

STATE OF KANSAS

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SENATE CHAMBER

MIKE THOMPSON
STATE SENATOR, 10TH DISTRICT
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October 6, 2021

Kansas Corporation Commission:

Chairperson Andrew J. French
Commissioner Dwight D. Keen
Commissioner Susan K. Duffy

Dear Commissioners:

We urge the Kansas Corporation Commission (KCC) to halt and defer any further action assessing high natural gas costs from February 2021 to Kansas consumers, until the conclusion of investigations at the state and federal level.

The unconscionably high gas prices -- totaling close to \$1 billion -- charged to our utilities, and ultimately to customers, has been described as an economic tragedy for Kansas.

Kansas is very fortunate that U.S. Senator Roger Marshall is fighting for consumers. In a Congressional Hearing on September 28, 2021, Sen. Marshall questioned Chairman Glick of the Federal Energy Regulatory Commission (FERC) about the exorbitant costs that are on the way to Kansas consumers. Glick indicated FERC has uncovered "anomalies" and is investigating further. Sen. Marshall's news release and transcript of the hearing are attached, as well as a news article from the Wichita Eagle that reported this Hearing.

We note that on February 19, 2021 the Governor and the KCC Commissioners requested that FERC exercise its authority to protect consumers and ensure the integrity of natural gas price indices. Now that Senator Marshall has come forward to make sure that is the case, we think it is good public policy to let FERC complete its work, before moving forward with additional charges to Kansas ratepayers.

In a recent order, the KCC also recognized "legitimate concerns" related to the Gas Daily Index price and deferred to FERC for investigation.



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Kansas consumers should not be charged for abnormally high gas costs until investigations have concluded. This issue impacts residential customers significantly, with some gas utilities seeking to recover about 80% of the high charges from residential consumers.

The issue is also poised to greatly damage schools, hospitals, churches, businesses and many other Mainstreet organizations if gas utilities are allowed to penalize gas marketers. Marketers will simply turn to their customers for payments. If charges are ordered before investigations and attempts to reduce the bills, the KCC has no way to order marketers to issue refunds.

We request that the KCC encourage gas utilities and their suppliers to engage in commercial negotiations to address whether the suppliers may consider reducing February natural gas prices, to more closely align with the suppliers' costs. This type of commercial negotiation is ongoing in the private contract sector and has begun to show signs of success as suppliers and customers are coming together to address the problem of the high gas prices of last February.

We want to make clear we don't want any utilities financially harmed as a result of a pause on cost recovery. It is appropriate for the KCC to determine whether utilities need customer support to cover interest payments on any loans related to the February high prices while an investigation takes place.

We take no position on the merits of any pending cases, but believe the better public policy position at this time would be to defer further KCC action, until FERC determines the issues related to the "anomalies" in the natural gas market, and whether these "anomalies" impacted the high prices of natural gas in Kansas in February 2021.

Respectfully,

Senator Mike Thompson, District 10
Chair, Senator Utilities Committee

Representative Joe Seiwert, District 101
Chair, House Energy, Utilities and Telecommunications Committee

Senator Mike Petersen, District 28
Vice Chair, Senate Utilities Committee

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Representative Lisa Moser, District 106

Representative Les Mason, District 73
House Energy, Utilities and Telecommunications Committee

Representative Paul Waggoner, District 104

Representative John Barker, District 70

Representative Leo Delperdang, District 94
House Energy, Utilities and Telecommunications Committee

Representative Emil Bergquist, District 91
House Energy, Utilities and Telecommunications Committee

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House Energy, Utilities and Telecommunications Committee

Sen. Marshall Presses Officials on Investigation into Kansas Energy Costs Following February Cold Snap

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Sen. Marshall Presses Officials on Investigation into Kansas Energy Costs Following February Cold Snap

