

February 22, 2021

SPECIAL CITY COUNCIL MEETING

The Winchester City Council held a special meeting February 22, 2021 at City Hall.

Mayor McIntire called the special meeting to order at 6 p.m. with the following council in attendance: Ron Bell, Lawrence Coultas, Terry Gregory, Bill Jacquot, Sandy Long, Jeff Pittman, City Clerk Brenda Robinson.

Also, in attendance were Wanda Cody, City Treasurer; John Simmons, Supt of Public Works; John Paul Coonrod, City Attorney; David Camphouse, *Scott County Times*; Vickie Smith; Senator Steve McClure; Greg Blivens; Barb & Steve Hoots; Chris Renner; Stevie Timmerman; Rochelle Eiselt; Teri Little; Samantha Marhula; Stephen Carey; Darrell Moore; R J & Janet Paslay; Cindy & Danny Colbert; Ben Cox, WLDS; and Illinois Representative C. D. Davidsmeyer.

Bill Jacquot handed City Clerk Robinson two (2) different news releases pertaining to the natural gas price gouging that they want included in the minutes.

Mayor McIntire introduced Senator Steve McClure and asked him to explain what he had heard from the governor about the price gouging and criminal activity going on during this polar vortex. McClure had talked to the governor last week and the governor is aware of what is going on. And tomorrow, the governor is going to be making the announcement in Springfield involving some sort of a low interest loan. McClure thought it was going to be around \$10 million dollars. They will know more details tomorrow but thought it would to municipalities and private citizens or both. I do appreciate the fact that he is taking this very seriously. I think a lot of us are also hoping that there is going to be some sort of federal relief here. We have yet to hear about that. So that is up in the air I do not know but we're going to be advocating for it. I know I will be, and you know we have got to work together to do what we can because these prices are insane, particularly when in the middle of the coldest winter. We have had in years, it's essentially, the gun is being held to your head and said, well, you know, the price is going up, and you don't have a choice about it. So, we all understand the position that you are in. And now it's up to us to try to advocate to get you guys as much help as we can get. We will see what the governor advocates for tomorrow. And I will have another conversation with the governor. Tomorrow, I will talk about these numbers out of Winchester as well so he's aware, and then we'll go from there. He said the will help in any way he can. He asked if anyone had any questions and was asked for this phone number. His phone number is 602-790-2504. He said you could call or text him. McClure said he thought the attorney generals from several states where this is occurring should band together and file a lawsuit about the prices. Senator McClure was off to Pawnee to another meeting like this one.

McIntire read several towns in the area that belong to USDI – Aledo, Auburn, Casey, Chester, Divernon, Edinburg, Nashville, Pawnee, Pickneyville, Riverton, White Hall, Waverly, Roodhouse just to name a few.

McIntire said on February 13, the city received first notification about this price gouging going on by panhandle Eastern pipeline company. And it took me a while to assimilate this information because it was so ridiculous. I just could not believe that it was for real. we'd normally have been paying right at \$3 for a Decca therm. And they were talking about the price of the Decca therm going to two to \$300, which is 66 to 100 times more than what we've been paying. So, in other words, if the whole month was like that, and you pay the gas bill of \$200, last month, you'd be looking at \$12,000 or more, and this it's ridiculous. And there's just no way that consumers can afford to pay these rates. Lindsay Enlow from USDI is who we've been dealing with. And he, told us the first day this was happening, they already hired attorneys to try to put a stop to this. We have a contract and I'm going let John Paul explain how it works, how we purchase the gas and so forth. This is an unprecedented event. It's never happened like this before. Part of the major problem is the state of Texas where many of these natural gas wells are located. There is not a shortage of gas in this country. In fact, we're the largest exporter of natural gas in the world. We have natural gas. The problem was they were not prepared for the cold weather that went down across Texas. And when that happened, it put some of their plants out of commission. That's why I'm sure you've seen on TV people are dying, due to lack of heat down there. They don't have fresh water because some water lines have frozen and broke. And there's no food in the stores. They are going through one hell of a time. It's horrible. At least we're not that bad. But that is one of the reasons our prices have gone up is because the inability to get the gas to us. The girls in the front office tried to call every city gas customer cut back and to conserve gas. McIntire tried to call the school and have them cut back but they continued with school.

USDI monitors our gas usage and here are their costs: February 1 – 5 = \$6,900; February 6-12 = \$28,000; February 13 – 16 = \$320,000; February 17 = \$55,000; February 18 = \$12,000. The next 10 days \$6.00 possible \$36,000; Possible total for the month could be \$450,000 - \$475,000.

