesting-- I mean, it kind of-- it's interesting that it overlaps with sort of, you know, deregulation from the federal government. There's a whole lot of historical things happening at the same time and, and Nebraska cities were right in the middle of it.

WAYNE: Thank you. Any questions from the committee? Thank you.

LASH CHAFFIN: Thank you.

WAYNE: I just thought it was important to give us a background on what we're talking about before everybody comes up. So next, we'll have Kevin, I don't know how to say your last name, Jarosz, from Black Hills Energy, vice president of operations. Welcome to Urban Affairs Committee.

KEVIN JAROSZ: Thank you. Well, members of the committee, thank you for the opportunity to update you on Black Hills Energy's efforts to serve our customers through the extreme winter weather events of mid-February, 2021. My name is Kevin Jarosz, and that is spelled K-e-v-i-n J-a-r-o-s-z, and I am the vice president of Nebraska operations for Black Hills Energy. We proudly serve gas to over 300,000 customers across 319 communities in the state of Nebraska. Along with our operations in Nebraska, Black Hills Energy serves 1.3 million natural gas and electric customers in 800 communities in 8 states. We've seen extraordinary weather recently. A well-liked radio broadcaster was known for telling the rest of the story. And that's what I'd like to share with you today. The story of what our team did last month and how years worth of work helped keep our customers homes and businesses warm in extreme conditions. As arctic cold gripped

Nebraska and much of the country, Black Hills Energy stood ready to respond to never before seen increases in energy demand on our natural gas delivery system. I'll touch on our infrastructure preparations shortly. First, I would like to recognize our team members whose dedication was unmatched as they continually monitored energy supply when it was 31 degrees below zero. Purpose driven, they bundled up to the physi-- physically inspect and monitor key infrastructure in the state. Our Black Hills Energy professionals worked safely and tirelessly to ensure system integrity met extraordinary demand and reliability, and reliability delivering natural gas to our customers. Our gas supply team, our operations team and measurement teams and countless others in our organization worked diligently to ensure that customers stayed safe and warm and that natural gas continued to flow. Our Nebraska team of employees supporting Black Hills Energy Nebraska operations rose to the challenge as presented. Some of our employees worked outside in the bitter cold temperatures to ensure our customers remained safe. Readiness extends from our people to our natural gas infrastructure. Over the last decade, Black Hills Energy has invested in system integrity in Nebraska. We've worked closely with and under the approval of the Nebraska Public Service Commission on our plans to address reliability, integrity, and meeting growing demand. These improvements may not be top of mind for the general public, but at Black Hills Energy, they are critical to fulfilling our commitment to safety and reliability. During the coldest temperatures of the recent event, our system, which was designed for peak conditions, perform as intended. And I'm proud to say that we've delivered. Dozens of recent projects statewide played key roles in this result. Last year, Black Hills Energy replaced vintage pipe, more than 200 miles worth in central and western Nebraska. You may also recall the Lincoln Resiliency Project, which we completed two years ago. That was a large scale project that was several components, including replacing a nearly 90-year-old pipeline with a newer, safer, more efficient pipeline along O Street from 84th to just east of 148th Street. The investments made in our system helped ensure our customers' energy needs were met and that our team could address any operation issues. In addition to selfless employees and a strong distribution system, we took care of several steps to protect our customers. The week of February 8, we began to realize the potential impact to the weather event. At that time, the forecast indicated subzero lows in the areas we serve. Our measurement teams, engineering and operations team members initiated preparations. On February 10, Black Hills Energy started reaching out to commercial customers in the state about decreasing their usage to help with the overall natural gas demand. Those conversations continued into the weekend. I want to publicly thank our customers who reduced their, their usage. In true Nebraska form, they are remarkable partners. That following Monday, the 15th, we redoubled our efforts, began communicating with our customers directly as well as through the media, social media and our website. Temperatures plunged further on February 16. That day, and in the days that followed, we maintained outreach efforts and informed customers about how increased demand and use may result in higher bills. Just as we saw, record setting temperatures demand significantly as well. Based upon preliminary information, many of our Black Hills Energy Nebraska natural gas utility communities experienced new or near new peaks in both temperature and in consumption. As part of our obligation to serve and as a sound business practice, Black Hills Energy takes, takes an intentional and deliberate approach to developing our natural gas supply strategy. Our goal is to achieve a diversified natural gas supply portfolio. Through continuous planning, our natural gas supply portfolio for any given day addresses normal consumption expectations. Our supply portfolio must be rigid enough to deliver during peak consumption situations while also being flexible enough to manage through periods of warmer than normal low consumption periods given the variability in Nebraska's weather. This record cold event had a vast geographic impact throughout the United States with significant cold spanning the majority of the Midwest from the border of Canada, far south into Texas. This event resulted in natural gas supply interruptions at a time when there was increased demand for natural gas supply, contributing to dramatic price increases for natural gas commodity nationwide. As a regulated utility, we will continue to work through the public process and procedures established by the Nebraska Public Service Commission. Importantly, Black Hills, Black Hills Energy does not profit from natural gas prices as there is no utility markup to the gas price. Black Hills Energy has every incentive to ensure the natural gas it acquires is prudently procured to ensure service reliability. But simply, Black Hills Energy do not benefit from the increased natural gas prices. We also note for this committee and customers that they may see an increase immediately in bills due to their increased use of natural gas. However, this potential increase will be attributed to the higher usage resulting from extreme temperatures and not from the increased natural gas supply prices during the winter event. We are working closely with the

Public Service Commission to determine the best path forward to manage the long-term impact of the February natural gas prices on our customers. The Public Service Commission has opened a docket and scheduled several workshops in April to gather information regarding the extreme weather event and to help determine the path forward. The Commission also extended the cold weather rule through the end of May. In addition to helping our customers find ways to save energy, we are dedicated to helping customers in need of assistance. Our customer service representatives work extended hours and are well prepared to provide guidance and support. Black Hills Energy has already begun sharing additional communications to all customers so that those in need of financial assistance are aware of all available options. And in closing, while there are lessons to be learned from this event, I am proud of the way our system and our team performed in serving and meeting the needs of our customers during a time of critical need. I thank you for the opportunity to speak with you today and I'd be happy to answer any questions you may have.

WAYNE: Any questions from the committee? Senator Lowe.

LOWE: Thank you, Chairman. And thank you for being here today. How is our supply of natural gas in the country?

KEVIN JAROSZ: Well, I think with the new technology that is out there, there's ample supply. I haven't heard a direct number of years of supply, but I think with new technology allows us to find new pockets of natural gas.

LOWE: At, at the time of this cold snap, was there abundant supply of natural gas?

KEVIN JAROSZ: I believe there was. However, you know, with the cold snap and the extreme temperatures, I think it caught a lot of suppliers off guard.

LOWE: Thank you.

WAYNE: Any questions? So describe the reserves you guys have for natural gas for Nebraska.