📅 September 28, 2021

(Washington, D.C., September 28, 2021) – Today, during a Senate Committee on Energy and Natural Resources hearing, U.S. Senator Roger Marshall, M.D. pressed Federal Energy Regulatory Commission (FERC) Chairman Richard Glick about an investigation into potential natural gas market manipulation and price gouging that may have occurred across Kansas during the February cold snap. In response to Senator Marshall's questioning, both Chairman Glick and Commissioner Christie confirmed that the natural gas price spike during the February cold snap is under investigation by FERC's enforcement division and that the investigation should be complete in a matter of months. During the hearing, Senator Marshall said in part,

"I just want to make sure you all are feeling the same pain that Kansans are feeling from the economic cost of the February winter events... An average family home like I grew up in, three bedrooms, two baths – natural gas probably about \$80, \$90, \$100 a month. That cost was \$2,500 for the month of February. And what they are going to do is take that over the next 10 years and let people pay off that debt... And it feels like we are just piling on when it comes to energy costs. We are already paying 40% more at the gas pump... and the cost of natural gas has more than doubled since this Administration has taken over... I think what the people of Kansas want to know is who made the money – who made all that money on that increase... Is there an investigation under way and what would be a reasonable timeline for the people of Kansas to know the truth about this?"

*Follow Me On
Facebook
(<https://www.facebook.com/RogerMarshallMD>)*

You may click [HERE \(HTTPS://WWW.YOUTUBE.COM/WATCH?](https://www.youtube.com/watch?v=CMY4JDOCPNS)

[V=CMY4JDOCPNS\)](https://www.youtube.com/watch?v=CMY4JDOCPNS) or on the image below to watch the exchange.

**DOC
MARSHALL**

<https://www.marshall.senate.gov>



<https://www.youtube.com/watch?v=cmY4JdOCpNs>

Background:

The cold weather snap in February impacted much of the Midwest and eastern U.S., putting extreme pressures on the nation's natural gas and propane supply. Freezing conditions prevented new energy generation in many sectors, putting additional pressures on natural gas supplies for electrical generation. A sharp increase in demand causes natural gas prices to jump more than 100-percent of normal costs. As a result, natural gas and electrical rates paid by Kansas communities, businesses and homeowners reached record levels. For example:

- Winfield, Kansas incurred \$8.5 million of additional natural gas expenses that it will now have to pass on to residents and small business owners.
- A Kansas manufacturer, Sugar Creek Packing, was charged \$628,463 for their February gas bill, an increase nearly 30 times greater than expected.

Senator Marshall requested the original hearing on this matter that took place in March in a letter to Chairman Joe Manchin and Ranking Member John Barrasso. Additionally, Senator Marshall and Representative Sharice Davids **URGED THE FEDERAL ENERGY REGULATORY COMMISSION (FERC) TO INVESTIGATE (HTTPS://WWW.MARSHALL.SENATE.GOV/PRESS-RELEASES/SEN-MARSHALL-AND-REP-DAVIDS-CALL-ON-FERC-TO-CONSIDER-GOV-KELLYS-EMERGENCY-REQUEST/)** the cause of system failures during the February cold snap and determine if any wrongdoing caused Kansans' energy bills to skyrocket.

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[◀ \(https://www.marshall.senate.gov\)](https://www.marshall.senate.gov) [▶ \(https://www.marshall.senate.gov\)](https://www.marshall.senate.gov)

Senator Cantwell (Madam Chair)
Richard Click
Mark C. Christie
Senator Roger Marshall
09-28-2021

RM: Thank you Madam, Chair and welcome to all of our guests today. I just want to make sure you all are feeling the same pain that Kansans are feeling from the economic costs of the February winter events. I hope that you can feel the same pain that we're going to feel for a decade. An average family home like I grew up in, three bedrooms, two baths, natural gas probably about \$80, \$90, \$100 a month. That cost was \$2,500 for February and what they're going to do is take that over the next ten years and let people pay off that debt. Probably it will double the average Kansas family's natural gas bill for the next ten years. And it feels like we're just piling on when it comes to energy costs. We're already paying 40% more at the gas pump and as the Chairman indicated earlier today, the cost of natural gas is more than doubled since this administration has taken over. So certainly the cost of energy is just through the roof.

