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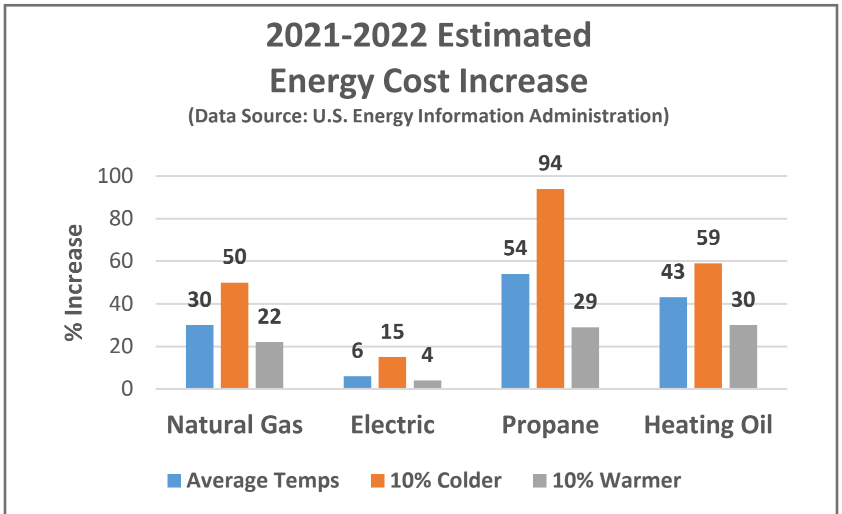
KANSAS CORPORATION COMMISSION

CONSUMER ALERT

Why are energy costs going up?

First, it is important to note that the U.S. Congress deregulated natural gas prices in the mid 1980's. As a result, prices are driven by the market. The cost utilities pay for energy is a direct pass through to its customers. Utilities do negotiate contracts with their suppliers and utilize hedging and storage to help manage costs, but overall, supply and demand plays a huge role in market prices.



The U.S. Energy Information Administration (EIA) calculated the percentage increases expected based on fuel type and winter temperatures (average, 10% warmer, 10% colder).

Natural gas storage levels have been below five-year average levels all summer and that continues. Coming out of Winter Storm Uri in February 2021, the nation's storage levels for natural gas were significantly depleted. This storage has been slow to refill for a variety of reasons:

1. Natural gas is used as a fuel for electric generation. Demand has been higher than average due to heat waves in the west and southern parts of the U.S. Plus, there was a need to replace hydroelectric production in the west due to record drought.

2. Energy shortages in Europe and Asia are fueling exports, which displaces production that might otherwise go to domestic storage and other uses.

3. Domestic production of natural gas has declined recently as offshore natural gas wells were disrupted from Hurricane Ida and extremely low energy prices during the pandemic caused shutdowns in domestic oil and gas wells.

4. U.S. producers are exporting record amounts of natural gas to Mexico, up 25% from a year earlier and 44% more than the previous five-year average.

Yet another factor that could affect supply is the arrival of winter weather, which will increase demand and lead to higher prices. How much will vary depending on where you live.

"High demand + lower than average supplies and storage = higher than expected prices"