

gas NEWS

Interstate Municipal Gas Agency

MAY-JUNE 2024

Issue 135

Ensuring Equal Protection for Natural Gas Consumers

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Imagine. You're finally moving into your dream home or that apartment in your dream location.

You're especially excited because your new place has natural gas. You can finally fulfill those home chef dreams by cooking on a gas stove that heats food faster and more precisely. As well, your new place is heated by natural gas, which is 3.3 times more affordable than electricity.

But imagine your surprise when you learn that the reliable natural gas you have been looking forward to using is more expensive than it has to be - not because the energy itself costs more but because of an inconsistency in federal law that allows large companies to rake in significant overcharges.

Laws that govern the transportation of natural gas across state lines - being carried in interstate pipelines - are outdated and not equivalent to the laws that govern the transmission of electricity across state lines - being carried over interstate power lines. These outdated laws make it difficult for federal regulators to enforce just and reasonable interstate gas transportation rates, which leads to higher costs for gas consumers like yourself.

But, Congress has recently stepped up to correct this lack of parity. Senator Richard Blumenthal and Senator Cindy Hyde-Smith have introduced the bipartisan "Making Pipelines Accountable to Consumers and Taxpayers Act" (MPACT Act).

Understanding FERC & Section 5 of the Natural Gas Act

Among its many responsibilities, the Federal Energy Regulatory Commission (FERC) is responsible for ensuring utilities and other customers are charged "just and reasonable" rates for the interstate transmission of natural gas

and electricity. These transportation costs directly correlate to the rates paid by consumers.

If a utility or other customer feels that its energy transportation rates are unfair, it can petition FERC directly to investigate and evaluate pricing. Under current law, if FERC determines the rate is unjust and unreasonable, electric transmission customers can receive refunds dating back to their complaint filing, which encourages swift settlement of cases. Affected downstream customers are then appropriately relieved of any overcharges, resulting in lower electric utility bills.

By contrast, for interstate natural gas customers, FERC's hands are tied. Even if FERC finds that the transportation rate is unjust and unreasonable, the Commission lacks the authority to mandate refunds dating back to when the complaint was filed. Without this capability, overcharging pipelines have no incentive to resolve the rate case and can draw it out. This only exacerbates the unjust financial burden on pipeline customers, including not-for-profit public gas utility customers, who have to pay a higher rate for longer and can't potentially receive any refund that would be passed along.

The Price of Overcharging

Pipelines have a demonstrated track record of over-collecting. Some pipelines averaged returns over 30% - doubling a reasonable benchmark of 12%. Twenty major interstate natural gas pipelines raked in an excess \$1.3 billion over this benchmark in 2022 alone. Every penny counts to Americans. Energy transportation costs influence energy costs, including monthly bills of public gas utility customers. Accordingly, refund authority is a safeguard helping keep rates reasonable not just for public gas systems, but for all relying on natural gas, even including for electric generation or the manufacturing of consumer goods.

Affordability Is at Stake

It is critical that energy remain affordable for all Americans. One out of six households, over 21 million Americans have fallen behind on utility bill payments. This past October, 17.1% of households reported keeping their



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homes at an unsafe temperature to save money and 26.7% reported foregoing basic necessities to pay their energy bills.

Compared to the average American household, low-income and minority households bear a disproportionate burden. A study found that residents of minority neighborhoods carry a higher energy burden than residents from the same wage bracket living in white neighborhoods, in part due to housing discrimination that results in minority families residing in neighborhoods with older housing stocks and smaller units. Preserving energy affordability, which reforming Section 5 of the Natural Gas Act would support, is vital.

Moving Forward: A Call for Consumer-Centric Policymaking

All Americans deserve to pay reasonable rates for their energy, especially if that energy is natural gas, as it is used by 60% of U.S. homes. The policy is correct for electricity transmission. The same refund capability should exist for natural gas transportation. It's time for Congress to pass the MPACT Act to reform Section 5 of the Natural Gas Act, ensuring just and reasonable rates and access to more affordable, reliable energy.

INVERSE RELATIONSHIP OF PRICE AND STORAGE

While there are many fundamental factors and technical factors that influence natural gas prices, this year the storage surplus has specifically been the driving force of the bearish natural gas market. During 2024, we have seen price bounce around due to weather, production cuts, and technical drivers, but none have outweighed the strength the storage overhang has had on this market since the beginning of the year. Below is a chart depicting the past year of the storage surplus versus the Henry Hub natural gas price.

Notice the inverse relationship between the price of natural gas and the storage overhang.

As the surplus continued to grow after the mid-January cold spell, price dwindled to the \$2.00 level during February and March. April brought small production cuts by a few suppliers. During May price crept upward as the cuts weighed on the surplus.

Summer is around the bend, and a heatwave could continue to evaporate that surplus sending price higher. So far this year, the storage surplus has been massive enough to outweigh all other forces; however, as that surplus erodes many other factors can and will influence this market.

US gas storage surplus vs rolling 5-year average



Source: S&P Global Commodity Insights, Energy Information Administration and CME Group

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