KEVIN JAROSZ: We do have storage. I don't know the exact amount that we have for the entire state of Nebraska and Iowa because it's shared between the states. We do have storage. We are very fortunate that we have three suppliers that we work with in the state in Nebraska that supplies gas. So we have a portfolio that includes all three suppliers. We also, we also look at not only storage, but then we also have RNG that also assists somewhat to the supply that we need.

WAYNE: What's RNG?

KEVIN JAROSZ: It's renewable natural gas. So what we do is we work with communities in Lincoln. You might have seen in the last few weeks that we worked with the city of Lincoln and we take methane from their wastewater plant and we take that. We clean it up and we put it into our natural gas supply system. We're also working with them on the landfill that they have here. We also did a project in Sarpy County that we worked with the, the county there and take natural gas from the county and, and put that supply into our metro area. And we also have another RNG project in David City, a Butler County landfill, where we take gas or I should say methane from the landfill there and put it into our system there that helps.

WAYNE: So, so are the storage facilities, whatever, are they here in Nebraska or are they, are they somewhere else?

KEVIN JAROSZ: The one that we are with-- or one that we use is in Iowa in Ventura.

WAYNE: And during the cold snap, was that completely depleted?

KEVIN JAROSZ: I don't know how low it got. I know that there is a limit where they can go, but I don't know how low it got.

WAYNE: Do you have any liquid natural gas?

KEVIN JAROSZ: No, we do not.

WAYNE: And so I, I found on your, your website there is a estimated impact of recent cold weather by state. And I was going to ask you why Iowa and Nebraska was combined, but you said they're combined. So out of the $190 million that you guys are projecting impact, what is that really attributed to Nebraska?

KEVIN JAROSZ: You know, we are, we are still getting Nebraska's financials, hopefully to have that in the next week or two. So we'll take that information into the, the workshop with the Public Service Commission. Thank you.

WAYNE: So let's just say that for hypothetical purposes, that it's, it's half and half, which it probably wouldn't be based off of population. But let's just go with that. What does that number actually represent when it says impact? What, what does that really, like, what does that number translate to the--

KEVIN JAROSZ: You know, we will work with the Public Service Commission. As you, as you mentioned, the example, we'll take that number and we can spread that out over a number of years to make the impact minimal or minimize the impact as much as possible to our customers.

WAYNE: So is it, is it, is it-- I mean, we can't say there will never be no, no rate increases, but the, the things that we saw in Texas of $12,000 bills, do, do Nebraska customers have to fear that?

KEVIN JAROSZ: No, no.

WAYNE: And why, and why is that?

KEVIN JAROSZ: Well, I think because of our portfolio, there was a small percentage that we actually had to, to buy on the market now. And during that time frame, the temperatures were extreme and natural gas was hard to come by. So we will see an increase, but it's not going to be the extreme like you've seen in Texas.

WAYNE: So did you have enough supply for the Nebraska area?

KEVIN JAROSZ: Yes, we had-- actually, in our entire system in all eight states, we did not have any outages at all. And that includes our electric, our electric companies as well.

WAYNE: Then can you explain the $190 million impact? I guess, where, where, where am I missing that?

KEVIN JAROSZ: We will, we will work with our portion of that $190 million and we'll work with the Public Service Commission to see how we can spread it out through our customers and make-- throughout the years with our customers and make it as minimal-- minimize the impact as much as possible. But that is just a pass-through to the customers.

We're not-- we don't make any money off of that. That's just the supply from our suppliers that cost.

WAYNE: All right. Any questions from the committee? Seeing none, thank you for being here today.

KEVIN JAROSZ: Thank you. Have a good day.

WAYNE: Yep, you too. Next, we'll have Mark Mendenhall from Metro Utilities District. Welcome to your Urban Affairs Committee.