C. D. Davidsmeyer said “my hope when I first heard about this was, I hope they're blown out of proportion. I hope that they're doing this to scare people, which is not right. But I hope that they're doing this as incentive to drive down usage. To put it, you know, if you're at 70 degrees, maybe you can take it down to 65. But, you know, we'll have to see if this levels out and there are rebates, but like you said, I think there's going to be lawsuits, upon lawsuits on lawsuits. My hope is, and the reality we understand the reality of supply and demand, right? I mean, if there's low supply, high demand, low supply prices go up. And that's the way it works. But you might expect it to go to from \$3 to \$12, but not \$3 to \$250, or \$300. So that's, where our attorneys general will step up, join in a multi-state legal action. I hope that they're able to recover some of those dollars. But that is not a short-term response. That's a long-term response. So, I think what's going to happen tomorrow is a short-term stopgap to help us get through until some of those dollars can, hopefully come rolling back in after lawsuits on the price gouging. I don't think there's anybody that believes that anybody should be paying \$250 \$300 per Decca therm when, it's \$3. And, you know, the question to me, and I'm not an attorney, we do have people around to keep us in line. But the question I asked is, you know, where was the concern for supply? Right? Was there a legitimate supply issue or a legitimate concern that you're going to lose supply and not be able to provide it? There was no point where the company said, you guys are going to be shut off. Right? They said, cut back”.

McIntire said “one of the things is they're catching a lot of flak about is. You hear this term, deregulate, don't impose regulations. And there are certain areas where that is good, good for the consumer and producer both. But there are times that is not working. And this is one of those times. Texas states they were not forced by regulations. They were not forced to winterize and make sure that they were ready for cold weather. Because that cost money to do that. It's just like the windmills they put up. They were not winterized, or the winter type windmills. That's why they froze up. You see the ones up north here. They're still working. But deregulation is not always good. And that's an instance there were Winchester and all these other towns in this situation up here were suffering from collateral damage from Texas failure to take care of their state. And there we are, Texas has their own grid. They are not under the federal regulations.”

Lawrence Coultas said “Texas is not under federal regulations, none of this gas comes into the state or out of the state as such. Therefore, they're not under the regulations. And two things bothered me, the 2011 situation, federal government told them, here's what you need to do, to be prepared in the future. They did nothing. Now, I'm not a lawyer. But I always thought that if you knew problem existed and didn't fix it, you reliable once you knew there was a danger to someone or a hazard to someone, and you had previous knowledge of that, then you could be liable if you didn't take care of it. So that's one issue here. I wish somebody would look into that. The other thing is scares me about this. You know, going through the courts, is fine. I understand him, and I hope to play it and get some relief. But back in 1990, our attorney general Hartigan filed a law-suit 10 counts and an antitrust suit against panhandle Eastern 10 counts. The federal district court, I get upset about this, because just typical of our government. The federal district court found them not at fault on all 10 counts. And I want to read your part of the conclusion that was written by the judges. The conclusion said, and I'm not going to read it all. But just one part that really disturbed me. The court has determined here that panhandlers did not violate the antitrust laws, blah, blah, blah, blah, then it says as a result of panhandles decisions, residential, commercial natural gas customers are forced to pay very high prices for natural gas. Some persons undoubtedly, will be placed in a position to choose whether to eat or have heat. That was written in the opinion. So, I don't have a lot of faith in our federal government and our court system, because corporate America always wins. But this is what I believe people. And you look at his case in 1990. And they basically say, Oh, well, either heat or eat. That's their attitude toward us. I have a problem with him. I'm sorry.”

John Paul Coonrod, City Attorney explained how the contract we have with our supplier works, and how this is where you were asked about gas, this is what we have to go by. The prices are determined mostly from trading on Wall Street. They are trading massive amounts of gas and, in the top of the pyramid, there is a company called J Aaron and company LLC, that's really just Goldman Sachs, they have a million subsidiaries, and that's one of them. Goldman Sachs trades in large quantities, but they're not going to sell the Winchester, we're pretty small when it comes to them. They sell to a smaller outfit. For us, that's the NACFB Corp. And from there to smaller company, Clayton energy company, from there to another company USDI, from there to UGM, there are several layers, but it's all based upon the trading price of gas on the market, specifically, gas futures. And so that's why the price spiked. It wasn't because of a concrete lack of supply. It was just speculation, probably some panic on the market. And that drove the future prices high or prices higher. And that's what set the rate in Winchester and

White Hall and these other little towns for a few days, a few days ago. For what it's worth, Winchester has had a gas system for closer to 100 years. And we've had the same supplier for decades. Couple I believe. And, you know, we've never had any substantial issue with our supplier. And we certainly never in the entire time have had this gas system seen a price spike, like what we just saw. That means, as far as the city's legal position goes where we're all at, and a lot of it's been spoken about already. The city does have options legal and you know, both legal and strategic options as we go forward and how we deal with our supplier. But as far as right now, we have to be in a wait and see position, see what civil litigation comes up, see what the state attorneys general do and see if there's any state or federal intervention. I mean, I wouldn't bet my house on somebody coming in from the outside and saving us, but we do have some options on how we deal with this situation on the city level going forward.