Some small businesses in Kansas – Sugar Creek Beef Packing typically pays about \$24,000 a month and they got stuck with \$600,000 that month. So it went from \$24,000 an average or making a business plan you get a \$600,000 hickey. A homeless shelter in Kansas usually paying about \$2,000 a month - - \$2,000 a month - - their bill for February was \$48,000. The little City of Mulberry, not to be confused with Mayberry, the little City of Mulberry typically pays about \$2.50 a unit, they were charged \$330 a unit, a 13,000% increase - - 13,000% increase. The City of Winfield Municipality typically a monthly bill of \$130,000 a month \$8 million. An \$8 million surprise for them. You know the people of Kansas want to know what is their senator doing? And FERC would be one of my resources.

I'll start with the Chairman and kind of multiple questions here to try to answer together. I think what the people of Kansas want to know is who made the money? Who made all that money on that increase? What has FERC done about it. Is there an investigation underway and what would be a reasonable timeline for the people of Kansas to know the truth about this? Was there price gouging and who made the money?

RG: Thank you very much, Senator. First to say, the impacts were horrific and thus we need to think about these types of situations where there are shortages and what happens to the prices and I want to start with jurisdiction. We don't have jurisdiction over the price of the sale of natural gas. Congress deregulated that a number of years ago. I believe it would be helpful if Congress would either get FERC or some other agency some sort of circuit breaker authority when there's extreme prices to impose some sort of limitations at certain times. I think that would be helpful. But secondly, as you mentioned we do have authority over the manipulation or to guard against the manipulation of both our electric markets and our natural gas markets. We've entered into a number of inquiries with regard to alleged manipulation that occurred during Winter Storm Uri. Several of them - - we found a number of anomalies. Several of those particular anomalies when we

investigated them we moved on to what we call our investigations office. So we're moving forward. It takes a while unfortunately because we have to go through a lot of data. We haven't made any final determinations yet, but I can assure you that to the extent that we do find that there is manipulation we will make sure that - -

RM: Who made the money and what's a reasonable timeline?

RG: I can't - - I get you a list of individual companies that reportedly made a significant amount of money. In terms of a timeline of the manipulation investigations, I don't have a specific time table for you, but we've moving as quickly as we can - -

RM: Months, years - -

RG: I'm hoping months.

RM: Mr. Christie you've been on the state and the federal level. Now, who makes the money in these events? Is it the pipeline, is it the people that are selling the natural gas at the pump, not specific companies, but who benefits from this - - a 13,000% increase? Somebody got rich.

MC: Well as the Chairman said, that is the situation from February is under investigation by our enforcement division, so I don't want to comment on that investigation. Your question about who makes the money - - it could be traders, it could be suppliers. It depends on the facts of the situation and what happened in Kansas and Oklahoma in this past February, of course as the Chairman says is under investigation. I think a bigger issue too that needs to be considered as background is again, as we go through this transition to a different resource that makes lower carbon, gas has got to be part of the mix and that means gas supply has got to be plentiful and gas supply has got to be transported. You've got to transport a product before you can use it and so that gets it up to the market availability of gas. As far the manipulation of this intense shortage that we had in February that's definitely under investigation, it needs to be investigated and see whether there was manipulation that took advantage of that very tragic situation.

RM: Thank you Madam Chair.

Regulators tell Kansas senator they've found 'anomalies' in gas price-gouging probe

THE WICHITA EAGLE – September 29, 2021

https://www.kansas.com/news/state/article254596567.html#storylink=mainstage_card2

[By Dion Lefler](#)



Kansans are facing hundreds of millions in extra costs on natural gas bills from the February deep freeze. Federal regulators are investigating whether gas suppliers and traders illegally manipulated prices during the emergency. Travis Heying The Wichita Eagle

Two of the nation's top energy regulators told a Kansas senator Tuesday that they've found "anomalies" in natural gas prices during a February freeze where those prices hit 200 times their normal level.