MARK MENDENHALL: Thank you, much appreciated, Chairman Wayne, members of the Urban Affairs Committee, counsel and the staff. I serve as senior vice president, general counsel for the Metropolitan Utilities District of Omaha. And my name is Mark Mendenhall, M-a-r-k M-e-n-d-e-n-h-a-ll. I greatly appreciate the opportunity to speak to you all on this, on this afternoon in this warm room. I'll keep my comments as brief as I can and look forward to answering any questions that you may have. I want to tell the committee first about the District and its experiences related to the February polar event. In order to share the story with you all, I would like to begin by talking about who the District is and how we are managed. I'll then speak about how the District has measured itself relative to other gas providers throughout the Midwest and the United States. And that will lead me to my third point, which is a discussion about how we managed the event, generally referred to as February 10 through February 22 of 2021. And finally, I want to share how the actions of the District with a sincere recognition towards our predecessors, both management and our board, that their actions and our actions avoided approximately $100 million of gas purchase costs our customer owners would have otherwise had to incur. To put that in perspective, that is approximately our annual budget for gas purchase costs. And hopefully along the way, while I'm speaking, I will answer-- be able to answer some of Senator Wayne's questions that you began the hearing with this afternoon. So who we are and how do we, how do we rank? As many of you may know and if you do not know, we are a municipal corporation and political subdivision of the state of Nebraska created by the State Legislature in 1913, originally set up to provide Omaha, the only metropolitan city of the state with natural gas and water services. The voters established the District after expressing frustration with how out- of-state for-profit entities, namely the Omaha Water Company and Omaha Gas Works, although they went by several other names, respectively, managed their various assets. And now, for over 100 years, the District has proudly served its customer honors. And again, I'm honored to tell you a bit about us. We're really two companies. I'll-- just a brief moment on our water side. The District's first water treatment plant located along the Missouri River was put into service in 1889. We currently operate 3 water treatment plants and have the ability to produce over 300 million gallons of treated water each day. We own and maintain over 27,000 fire hydrants and nearly 3,000 miles of water mains, provide water to roughly 220,000 customers, approximately 600,000 people within the city of Omaha and surrounding communities. In fact, our water flows from Fort Calhoun, south to Offutt Air Force Base, and almost everywhere in between. I wanted to mention during this event, our water side continued in full operation. And so I remember seeing an image on Twitter, I believe it was, a sight that follows first responders and it had video of our crews working a water main break. I believe it was the 67th and Maple area on one of those nights when it was minus 21 degrees. And so while our gas business, and I'll speak to that, did a marvelous job. I really want to commend the folks on our water teams. But gas is the topic of the day. One of our-- one of the District's predecessors began to manufacture gas as early as 1868. That gas distributed through a series of pipes through eastern Omaha to, to really light up street lamps. In 1918, your predecessors authorized the city of Omaha to acquire the gas system via condemnation and assign that awesome responsibility for its operation to the Metropolitan Water District. A few years later, we were renamed the Metropolitan Utilities District, and we've never looked back. And in my biased opinion, the citizens of Omaha and surrounding communities are better off because of the decisions made in this very building over 100 years ago. Our gas division serves a very similar but slightly different footprint than the water side of the business. So natural gas flows through district-owned piping from Fort Calhoun to Bellevue, Yutan to the Missouri River. Approximately 230,000 gas customers, which rank us as the fifth-largest public gas utility in the nation. In order to keep our gas rates as one of the lowest in the Midwest, if not the country, we utilize three gas storage, which we'll call peak- shaving facilities. Two of those facilities store a material I'll refer to as propane. And Senator Wayne, you mentioned liquefied natural gas. We do have an LNG, liquefied natural gas, plant as well. In addition, we also lease underground storage facilities from our contracted pipeline provider, Northern Natural Gas. And shortly through my presentation, I'll speak to how those peak-shaving facilities really contributed to our response to this event. So we are more than just the great city of Omaha. We serve roughly one-third of the state's population in Douglas, Sarpy, Saunders, and Washington Counties for both natural gas and potable water services. And in addition, we act as a billing agent for several municipalities for sewer services, which I think is just an excellent example of governments working together. We are governed by a locally-elected seven-member board. Our customer owners have a say in how the utility is run through elections. We are subject to Open Meetings Act and Public Records Law. Our business is held out in the open for all of our customer owners to observe, participate in, and we're proud of that fact. We employ approximately 820 men and women made up of engineers, accountants, HR professionals, welders, machine operators, pipe fitters, electricians, IT specialists, just to name a few. We are dedicated to our mission of providing safe, reliable, and cost effective natural gas and water to our community. Our vision is to maintain our commitment to serve our community while striving to become one of the nation's top utilities. And to that point, I wanted to mention a brief example just this last weekend, we partnered with other utilities, including Black Hills. So I wanted to appreciate their, their work towards this and the Omaha Public Power District for a fundraiser called the Heat the Streets campaign, which is designed to help collect dollars to help those in need that might need assistance paying their utility bills. So we are very proud of what we do and we are good at it. And that is not just my opinion. In fact, we work to ensure a rate structure that pays our bills, but not one that returns a profit to private ownership. Those efforts have resulted with the District consistently having some of the lowest gas rates for those that participate in the annual Memphis Gas, Water and Light [SIC] Survey. And I believe the handout that I provided to you is the 2020 version, which shows, I believe that we are, as of 2020, ranked fourth lowest of the approximately 40 utilities that participate in that study. Our budgeted average annual gas bill for 2021 is $597. So for a residential user-- and, Senator Wayne, you had asked the question of what is a therm. A therm, as Ms. Mulcahy indicated, is a measurement of gas. I believe our average residential customer, and so I'll just pick myself as an average residential customer is anticipated to use approximately 780 or 790 therms in a year. So that kind of gives you an idea of what a therm is. We ensure low rates through a variety of factors. I want to mention two such factors to you all. One is the use of prepaid gas agreements and the second is simply our structure and that we're returning revenue back to the business instead of as a profit. The District and another entity called the Central Plains Energy Project, referred to as CPEP, accesses municipal bond market and procures tax-exempt financing to procure gas in large quantities. The city of Hastings and Cedar Falls, Iowa, are also members of CPEP and have also benefited from low natural gas rates enabled through this mechanism. In addition, we have a high credit rating, AA-plus and an excellent reputation with natural gas shippers and marketers. We were able to source gas from a variety of sources and, in fact, source much of it during the event in question from the Rocky Mountains and from Canada, as opposed to Texas, where more of the natural gas issues occurred. And so because of the decisions of our predecessor-- predecessors, excuse me, the actions of our workforce and strong partnerships forged over decades, we expect the average residential customer will see an increase of approximately $10 due to the dramatic increases of the cost in gas in February. That $10, we anticipate, will be paid out over nine months from April through December. I believe we're still running calculations on our commercial and industrial customers, but for our average residential customer, approximately $10 in additional costs due to the increases of gas. News that I've read from the Midwest region have mentioned gas rates may increase $200, $300, $400 over a period of time to pay for the gas purchased over the critical seven-day period in question. And again, we expect our customers to pay approximately $10 over nine months. Well, how do we do this? And so this gets me to my last two points. Let me talk about the response to the days in question and finally address how we avoided that $100 million in additional gas costs. The story really begins and ends with our gas storage assets. So we maintain two propane air assets and the LNG facility. These facilities enable the District to provide our customers with up to 40 percent of the temporary natural gas supply during times of [INAUDIBLE].

WAYNE: Sorry, that was how much?

MARK MENDENHALL: Forty percent. So as opposed to--

WAYNE: At all, all three?

MARK MENDENHALL: All three combined. Yes, sir. So as opposed to pulling gas off of the spot market at prices that are volatile, we were able to pull, pull that gas from our storage facilities.

WAYNE: I'm going to stop you right there. When you say 40 percent, do you mean 40 percent for a day or 40 percent for a month, 40 percent for a year?

MARK MENDENHALL: So 40 percent of the total need for the community over a period of time. So we could not run all three facilities for, say, the, say, the 12 months. We just wouldn't have enough fuel in there. But for the period in question, which we'll, which we'll speak to as February 10 through February 21, approximately 40, I think it was, like, closer to 41 percent of all gas used came from those three facilities.

WAYNE: This is an unfair question, but how much do those facilities cost to build or make?

MARK MENDENHALL: Great question, 1975, I was just having this conversation earlier today, 1975, the LNG facility was constructed at a cost of $11 million. What that costs in today's dollars, I, I might have to phone an actuarial friend.

WAYNE: No, you're fine with that. How, how, how does that compare to propane as far as effectiveness and those kind of things, the LNG?