Ben Cox, WLDS said "You talked a lot about federal level, and you discuss this with C. D. & other reps. Has anybody discussed this with their Darin LaHood or Rodney Davis, what are their thoughts? And has there been any contact made with the Illinois Attorney General Kwame Raoul & what he is going to do? Congressman LaHood is on the Ways and Means Committee.

Some people in the audience said they did not receive a call about the gas hike. Several people had dropped their land lines and the office didn't have the new ones. The city has a Facebook page now as well at website. It was suggested putting information on the Civic Group page. That brought up another matter. A couple of months ago, Lawrence Coultas had looked into getting Alertify for the city. It would cost each resident about \$3 a month. This system would alert everyone about any problems going on in town or could be done per ward. He will bring it back to the council next month. South Jacksonville is to get a grant from USDA to install it. Coultas was told to contact Eric Hansell, the new Police Chief in South Jacksonville. It was suggested for customers to add their new phone number and email if they have one on the bills when returning them.

There is not a lot of cash reserve in the gas fund to cover this expense. May have to look into an increase or some other way to build the account up.

Lawrence Coultas, personnel committee chairman talked with Caleb Handy, Police Chief about hiring two (2) part-time police officers. The committee met with the gentlemen. Both gentlemen work as Jacksonville Correctional officers. Patrick Johnson lives in Summer Hill and works part-time in Bluffs. Josh Phares lives in Jacksonville and works for Waverly as a part-time officer. They are both qualified and willing to work part-time as needed for \$15 an hour.

MOTION: Lawrence Coultas moved, and Jeff Pittman seconded to hire Patrick Johnson and Josh Phares as part-time officers at \$15 per hour as needed. Roll call resulted in yeas. Motion carried.

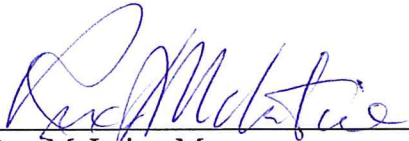
We have a situation with one of the finest young potential police officers we've had a while. Chase Burk failed his test, again, to become a full-time officer. I think this is his third time. He cannot take this test again. He has to take the full-time test. It is four or five months at 40 hours a week. He has to go to class every day get become a full-time officer. He's really good kid. I don't know if he just has problems taking tests. Here's the information I've found they have basically held the spot for him. But they need to know very quickly whether or not we're going to

send him. The training itself goes from August 23 to December 3, so this was 14 weeks. So that's probably what that is. That is the test if you don't fail here. If you're not careful, you have to pay his salary while he's there. You have to pay for room and board, some of this is reimbursable. He is willing to do this.


MOTION: Bill Jacquot moved, and Lawrence Coultas seconded to go into closed session to discuss the natural gas crisis. Roll call resulted in all yeas. Motion carried.

MOTION: Bill Jacquot moved, and Terry Gregory seconded to come out of closed session. Roll call resulted all yeas. Motion carried. Came out of closed session at 8:50 p.m.

MOTION: Ron Bell moved, and Jeff Pittman seconded to adjourn the meeting. Roll call resulted in all yeas. Motion carried. Meeting adjourned at 9 p.m.



Rex McIntire, Mayor



Brenda Robinson, City Clerk

Natural Gas Situation February 2021

Our gas supply manager (USDI) works for the City to ensure reliable gas supply and transportation at the lowest possible price. To do that, USDI negotiates and enters into gas supply contracts with gas producers to physically put the gas on the pipeline that supplies Winchester. The gas producer for Winchester is Panhandle Eastern Pipeline. This is the only pipeline that supplies Winchester. USDI also works with Panhandle to obtain transportation rates that cover our needs and are fair.

USDI entered into a long-term gas purchase agreement for approximately 60% of the City's normal gas needs. USDI purchases the remainder from other suppliers at either the first of the month or the daily posted index price. At the beginning of each month, USDI nominates or places an order for 100% of our NORMAL gas needs. Of course, few months are completely normal so USDI has to buy/sell some gas during the month in order to "balance" the purchases with usage by the end of each month. This balancing typically happens towards the end of the month.

What USDI faces this month is a once in a lifetime extreme weather event in Texas and Oklahoma which are key supply areas for Panhandle Eastern Pipeline that has caused huge disruptions to suppliers and their ability to put gas into Panhandle. This causes a couple of separate but related problems.