"We've entered into a number of inquiries with regard to alleged (price) manipulation that occurred," Federal Energy Regulatory Commission Chairman Richard Glick said in response to questions from Kansas Sen. Roger Marshall during a Capitol hearing. "Several of them, we found a number of anomalies. Several of those particular anomalies, when we investigated them, we moved on to what we call our investigations office."

Marshall repeatedly pressed Glick and fellow FERC Commissioner Mark C. Christie over who reaped the windfall from gas sales during the winter storm.

“Probably it will double the average Kansas family’s natural gas bill for the next 10 years,” Marshall said. “I hope that you can feel the same pain that we’re going to feel for a decade.”

In some plans being considered by state regulators, that’s how long it will take for Kansas gas customers to pay off the damage from a couple of weeks in February when temperatures dipped below zero and local gas companies scrambled to buy supplies on an out-of-control open market.

A finding of illegal price manipulation, if one ever comes, could save the average Kansan hundreds of dollars on future bills.

Marshall offered several examples of Kansas economic pain, including a Frontenac meat-packing plant that saw its February gas bill spike from a usual \$24,000 a month to \$600,000 — and the city of Winfield, which usually pays \$123,000 a month to buy gas for its residents and got a February bill of \$8 million.

“I think what the people of Kansas want to know is who made the money, who made all that money on that increase?” Marshall said. “What has FERC done about it? Is there an investigation underway and what would be a reasonable timeline for the people of Kansas to know the truth about this? Was there price gouging and who made the money?”

The two FERC officials at the meeting told the senator they’re doing what they can, but their power is limited.

“We don’t have jurisdiction over the price of the sale of natural gas; Congress deregulated that a number of years ago,” Glick said. “I believe it would be helpful if Congress would either get FERC or some other agency some sort of circuit breaker authority when there’s extreme prices to impose some sort of limitations at certain times.”

He and Christie told Marshall that the agency does have the authority to investigate whether prices were artificially inflated and they’re working on that.

Both officials kept the details of the investigation close.

“Your question about who makes the money; it could be traders, it could be suppliers,” Christie told Marshall. “It depends on the facts of the situation and what happened in Kansas and Oklahoma in this past February.”

How long it will take to unravel that is an open question.

“I’m hoping months,” rather than years, Glick told Marshall.

In the meantime, Kansas’ regulatory agency, the Kansas Corporation Commission, has decided it doesn’t have authority to investigate allegations of potential gouging and it’s moving forward with payment plans that will spread the extraordinary February cost over the next few years of bills to tamp down rate shock.

Wichita-area households are expected to pay between \$600 and \$750 of additional costs from the freeze, according to documents filed with the KCC.

For Kansas Gas Service customers, that could range from \$17.51 a month extra on gas bills over three years, to \$5.10-\$6 a month spread over 10 years.

Black Hills Energy, the No. 2 gas company in Wichita, has proposed charging an extra \$12.23 a month spread over five years.

In addition to the FERC investigation, Attorney General Derek Schmidt is looking into whether the spiraling gas prices violated the Kansas Consumer Protection Act, a law designed to limit price increases on necessities during periods of emergency.

That law is also being invoked in a civil court case by the tiny city of Mulberry in southeast Kansas. James Zakoura, a prominent Kansas energy lawyer, is representing Mulberry and argues that gas suppliers engaged in price gouging and piracy during the freeze emergency.

Senior Journalist Dion Lefler has been providing award-winning coverage of local government, politics and business in Wichita for 20 years. Dion hails from Los Angeles, where he worked for the LA Daily News, the Pasadena Star-News and other papers. He's a father of twins, director of lay servant ministries in the United Methodist Church and plays second base for the Old Cowtown vintage baseball team.