MARK MENDENHALL: So the, the propane-- again, it's my understanding and I'm certainly not a, not a gas expert. My understanding is the propane has a different, more oxygen rich content that could potentially cause, say, a pilot light in the furnace or hot water heater to-- I don't know if it's-- I don't know the right word, but that it might cause issues. The, the, the piping within a home, the equipment within a home, so your hot water heater, your furnace, your, your range will all work just fine. But the flame might look a little bit different as opposed to the, the LNG, which is simply natural gas taken from a gaseous form, turned into a liquid form, held in storage, and then vaporized back into the system when we need it to. So basically, when prices hit a certain point on those indices, then we can make a decision. That's, that's how we operated here over this period of time that we can make a decision. OK, now we need to run these facilities because prices are, are tops-- topside, so. It was primarily through the use of these peak-shaving assets where we were able to respond to this polar vortex event without the need to procure natural gas on the spot market, where prices were as high as $300 to $400 a dekatherm, and a dekatherm is ten therms. We recognize-- so now to the event in question, we recognized gas prices increasing as early as February 10. Based on forecasts, we decided to ensure appropriate levels of staffing at all three of the plants starting on February 11. That day, February 11, prices reached over $15 a dekatherm. I think our average price that you'll see throughout the year is probably closer to the $3 range. And so on February 11, prices reached $15 per dekatherm. Pipelines began warning of a critical day if demand and supply were out of balance. And so we began communications to our interruptible customers in order to curtail. And then we also made arrangements for our customers that rely on CNG, compressed natural gas is vehicular fuel. On February 12, air temperatures in Omaha reached negative nine degrees. Gas prices started trading as high as $500 per dekatherm and averaged just under $200. And based on these prices and the potential for pipeline penalties, we began operating all three plants at 100 percent output. February 15, air temperature reached minus 19 degrees, gas suppliers in Texas were losing heat and power. There were gas well freeze issues in the south that impacted supply, which in turns impacts the balance on the pipeline. And it's also my understanding that several pipelines did issue forced measures. The District senior team, its board of directors, its gas department were in regular contact as the threat continued into February 16, when gas prices continued to trade at approximately $150 per dekatherm. All three gas plants were still being operated at full capacity. In fact, during this period of time, the District set two back-to-back records as far as gas output for, for two particular days. The event began to subside in the days to follow, and all interruptible customers were brought back to the system on February 19, when gas prices began to drop below $4 per dekatherm into that weekend and the decision was made to shut down all three plants to focus on maintenance needs. So during the event in question, approximately 40 percent of the gas supplies came from these three storage assets. Had we not had them, maintained them, otherwise managed them, and were unable to use them, we would have been forced to purchase gas on the spot market. Again, I talked about that volatility based upon an average daily price for that period of time, our calculations so that we avoided approximately $100 million in additional gas costs. Again, equivalent to nearly our annual budget for gas, gas cost. So thank you for your patience hearing me out this afternoon. I really appreciate the opportunity to speak with you. And on behalf of the District, happy to answer any questions.

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WAYNE: Any questions from the committee? When-- how will you notifiy the ratepayers of that $10 increase?

MARK MENDENHALL: So we had a communication at our last board meeting, so a public board meeting. And I think at that meeting we were still calculating some of the costs. And so going forward, we will have-- and we can utilize our social media, press releases, communications with various media, in addition to our upcoming board meetings, utilizing all of those sources.

WAYNE: OK. Thank you. Any questions? Seeing none, thank you.

MARK MENDENHALL: Thank you, sir. Appreciate it.

WAYNE: Next, we have Dennis Placke?

DENNIS PLACKE: Placke.

WAYNE: Placke, sorry.

DENNIS PLACKE: A couple handouts here. Mr. Chairman and members of the committee, my name is Dennis Placke, that's D-e-n-n-i-s P-l-a-c-k-e. I'm the manager of NorthWestern. I'm-- excuse me, I'm the manager of Nebraska's district operations for NorthWestern Energy. I reside in Grand Island, Nebraska, and have been with NorthWestern Energy for 15 years. Thank you for this opportunity to talk with you today about the February cold weather event and how NorthWestern responded to this unprecedented event. First, let me briefly describe NorthWestern Energy and our utility. NorthWestern is a natural gas and electric utility that has been in business for over 100 years and serves close to 735,000 customers in Montana, South Dakota, and Nebraska. In Nebraska, we are strictly a natural gas utility that serves approximately 42,700 customers in the communities of North Platte, Kearney, Grand Island, and the village of Elba. In both Montana and South Dakota, we were combined electric and natural gas utility. In the interest of time, I provided the committee with two documents that provide additional background information about our utility, our service territories, customer accounts, and community, community and economic development activities. In all three states, we are a rate-regulated utility that falls under the jurisdiction of three state regulatory commissions. As you heard previously in Nebraska, we are regulated by the Nebraska Public Service Commission. The NPSC provides regulatory oversight of the rates we charge customers for the delivery of natural gas services and quality of our utility services. NorthWestern values our working relationship with the NPSC and supports its reasonable, regulatory approach that provides the necessary framework to not only protect customer interests, but also to allow NorthWestern to be a financially solid utility. During the dates of February 8 through 17, the upper Great Plains, along with the vast majority of states to the south of our region experienced an arctic blast that caused, that caused unprecedented disruption to the region's natural gas distribution system. Overall, NorthWestern's natural gas delivery system performed as expected and kept gas flowing to our customers. NorthWestern recognized early on February 9 that there may be problems with natural gas delivery and maintaining adequate pressures in our line serving particularly Grand Island. We began contacting our larger customer loads in Grand Island to explain the situation and ask them to voluntary curtail their use of natural gas to help us maintain the pipeline system pressure. If those customers had not responded in the positive to our request of voluntary curtailment, NorthWestern would have had to curtail them ourselves as allowed in the tariffs to maintain pipeline pressure. Fortunately, we did not have to impose any involuntary curtailments and are not-- and our Nebraska utility system was able to meet customer demand during the entirety of the cold winter event. In addition to reaching out to our large load customers in Grand Island, we utilized several social media outlets and direct phone calling, asking our Nebraska customers to conserve on their own natural gas usage until the cold weather event passed. We provided customers with suggestions on how they could conserve natural gas usage by turning down their thermostats or minimizing the usage of natural gas appliances until temperatures return to normal. Similarly to other natural gas and electric utilities, NorthWestern did experience sharp price spikes for the purchase of natural gas on the market during the extreme cold weather event in February. While NorthWestern purchases natural gas throughout the year to have supply in place to meet winter demands, our supply strategy does include market-price purchases as well. Our purchasing strategy is designed to purchase natural gas at different times of the year to take advantage of as much as possible of the lower prices to levelize our purchasing-- our purchased gas costs so customers do not experience big highs and lows for purchased gas throughout the year. While we are not able to share specifics with the committee today regarding final numbers related to the cost of purchasing natural gas on the market during the February cold event, or how those purchased gas costs will impact customer bills in the coming months, we are committed to working with the NPSC as it moves forward with proceeding to investigate these cost and mitigation strategies related to customer bills. While the February cold weather event presented NorthWestern with some unique challenges, our employees rose to the occasion to keep customers warm, our commercial industrial customers in business, and our natural gas distribution system operating throughout Nebraska. We continue to evaluate our response and system operations to determine what changes may be needed to prepare for the next cold weather challenge. NorthWestern is also working with the NPSC to-- in its investiga-- investigatory proceedings and looks forward to working on our workshop on April 7. Again, thank you, Mr. Chairman, for this opportunity to discuss NorthWestern's operational response to the February cold event. I will take any questions if you have any.

HUNT: Thank you, Mr. Placke. Are there any questions from the committee? Seeing none, do you think Justin had a question-- Senator Wayne? OK. OK.

TREVOR FITZGERALD: You can have him stick around just in case.

HUNT: OK. Stick around just in case Senator Wayne--

DENNIS PLACKE: I'll be over there. OK.

HUNT: --has any questions.

DENNIS PLACKE: All right, thank you.