When this happens, some suppliers call a "Force Majeure" and no longer have to meet their supply obligations. This causes Panhandle to become out of balance and threatens their ability to deliver gas. To correct the imbalance, Panhandle issues an Operational Flow Order (OFO) that requires all customers like Winchester to balance on a daily or hourly basis and take no more than 1/16 of your total daily usage in a one-hour period. If you do not limit your usage to this you face huge penalties that are multiples of the gas price. Due to the sustained colder than normal temperatures, USDI has to add some gas to ensure the City's balance. During an OFO, USDI does not have the luxury of waiting until temperatures rise later in the month to add gas at a potentially lower price. USDI has to balance now. This is a fact for every customer on Panhandle Eastern and several other pipelines. This and the fact that very few producers can deliver gas due to the weather has caused prices to spike to crazy levels (in excess of

\$200.00/dth). To be clear, no supplier chosen by USDI has failed to make its delivery obligation and we ONLY need to add a portion of your gas at these prices to meet your extra demand during this extreme weather event and avoid punitive penalties due to Panhandle's OFO. This is why we asked customers to conserve where they could. We were able to avoid penalties and to limit the purchase of this extremely high-priced gas to comply with Panhandles OFO and save all Winchester's customers money.

Some pipelines originating in the gulf or with supply coming into them from the east were not affected. Other pipelines were affected with prices more extreme than Panhandle. This included Southern Star -\$622.00, Northern Natural Gas- \$660.00, Enable- \$422.00 and Oneok- \$1197.00. Large gas companies that are connected to several pipeline suppliers and/or have their own underground storage are naturally less affected than smaller systems captive to a single pipeline that is experiencing issues.

I hope this helps explain the situation we are in right now. We are working overtime to continue to make sure you have gas at the lowest price possible. We felt we had to communicate the reality of the situation as clearly and early as possible to give you a chance to do something in your control (conserve) to limit the financial impact of the situation. Once the smoke clears we will also work to make sure any unfair or illegal price gouging by suppliers, marketers and traders is addressed.

Information provided by Lindsey Enloe, Utility Safety & Design, Inc. on 02/22/2021 at 8:55 am.

NEWS RELEASE

FEBRUARY 2021 "PRICE VORTEX" EVENT

Pipelines throughout the Midwest began issuing operational flow orders with most to become effective February 13th forward. Those flow orders required us to buy gas to cover your daily gas needs under the strict limits of those flow orders or receive penalties from the pipelines for not providing the amount of gas consumed within those strict limits. The temperatures for the time frame of Feb. 13th to approximately Feb. 21st on which date most pipelines lifted the operational flow orders, were at/near record lows for both the high temperature and the low temperatures for many of those days. Since temperatures were extremely low, significantly more gas was required to be put on the pipeline not only for anticipated needs, but to prevent costly penalties being assessed by the pipelines. In many cases these penalties can be both hourly and daily and can be multiples of the daily price as noted in the trading publications Gas Daily and Natural Gas Weekly. Polar vortex events have happened in the past, most recently in 2019 and before that in 2014. These events are not uncommon and have not had a significant impact on gas prices until this event. This polar vortex was extreme both in the amount of land covered and the duration of the polar vortex...potentially very similar to one that occurred in winter 1983.

The key difference between ALL prior polar vortex events and this one is **the price of gas for this event.** This is where it gets interesting. Most "day ahead" market trades are made via ICE which is a trading platform for natural gas. The city's suppliers may obtain some, if not all, incremental gas via this trading platform and are therefore at the benefit or in this case the mercy of the pricing on the platform. The traders pushed prices to record highs on multiple pipelines throughout the Midwest...in the past a polar vortex price for a given day may double or some price close to that. In this instance some of the prices for our customers gas purchases went to **100 times the first of the month price of approximately \$3.00 per dth!** This is purely and simply **price gouging at its very worst.** Luckily these prices only apply to the incremental gas quantities needed to cover the gas needs for vortex temperatures and the pipeline

operational flow orders which limits the damage significantly. Unfortunately, until this can be corrected via legal and legislative means those incremental costs will be passed on to the customers at some point. We will do our full level best to minimize the impact and defer costs where possible. Investigations are already under way from legislators from all levels of government from local to the federal level and potentially multiple agencies. There are anti-profiteering laws in many states to prevent consumers from being taken advantage of and our gas manager, Utility Gas Management along with the numerous cities and potentially other parties impacted will exercise all legal remedies to recover damages owed to you, but as you know this will take time. There is absolutely no justification for a cost increase of this magnitude. It is appalling and **all efforts will be exhausted to make sure those who are responsible are not only brought to justice, but pay for damages along with any other potential civil or criminal penalties that can be assessed.**

It is important to note that you, the citizens, by turning back your thermostats when requested to do so greatly reduced the amount of gas purchased at these what we consider illegal prices thereby saving thousands of dollars in additional costs. Thank you for your efforts and know that we will do everything possible to recover every dime in overcharges.

Information provided by Lindsey Enloe, Utility Safety & Design, Inc. on 02/22/2021 at 4:11 pm.