HUNT: Thank you for your testimony today. Next, I'll invite up Beth Ackland from Nebraska Municipal Power Pool. Ms. Ackland is the director of gas operations. Welcome to your Urban Affairs Committee.

BETH ACKLAND: Good afternoon. Thank you for inviting us to be a part of this hearing today. We really appreciate that. My name is Beth Ackland, B-e-t-h A-c-k-l-a-n-d. I think what you're going to hear from me today is a very stark, stark contrast compared to, to much larger suppliers in Nebraska, but important nonetheless. I am director of gas operations for two companies under the NMPP Energy umbrella, both the National Public Gas Agency, usually referred to as NPGA, and for ACE, the Public Alliance for Community Energy. The impacts to NPGA are much more significant and more immediate. So I'd like to direct my remarks to NPGA first and then briefly talk about ACE's participation in the Choice Program after that. NPGA was formed as a Nebraska interlocal in 1991, serving municipalities who own and operate their own natural gas distribution systems. These are much, much smaller systems in comparison to the testimony you've heard earlier today. We provide wholesale gas supply to 17 communities, 8 in Nebraska, 4 in Kansas, 4 in Colorado, and 1 in Oklahoma, representing a total annual load of natural black-- natural gas of 2.4 Bcf or 2.4 million dekatherms, about a third of that in Nebraska. Our towns are small. They range in population from 150 to 11,000. So you can see the, the stark contrast compared to others that you've heard today. In Nebraska, we represent municipalities with populations between 500 and 3,000. So again, very small systems. One of the comments that resonated with me earlier today was from Lash, who said, remember how important it was to these towns to be able to maintain their operating systems. That's what we hear from our members over and over again, our member of municipalities. This is critical to their local infrastructure to be able to maintain local control over their operating system and also use it as a source to support their, their community in largely rural areas. We also maintain a diversified portfolio of natural gas, about 20 percent of our monthly purchases are on prepaid contracts. About 40 percent comes from storage, as referenced by MUD earlier, and the remaining 40 percent is purchased generally on a first of month index. However, the, the events that occurred from February 13 to February 17 could not be predicted, and they had significant impact to many of our communities that we serve, particularly those without storage. And unlike an MUD or Black Western-- or excuse me, Black Hills or NorthWestern, some of these communities don't have storage assets available to them. And those were the ones who saw the most significant impacts from this. You've already heard about the extreme weather event, as most of us have called it. I actually wrote that out the other day and realized it's an unfortunate acronym of EWE, but that's what we've called it, the extreme weather event. So that's what we'll continue to call it. I would draw your attention to the handouts that I provided you. You've heard testimony from several people about these unprecedented cold spells. And certainly, without a doubt, that is true for, for many, many gas suppliers throughout the mid-continent of the United States. But pictures speak volumes. So I will draw your attention to those. On page 2 of the handouts that I gave to you shows a, a cold map on February 16 when Lincoln experienced minus 31 degrees

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low temperature, much of the area we serve also experienced lows-- those low temperatures. There's an, unfortunately, heart-shaped area over portions of Nebraska that experienced temperatures 40 degrees below normal. That also applies to much of Texas where a lot of our gas supply comes from where they had 40 degrees below zero, not only for record lows, but for an extended period of time creating a lot of devastation. On page 3, I think this picture also puts it in perspective why gas prices increased so dramatically. Page 3 shows gas supply that was lost due to freeze-offs, much, much of which occurred in the state of Texas and in the Gulf area over 18 Bcf a day. Putting that in perspective, that's roughly 20 percent of gas production in the United States per day. So a significant loss in supply available. On the next page, you can see as that supply drops, you'll note that in blue, a, a new record was set for demand with demand across a good swath of the United States skyrocketing, setting that new level to heat homes to meet human need during that time. And then on the next chart, you can see very quickly how the market reacted to that. As supply dropped, prices skyrocketed at the same time. The following chart is a little hard to follow because most of the pricing is so low that it doesn't hardly even appear on the map. For the last 25 years, relatively low gas prices have been enjoyed by natural gas consumers. In the last several years, largely below $3 a dekatherm, as was referenced earlier. And again, a dekatherm is, is ten therms. Then you can see in February how those prices skyrocketed to unprecedented levels. I've heard unprecedented skyrocketed. One of our suppliers referred to this pricing as ballistic. And it absolutely is true. Also different than the suppliers that you've heard from today, NPGA has members that we serve on six different pipelines in the Midwest. So we saw pricing anywhere from $93 a dekatherm. And unfortunately, on some of our members on Southern Star, which includes one Nebraska community. On one day, that pricing rose to $622 dollars. Again, compared to $3 normal pricing. So the impact was, was definitely felt. Only 8 out of our 17-member municipalities were impacted by those incremental pricing. So we've been holding special meetings with them, working with them about how they're going to manage these costs. These small communities each own their own assets. NPGA procures gas supply for them, helps them with scheduling that gas. But it is their assets that they're managing and it is their cost and it is to be determined by each of their communities how they want to handle this incremental pricing that we've experienced. On the next page there, you have a chart in blue and orange. In some cases, the impact to some of our members was more than three times their annual budget during five days. That was actually a common story that we heard throughout the Midwest, sometimes worse and definitely worse in Texas, where municipalities spent four times their annual budget over a five-day period. Our impact period is primarily February 13 to 17 that we're looking at for that. So you can see, obviously, the impact is great. Some-- again, each one of these impacted communities that we represent has a little bit different circumstances. Some of them have reserves to be able to handle this type of a cost. Some of them simply aren't situated to handle supply costs that, that skyrocketed three times their annual budget. They, they just don't have the way that mechanisms to handle that. They are seeking funding for that. Two of those impacted members that we serve are in Kansas, and they both met in special session last night to city councils in Kansas to apply for the funding that the state of Kansas approved for that $100 million in municipal financing. That-- that's key to them because, again, their impacts are even more severe than most of those in Nebraska that we've had over this time.

WAYNE: Can I ask you a question?

BETH ACKLAND: Sure.

WAYNE: So on that issue-- so the private sector can go to the PSC and ask for like a four-year rate to make that up.

BETH ACKLAND: Um-hum.

WAYNE: Can the municipalities, do you know, can they do that?

BETH ACKLAND: It varies by community. Yes, they can go to a funding source and get funding to spread this out over two, four, ten years, whatever, whatever time frame they think is appropriate. That will look different by each community. I had a phone call this morning with one of our members who have enough reserves and they feel comfortable that they will not be passing anything along to the end-used ratepayer. Some of our communities aren't situated like that. They will have pretty big bills if they pass those along to, to the ratepayer for sure.

WAYNE: OK. Thank you.

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BETH ACKLAND: So one of the, the, the key parts of, of our coming here today was simply to explain the situation that these communities are facing. Look for potential relief, whether that is in the form of what Kansas pursued. Many other Midwestern states also pursued, pursued such avenues, including Illinois. There are economic stimulus dollars available to the state of Nebraska. It would be our hope that certainly this would qualify for something like that, that this is indeed economic stimulus to help these towns recover from this unprecedented event.

WAYNE: So in, in this book, you have all these states-- cities or villages. Are those all the ones you serve?

BETH ACKLAND: I'm not sure which page you're looking at in that. That is actually NMPP. NMPP has members in that six-state areas. On another page, in that same brochure, you'll find an NPGA map that serves-- we have 17 municipalities across a 4-state region. So, yes, all affiliated with NMPP Energy, each with a separate board of directors. So each of those four companies looks a little bit different. NPGA has member municipalities who each have a representative on our board. We also serve municipalities who are customers who we serve in the same way. They just don't have representation on our board. But it's all municipal load that we serve.

WAYNE: So, so there's nine Nebraska members. And out of those Nebraska members, how many were impacted? You said 8 out of 14, how many of those--

BETH ACKLAND: Out of, out of the Nebraska members, six out of the eight were impacted. And four of those eight do not have storage assets available to them, which is a, is a big part of the impact to them. Of those remaining that were impacted that do have storage assets, they, they-- the pipelines, sometimes under different operational flow orders, will implement ratchets on that storage. And they will tell you you can only withdraw this quantity per day from that storage. And we came up against that in some cases where we weren't allowed to withdraw as much storage as we would have liked to, to meet this need.

WAYNE: So on your last page, you have a $5.8 million potential--

BETH ACKLAND: Yep. Thank you.

WAYNE: --incremental volumes. Is that, is that a-- is that the 14 or is that the 6 out of 8?

BETH ACKLAND: On that page, the $3.1 million that we-- the figure that we have there, that's our estimated cost of incremental gas for that five-- for February 13 to 17, that five-day period. And that does include all eight, two in Kansas and six in Nebraska. The $5.8 million that-- that's expressed here as potential with penalties. After I printed this, I actually found out that could go over $10 million if pipelines impose the, the, the penalties that might be allowed for tariff. Just prior to this meeting, I found out that at least two of the pipelines that we operate on are working with FERC, the Federal Energy Regulatory Committee [SIC] to waive all penalties. So it is our hope that there are no penalties, but we don't know that yet. The penalty impact in Nebraska will be very minimal because of the way that we operate our, our municipalities in Nebraska.

WAYNE: But the cost to some of these communities are going to be pretty high, right?

BETH ACKLAND: It is, yes.

WAYNE: Can you get me a number of what Nebraska one is?

BETH ACKLAND: Sure. I don't have it off the top of my head, but I'd be happy to do that.

WAYNE: I'm floating an idea in my head that--

BETH ACKLAND: Yep.

WAYNE: --may or may not work, but we'll see.

BETH ACKLAND: Off the top of my head, I believe roughly $2 million of that is impact to Nebraska communities over those five days for cost of gas.

WAYNE: But that wouldn't include-- I'll have to ask you later. How do we get the nonmembers like Fremont and Hastings in?

TREVOR FITZGERALD: They're nonmunicipal.

WAYNE: Yeah. OK.

BETH ACKLAND: And we've had--

WAYNE: There's a, there's a bill sitting in this committee for state aid to municipalities.

BETH ACKLAND: That's wonderful to hear, Senator. I appreciate that.

WAYNE: That we might be able to if get enough information on how this impacts those communities, that maybe we can set up a grant program short term for-- so.

BETH ACKLAND: That would be welcome news for Nebraska members for sure.

WAYNE: That we originally didn't think was going to go anywhere. But maybe we'll have to revisit that idea.

BETH ACKLAND: I think some senators' phones are ringing from what I've understood from, from some of our members and others, I'm sure.

WAYNE: Yes, there's been a lot of stories that, that we're hearing about cities figuring out how to do this without going bankrupt. Any other questions for the-- do you have anything else you want to say? I kind of cut you off for, for this.

BETH ACKLAND: Oh, that-- that's fine. If there aren't any questions on NPGA, I'd like to touch on ACE briefly.

WAYNE: Sure.

BETH ACKLAND: As Nichole Mulcahy commented on briefly earlier, we have a Choice Gas Program in Nebraska, roughly the western two-thirds of the state and a small pocket of northeast Nebraska that participates in the Choice Gas Program. ACE is also a Nebraska interlocal formed in 1998 to participate as a supplier in the program. There are currently seven suppliers in that program. As she described under that program, customers who have Black Hills as their utility still have Black Hills as their utility. They pay their bill to Black Hills. Their meters are read by Black Hills. The difference is we have an annual selection period which starts next week. It's going to be a very busy time whereby customers in that program can choose a supplier and a pricing option. And the good news for Choice Gas customers, ACE has roughly 16,000 customers in the Choice Gas Program, end-use customers, retail customers, 93 percent of those customers have their rate locked in. It is guaranteed not to change. They will have no impact from this extreme weather event. That's really good news for those customers in, in the Choice Program. The remaining seven percent of our customers in the Choice Gas Program are on a market rate and they will have minimal impact because the, the market-rate customers are based on first of month index pricing, which is really remarkably, despite this catastrophe that occurred in mid-April or excuse me, mid-February, their pricing has changed relatively little. For example, the index pricing that their pricing is based off of was $2.40 the 1st of February. At the 1st of March, it was $2.86. In retail terms, that's a dekatherm, in retail that's four cents per therm that their, their rate will change. Already this morning, I saw it had come down to $2.66. So the market is recovering nicely from all of this and even those market-rate customers will have minimal impact. And in fact, earlier in the Choice Gas year, which starts June 1, they enjoyed some really, really low pricing. So relatively speaking, it'll probably even out for them in, in that program.

WAYNE: Interesting.

BETH ACKLAND: It will be interesting as the selection period approaches. This year, that selection period is now five weeks for customers to choose their supplier. Normally, it has been two weeks and it starts in April. With it starting next week on March 18, our hope is that the market will settle down and customers who will be locking in their rate and choosing their supplier during that five weeks will have relatively stable rates during that time.

WAYNE: Thank you. Thank you for being here.

BETH ACKLAND: OK, thank you.

WAYNE: This is such a contrast to what-- that happened in Natural Resources. So natural gas must be doing things right. Next, we'll have Ryan Hurst, who's going to bring us all back to reality.

RYAN HURST: I don't want you guys to get your hopes up too fast. So you were just asking--

WAYNE: Spell your name for the record.

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RYAN HURST: Oh, sorry, it's Ryan Hurst, R-y-a-n H-u-r-s-t. I'm from Wahoo, Nebraska. I represent Wahoo Utilities, which is a municipality-owned utility. It's a branch of the city of Wahoo. We rep-- our utility manages the electric generation distribution of electrical water and wastewater departments, as well as our natural gas purchasing and distribution. We're a public gas community. We're a public utility in all, all facets outside of your telephone and your communications or your Internet providers. We provide the rest of utilities to our customers in, in the city of Wahoo. You know, as a proud public gas community, we believe we deliver a safe and affordable natural gas to our local-- with local control and employees. As a public utility, we deliver to our customers for the cost of service and any profits we make, we reinvest back into the infrastructure for capital improvement. You were talking a little bit about the impact of on an individual community. And I hope that I can kind of shed a light on what this looks like to our community in Wahoo, this debacle as it is with the spot market gas. I'm also joined by Melissa Harrell, the city administrator of Wahoo. She's been the city administrator for 26 years. She was the city administrator and was part of the city of Wahoo when we decided to purchase our natural gas system. It was approximately 20 years ago, 21 years ago, I think, this year that Wahoo citizens voted and made the decision to become a publicly-owned natural gas system. A lot of those reasons were reasons that benefit us today. We're going to see, you know, how we're, we're handling it and then some of those decisions right in local control. We're not leaving it in the hands of people outside of our community. However, I wanted to come here today to talk to you, Senators, and, and I appreciate the committee having this hearing. I appreciate you having us here. You've had a lot of the big players in the industry and both, you know, there's a lot of puns or jokes that could be made about my stature. But, you know, one of the little guys is here to, to talk about it. So, you know, as many of you know, we discussed, discussed a lot today about what happened on February 12, the, the critical day issued by Northern Natural Gas. Northern Natural Gas is one of those interstate pipelines that was discussed earlier. They provide gas to Wahoo Utilities. They are kind of the only show in town for us. We don't really have a choice. There's no other pipelines to buy from. They're a good provider of natural gas, but they're the only show in town. They issued critical days for February 13 through Presidents' Day weekend, meaning it was a four-day weekend in the natural gas market. So over that weekend, the spot market went from something like $6.50, which is really high on the 10th to over $400 per dekatherm over the weekend. Wahoo Utilities was able to secure at $203, a real steal, right, $203 a dekatherm. Or another way to look at it is nearly 100 times of what a lot of our forward gas was purchased at. We hedge most of our natural gas in Wahoo through various forms, a lot of what was discussed earlier, the different purchasing techniques that are used by MUD, by NPGA. A lot of these, even Black Hills, what they were discussing. A lot of those ways we're doing it the same even the small, small utility like ourselves. Clayton Energy is a locally-owned and operated commodities company that helps us with that. They do most of our purchasing on the, on the gas market. They help over 50-plus communities across Nebraska, Iowa, and South Dakota. Going into this event, I felt that Clean Energy and, and Wahoo Utilities had, had pretty secured hedging. We were actually hedged at about 106 percent of what would be normal usage for this time of year, meaning if the temperatures would have sat around that normal, what would be normal February weather if we were using about 1,300 dekatherms or 1,350 dekatherms a day, we would have been hedged, maybe over hedged. And so, however, the cold was a heck of a lot colder than normal. So we, we were using somewhere around about 150 percent of normal usage during this five-day period. So we, we were limited on how much we could use. Our forward pricing was locked to the amount we had. We also, like the other communities were talking about, have and own storage. I believe also in Iowa, the, the, the same place that was discussed earlier. We have-- going to about 20,000 units of natural gas stored. Going into the month of February, we still had 13,000 units of gas available for storage. However, during this five-day period, Northern Natural Gas put a, a-- they, they only allowed us to pull out 267 dekatherms a day from that storage facility. Their reasoning being that they're limited physically on how much they can allow this gas to escape this facility. I think there begs some questions as to why or how that could be changed in the future. And so, you know, those are questions we brought up with the pipeline. We'll talk some more. But that, that is-- that was the realization that we could only pull 267 dekatherms out. So this meant we were exposed to the spot market like a lot-- everybody was discussing. Over this five-day period on the spot market, we had to buy about 2,431 dekatherms, or about 30 percent of our gas. That 30 percent of our gas cost $511,000. Put another way, another way to put it is 6 percent of our gas for the month of February accounted for 80 percent of our natural gas bill. You know, the silver lining in this is that we were-- because we're so heavily hedged and because we had storage and, and the ways in which we purchase our gas, we saved about $1.3 million as opposed to having to buy this gas on the spot market. So I felt we, we did a very good job of protecting our customers, protecting the citizens of Wahoo. But there still was an, an exposure we had because of the limitations of the pipeline. Another way to put it again of our gas, it still just blows my mind. So I, I enjoy sharing these figures. If you were to look at that 2,471 dekatherms of natural gas, that accounts for about 1.5 percent of our annual natural gas usage, but it-- the cost of it accounts for about 50 percent or six months of our annual budgeted purchased gas. So there's, there's a big problem there when that small of amount of commodity accounts for that much of your, your purchase power. Again, we had to decide, just like a lot of these other companies and, and MUD, Black Hills, a lot of them, in discussing how are we going to, how are we going to handle this? How is this going to get passed onto our customers? Being a locally-owned utility, we are operated under the final authority of the city council, but we have a separate board, the Board of Public Works, that makes decisions on how we're going to operate the utilities. And the Board of Public Works met and we decided to take $200,000 out of our cash reserves that has been earmarked for capital improvement, pipeline maintenance, those sorts of things. And then also we had some operating cash that we, we keep in the checking account because of good management, even by my predecessor and by the Board of Public Works over the last 20 years, making sure we are fiscally responsible, we could afford to, to throw $200,000 towards this out of cash reserves. And again, all of our cash is the customer's money. So, you know, we're just trying to, to take the edge off of some of the impact on this. So after you apply that $200,000 towards the impact of this cost, that $511,000, there's 3-- still $311,000 that needs to be passed on to the customers. And there was a lot of discussion. And I'll talk about why we decided the route we went to pass onto our customers. But what does that $311,000, it equates to about $150 extra to the average cus-- residential customer of Wahoo. And, you know, talking earlier, the gentleman from MUD was talking about nine-- $10 over nine months. So about a $90 impact. So, again, we're seeing similar impacts to our customers. The average customer-- commercial customer is going to see about a $420 extra impact because of this event. Now, the Board of Public Works discussed various options of how we could recover these dollars if it was to put in add or and try to recover these dollars over the next ten months or other various things, pass it on, on a fixed cost, fixed cost to customers. It was decided to pass this through as a one-time event on their bill and do adjustments to the usage related to this event. The reasons being, we have an equal-pay system. Every customer of Wahoo can come into our office and say, I don't really want to have to pay the high summer bills or the high winter bills, I want to just have a fixed, I cut a check for $300 a month. That's what I pay. And so every customer in Wahoo is going to have the opportunity to take this one-time event and spread it out over the year on their individual bills if they would like to do that. It also is an equitable way to do it in that usage tied to this event should be how they're billed, not future usage. So a lot of our customers stepped up to the plate and they really turned down the furnaces. In fact, we had to do some reaching out to ensure that they weren't turning it down too far. And so they should-- if they were turning their usage down, there should be some sort of direct correlation to how much they're spending on their-- this, this event's gas bill. And also if there's assistance available, and we've been reached-- we have been reached out to by a lot of the different agencies around Wahoo and Community Action and all the different agencies that people can, can go to for assistance. If they qualify, that means this one-time event may be able to be completely provided through, through the assistance programs. And, and the last thing I'll talk about, the benefit of why the, the Board of Public Works divided-- decided to pass it through in a one-time event, we felt there was a lot of transparency in that. That if a customer said, I want to know what this cost me, what did this cost me? We can show it in a one-time bill on, on their bill that this is what this-- that cost you. So, again, I think that that's, that's a breakdown of how this impacted Wahoo Utilities, how it impacted the community. I guess, you know, part of my-- some of my reason to being here, and I understand that this, this committee can't, you know, go through and just change the way the regulations of this. But bringing awareness of there's, there's a problem with the system where you can have prices go from $2 to $200 overnight. And, and so I don't know that I have the answer of the solution to how we solve that. But we need to be aware that, you know, if, if tomorrow you were to show up at the gas pump and gas you filled up your car with was $2 and now it's $200, there would be something very wrong. We'd call that price gouging. And so I think that's a pretty fair use of the term in the, the specific event. Whatever assistance can be provided through the state of Nebraska to these municipalities, we are in a good fiscal situation where we can afford to make, you know, these payments for this bill, but that doesn't make it right that our customers are having to cover this. Because although we're taking out a cash reserves, we're, we're taking money that should be going and investing in our pipelines, investing in our infrastructure, and having to offset the costs because of this event. And so if there's regulation that needs to come down on these pipelines to ensure that they're winterizing their wellheads so they can have a more resilient infrastructure process to eliminate a situation like this in the future due to the changing extreme weather events, I, I would like to see that they could be able to handle that. So with that, if there's any questions.

WAYNE: Any questions from the committee? So what is this-- what's this impact on your overall budget? I know you're pulling cash reserves out and things like that, but what-- I guess, in my head, I don't know what your budget is so $500,000 seem like a lot, but--

RYAN HURST: Yeah. So our annual budget on the natural gas is about $1.5 million. And so-- and I'll have to double check that number. But this, this impact, because we have the cash reserves, because we have cash on hand, will not directly impact our operating capabilities. However, there are, there are capital improvement projects that we're going to have to make sure we watch and, and see that maybe we, we hold off on, you know, different capital projects this year to make sure we've recouped the dollars without, you know, putting us into a bad situation, so.

WAYNE: So physically, what's your limitations? And don't take this the wrong way, but you're not that far from Omaha and MUD, can you run-- can you buy from them?

RYAN HURST: Well, and again, the same pipeline that feeds Omaha their natural gas is the same pipeline that feeds us, and that's Northern Natural Gas. So the same pipeline that, that provides that market value of natural gas is the same, same that provides Omaha. Now, again, some of the capabilities they had with that liquid natural gas or our colleagues up in Fremont, Nebraska, with their propane or what's called synthetic natural gas plant, those were capabilities they had to bring those online and offset those spot market or kind of peak-shaving plants is another term that they use for them. They, they can use those. We are not in a situation where our peak demand is up against our reservation, that Northern Natural Gas allows us. So we have room and we, we use that reservation and we sell it on the marketplace, essentially. And that, that helps us with, with some of our storage and that sort of thing. But one of the things, we're not going to sit, Wahoo, we're not going to sit with our, our feet flat-footed. You know, we're looking at the capabilities of maybe, maybe a small, not to the extent of what MUD needs or the city of Fremont, but, you know, synthetic natural gas facility of some sort that could offset this from happening again. You know, I, I would hope most of the people in this room would probably say this-- and that's like this never happened before. I guess what I'm nervous of is in two or three years, going back to my customers and saying, well, we were told this would never happen again, but here we are. And so I, I-- we're going to have to look at our different-- all of our different options of how we can mitigate these circumstances in the future.

WAYNE: Is there anything preventing you from entering into a local agreement with Fremont to do some type of shared storage facility or turn--

RYAN HURST: No, no, not at all. You know, those, those are good questions and, and good, you know, ideas and ways we could, we could solve this, you know, other municipal providing natural gas. There's there's lots of options, maybe, maybe nothing preventing us, but, you know, I don't know. I can't speak for them on the other end of that, is there something preventing them from, from being able to do that? But that's, that's a, that's a fair question.

WAYNE: So is it safe to say since-- I mean, on these weather events between electricity and, and natural gas, how, how did electricity work out for you guys?

RYAN HURST: We're a, a wholesale customer of Nebraska Public Power District, so we buy our power from NPPD. During this, during this event, we also have a capacity purchase agreement with our power plant. We have a 10-megawatt power plant that normally works on natural gas. But during this event, it was running on straight diesel because natural gas is too expensive to run the facility. So that brought some interesting challenges. And again, I, I will echo what my colleague from MUD said. Being a water, wastewater natural gas and electric distribution and power generation utility and also a small town, we were battling a power plant running at full capacity. We were dealing with a natural gas market emergency. We were dealing with the rolling back blackouts. In fact, one of the circuit breakers that feed Wahoo was open. So about half our community was without power. And we had 4 water main breaks in 24 hours the-- during the negative 30 degrees. So I was out with my employees and not nearly as long as they were. And, and that's a pretty miserable thing to have to do at negative 30 degree is fix a water main break. So we made it through the challenges. And that's just due to the expertise and the great employees that Wahoo Utilities has. But, you know, we, we, we made it through on, on the power side. I don't think we should see any impacts from the cost of the, the electrical. You know, what we're seeing in, in Texas and the impacts in some communities due to the Southwest Power Pool and those high energy costs, we should not see those. In fact, any customers that have seen any increases in their electric bills is completely tied to high usage, no, no rates have changed for Wahoo and are expected to change from NPPD to Wahoo in, in the short term.

WAYNE: Any questions from the committee? Seeing none, thank you for being here.

RYAN HURST: Thank you.

WAYNE: We did get a letter of support from the City of Stromsburg. And just for the committee and I guess the public, we'll-- we're going to keep gathering some data on the impact that this has had on communities' budgets. And like I said, we do have a vehicle that maybe we can help out some of these smaller communities at least in a bill. Whether we pass it or not, that's a different issue. But now we just wanted to hear from everybody and participate. And thank you for all you guys who came out and, and told us what you guys did. It sounds like there's a lot more clarity on this side of the aisle than, than in my other committee. The electrical side was a little interesting. People literally said, well, we were just-- had a plan, but we threw the plan out. So I'm glad that you guys have a better idea of what you're doing. And we will also be following up with the PSC after they present. It'll probably be later on in Session, what kind of the plans are and just kind of keep the committee updated. So with that, that'll close the hearing on LR49. Thank you, all.